

## HOUSE BILL No. 2201

AN ACT concerning telecommunications; relating to the state corporation commission, regulation; concerning the Kansas universal service fund, eligibility and disbursements; establishing the telecommunications study committee; concerning KAN-ED; amending K.S.A. 66-1,188, 66-1,191, 66-1,195, 66-2002, 66-2003 and 66-2007 and K.S.A. 2012 Supp. 66-1,187, 66-2005, 66-2006, 66-2008, 66-2009 and 75-7224 and repealing the existing sections.

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

New Section 1. (a) There is hereby established the telecommunications study committee. The committee shall study telecommunications issues, the Kansas universal service fund, the federal universal service fund, the creation of a state broadband fund to support the deployment of advanced telecommunications capability to all areas of the state, the statement of the public policy of Kansas, as expressed in K.S.A. 66-2001, and amendments thereto, and other telecommunications issues determined by the legislative coordinating council.

(b) (1) The study committee shall be composed of 20 voting members.

(2) Nine members shall be from the senate committee on utilities as follows:

- (A) The chairperson, vice-chairperson and ranking minority member;
- (B) five members appointed by the president of the senate; and
- (C) one member appointed by the minority leader of the senate.

(3) Eleven members shall be from the house committee on utilities and telecommunications as follows:

- (A) The chairperson, vice-chairperson and ranking minority member;
- (B) seven members appointed by the speaker of the house of representatives; and

(C) one member appointed by the minority leader of the house of representatives.

(c) Members shall be appointed to the study committee on or before August 1, 2013 for a term ending on June 30, 2015. The chairperson of the senate committee on utilities and the chairperson of the house committee on utilities and telecommunications shall serve as co-chairpersons of the committee. The co-chairpersons shall determine the procedures for calling a meeting to order and conducting committee business. The first meeting of the study committee shall be called by the co-chairpersons of the committee following the conclusion of the 2013 regular session of the Kansas legislature. The committee shall have the authority to meet at any time and at any place within the state on the call of the co-chairpersons.

(d) The provisions of the acts contained in article 12 of chapter 46 of the Kansas Statutes Annotated, and amendments thereto, applicable to special committees shall apply to the telecommunications study committee to the extent that the same do not conflict with the specific provisions of this act applicable to the study committee.

(e) A quorum of the telecommunications study committee shall be 11 members. All actions of the committee shall be taken by a majority of all of the members of the committee.

(f) Any vacancy in the membership of the committee shall be filled by appointment in the same manner prescribed by this section for the original appointment.

(g) (1) The department of revenue shall administer an audit of the Kansas universal service fund. The audit shall examine the overall efficiency and effectiveness of the KUSF. The department shall submit a final audit report to the telecommunications study committee on or before November 1, 2014.

(2) The telecommunications study committee shall determine the scope of the audit. The audit may include an analysis of the following:

(A) The total amount of KUSF support received expressed on a per-line basis;

(B) the total amount of rural utilities service debt or other debt, by recipient or related entity, and the maturity date, amortization and security for such debt;

(C) the capital expenditures on technology by type;

(D) affiliate transactions and transfers; and

(E) the compensation received by the recipient's executives, partners, members and board.

(3) The department may review or request any document filed with

the commission, including confidential data, so long as a non-disclosure agreement is signed by the auditors.

(4) The cost of the audit shall be paid from the KUSF.

(h) The telecommunications study committee shall provide an annual report to the senate committee on utilities and the house committee on utilities and telecommunications. The committee shall make recommendations and may introduce such legislation as it deems necessary in performing the committee's duties. The committee shall issue a report and policy recommendations for telecommunications to the senate committee on utilities, the senate committee on ways and means, the house committee on utilities and telecommunications and the house committee on appropriations prior to December 31, 2014.

(i) Members of the telecommunications study committee shall receive compensation, travel expenses and subsistence expenses as provided in K.S.A. 75-3212, and amendments thereto, when attending meetings of the committee.

(j) The staff of the office of the revisor of statutes, the legislative research department and the division of legislative administrative services shall provide such assistance as may be requested by the study committee.

(k) The provisions of this section shall expire on June 30, 2015.

Sec. 2. K.S.A. 2012 Supp. 66-1,187 is hereby amended to read as follows: 66-1,187. 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, *not to include an electing carrier*, 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, ~~except for electing carriers.~~

(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; E-911 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.

Sec. 3. K.S.A. 66-1,188 is hereby amended to read as follows: 66-1,188. The commission is given full power, authority and jurisdiction to supervise and control the ~~telecommunications public utilities~~ *local exchange carriers*, as defined in K.S.A. 66-1,187, *and amendments thereto*, doing business in Kansas, and is empowered to do all things necessary and convenient for the exercise of such power, authority and jurisdiction. *Notwithstanding the provisions of any other section, the commission shall have no jurisdiction to supervise or control telecommunications carriers or electing carriers except as provided for in subsections (y) and (z) of K.S.A. 66-2005, and amendments thereto.*

Sec. 4. K.S.A. 66-1,191 is hereby amended to read as follows: 66-1,191. The commission, upon its own initiative, may investigate all rates, joint rates, tolls, charges and exactions, classifications or schedules of rates or joint rates and rules and regulations of telecommunications public utilities *over which the commission has control*. If after full hearing and investigation the commission finds that such rates, joint rates, tolls, charges or exactions, classifications or schedules of rates or joint rates or rules and regulations are unjust, unreasonable, unjustly discriminatory or unduly preferential, the commission shall have the power to fix and order substituted therefor such rates, tolls, charges, exactions, classifications or schedules of rates or joint rates and such rules and regulations as are just and reasonable.

If upon any investigation it is found that any regulation, measurement, practice, act or service complained of is unjust, unreasonable, unreasonably inefficient or insufficient, unduly preferential, unjustly discriminatory, or otherwise in violation of this act or of the orders of the commission, or if it is found that any service is inadequate or that any reasonable service cannot be obtained, the commission may substitute therefor such other regulations, measurements, practices, service or acts, and make such order respecting any such changes in such regulations, measurements, practices, service or acts as are just and reasonable. When, in the judgment of the commission, public necessity and convenience require, the commission may establish just and reasonable concentration or other special rates, charges or privileges, but all such rates, charges and privileges shall be open to all users of a like kind of service under similar circumstances and conditions. Hearings shall be conducted in accordance

with the provisions of the Kansas administrative procedure act, unless, in the case of a general investigation, for good cause, the commission orders otherwise.

Sec. 5. K.S.A. 66-1,195 is hereby amended to read as follows: 66-1,195. The commission shall have general supervision of all telecommunications public utilities ~~doing business in this state~~ *over which the commission has control* and shall inquire into any neglect or violations of the laws of this state by any *such* telecommunications public utility or by the officers, agents or employees thereof. From time to time, the commission shall carefully examine and inspect the condition of each *such* telecommunications public utility, its equipment, the manner of its conduct and its management with reference to the public safety and convenience. Nothing in this section shall be construed as relieving any telecommunications public utility from its responsibility or liability for damage to person or property.

Sec. 6. K.S.A. 66-2002 is hereby amended to read as follows: 66-2002. 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, *and amendments thereto*;

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

(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, *and amendments thereto*;

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

(f) on or before January 1, 1997, establish, pursuant to K.S.A. 66-2006, *and amendments thereto*, 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, *and amendments thereto*, 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 amendments thereto*, 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~~

(m) on January 1, 2000, prepare and submit a report to the legisla-

ture. 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; and

(n) *report to the senate committee on utilities and the house committee on utilities and telecommunications by January 15, 2014 concerning the status of the federal communications commission's further notice of proposed rulemaking regarding Internet Protocol to Internet Protocol interconnection in WC docket nos. 10-90 et al., including, but not limited to, any final, non-appealable order issued in that proceeding regarding obligations to interconnect for the exchange of voice traffic regardless of the technology used to transmit that traffic that requires implementation by the commission.*

Sec. 7. K.S.A. 66-2003 is hereby amended to read as follows: 66-2003.

(a) On or before September 1, 1996, the commission shall begin to authorize applications for certificates of public convenience and necessity to provide local exchange or exchange access service.

(b) A local exchange carrier *and an electing carrier* shall be required to offer to allow reasonable resale of its retail telecommunications services and to sell unbundled local loop, switch and trunk facilities to telecommunications carriers, as required by the federal act and pursuant to negotiated agreements or a statement of terms and conditions generally available to telecommunications carriers.

(c) To encourage telecommunications carriers to build or install telecommunications facilities, including, but not limited to, local loop and switching facilities in the state, and except as otherwise negotiated by a local exchange carrier *or electing carrier* and a telecommunications carrier, the prices for such unbundled facilities shall be determined by the commission, on a nondiscriminatory basis, to permit the recovery of costs and a reasonable profit. The commission shall determine wholesale rates on the basis of retail rates charged subscribers for the telecommunications service requested, excluding the portion thereof attributable to any marketing, billing, collection and other costs, that will be avoided by the local exchange carrier. The commission shall approve resale restrictions proposed by any local exchange carrier *or electing carrier* which prohibit resellers from purchasing retail telecommunications services offered by that local exchange carrier *or electing carrier* to one category of customers and reselling those retail services to a different category of customers. Upon a finding that such practice would be anticompetitive, anticonsumer or detrimental to the quality of the network infrastructure, the commission may prohibit the resale of retail services at a rate lower than the wholesale rate. The commission shall approve any other reasonable limitation on resale to the extent permitted by the federal act.

(d) As provided in the federal act, in order for telecommunications carriers to provide local exchange service and exchange access service, local exchange carriers *and electing carriers* shall provide the means to interconnect their respective customers, including, but not limited to, toll access, access to operator services, access to directory listings and assistance, and access to E-911 service.

(e) Customers shall be accorded number portability and local dialing parity in conformance with national standards to the extent economically and technically feasible. Terms and prices for interconnection, unbundled facilities and resale of existing retail telecommunications services shall be negotiated in good faith between the parties. During the period from the 135th through the 160th day after the date on which an incumbent local exchange carrier *or electing carrier* receives a request for negotiation under this section, the carrier or any other party to the negotiation may petition the commission to arbitrate any open issues. Arbitration shall occur in conformance with the provisions of section 252 of the federal act.

(f) The commission shall require, consistent with the terms of the federal act, that 1+ intraLATA dialing parity be provided by all local exchange carriers, *electing carriers* and telecommunications carriers coincidentally with the provision of in-region interLATA toll services in the

state by local exchange carriers *or electing carriers* with more than 150,000 access lines or their affiliates.

Sec. 8. K.S.A. 2012 Supp. 66-2005 is hereby amended to read as follows: 66-2005. (a) Each local exchange carrier shall file a network infrastructure plan with the commission on or after January 1, 1997, and prior to January 1, 1998. Each plan, as a part of universal service protection, shall include schedules, which shall be approved by the commission, for deployment of universal service capabilities by July 1, 1998, and the deployment of enhanced universal service capabilities by July 1, 2003, as defined pursuant to subsections (p) and (q) of K.S.A. 66-1,187, and amendments thereto, respectively. With respect to enhanced universal service, such schedules shall provide for deployment of ISDN, or its technological equivalent, or broadband facilities, only upon a firm customer order for such service, or for deployment of other enhanced universal services by a local exchange carrier. After receipt of such an order and upon completion of a deployment plan designed to meet the firm order or otherwise provide for the deployment of enhanced universal service, a local exchange carrier shall notify the commission. The commission shall approve the plan unless the commission determines that the proposed deployment plan is unnecessary, inappropriate, or not cost effective, or would create an unreasonable or excessive demand on the KUSF. The commission shall take action within 90 days. If the commission fails to take action within 90 days, the deployment plan shall be deemed approved. This approval process shall continue until July 1, 2000. Each plan shall demonstrate the capability of the local exchange carrier to comply on an ongoing basis with quality of service standards to be adopted by the commission no later than January 1, 1997.

(b) In order to protect universal service, facilitate the transition to competitive markets and stimulate the construction of an advanced telecommunications infrastructure, each local exchange carrier shall file a regulatory reform plan at the same time as it files the network infrastructure plan required in subsection (a). As part of its regulatory reform plan, a local exchange carrier may elect traditional rate of return regulation or price cap regulation. Carriers that elect price cap regulation shall be exempt from rate base, rate of return and earnings regulation and shall not be subject to the provisions of K.S.A. 66-136 and 66-127, and amendments thereto, except as otherwise provided in such sections. However, the commission may resume such regulation upon finding, after a hearing, that a carrier that is subject to price cap regulation has: Violated minimum quality of service standards pursuant to subsection (l) of K.S.A. 66-2002, and amendments thereto; been given reasonable notice and an opportunity to correct the violation; and failed to do so. Regulatory reform plans also shall include:

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

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

(c) Subject to the commission's approval, all local exchange carriers shall reduce intrastate access charges to interstate levels as provided herein. Rates for intrastate switched access, and the imputed access portion of toll, shall be reduced over a three-year period with the objective of equalizing interstate and intrastate rates in a revenue neutral, specific and predictable manner. The commission is authorized to rebalance local residential and business service rates to offset the intrastate access and toll charge reductions. Any remaining portion of the reduction in access

and toll charges not recovered through local residential and business service rates shall be paid out from the KUSF pursuant to K.S.A. 66-2008, and amendments thereto. Each rural telephone company shall adjust its intrastate switched access rates on March 1 of each odd-numbered year to match its interstate switched access rates, subject to the following:

(1) Any reduction of a rural telephone company's cost recovery due to reduction of its ~~interstate~~-intrastate access revenue, *except such revenue recovered from another support mechanism*, shall be recovered from the KUSF;

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

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

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

(e) For purposes of determining sufficient KUSF support, an affordable rate for local exchange service provided by a rural telephone company subject to traditional rate of return regulation shall be determined as follows:

(1) For residential service, an affordable rate shall be the arithmetic mean of residential local service rates charged in this state in all exchanges served by rural telephone companies and in all exchanges in rate groups 1 through 3 as of February 20, 2002, of all other local exchange carriers, but not including electing carriers, weighted by the number of residential access lines to which each such rate applies, and thereafter rounded to the nearest quarter-dollar, subject to the following provisions:

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

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

(C) As of March 1, 2007, and each two years thereafter, an affordable residential service rate shall be the weighted arithmetic mean of local service rates determined as of October 1 of the preceding year in the manner hereinbefore specified, except that any increase in such mean

exceeding \$2 may be satisfied by increases in a rural telephone company's residential monthly service rate not exceeding \$2 per year, effective March 1 of the year when such mean is determined, with the remainder applied at the rate of \$2 per year, but not to exceed the affordable rate.

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

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

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

(5) A rural telephone company which raises one or more local service rates on application made after February 20, 2002, and pursuant to subsection (b) of K.S.A. 66-2007, and amendments thereto, shall have the level of its affordable rate increased by an amount equal to the amount of the increase in such rate.

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

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

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

(f) For regulatory reform plans in which price cap regulation has been elected, price cap plans shall have three baskets: Residential and single-line business, including touch-tone; switched access services; and miscellaneous services. The commission shall establish price caps at the prices existing when the regulatory plan is filed subject to rate rebalancing as provided in subsection (c) for residential services, including touch-tone services, and for single-line business services, including touch-tone services, within the residential and single-line business service basket. The commission shall establish a formula for adjustments to the price caps. The commission also shall establish price caps at the prices existing when the regulatory plan is filed for the miscellaneous services basket. The commission shall approve any adjustments to the price caps for the miscellaneous service basket, as provided in subsection (g).

(g) On or before January 1, 1997, the commission shall issue a final order in a proceeding to determine the price cap adjustment formula that shall apply to the price caps for the local residential and single-line business and the miscellaneous services baskets and for sub-categories, if any, within those baskets. In determining this formula, the commission shall balance the public policy goals of encouraging efficiency and promoting investment in a quality, advanced telecommunications network in the

state. The commission also shall establish any informational filing requirements necessary for the review of any price cap tariff filings, including price increases or decreases within the caps, to verify such caps would not be exceeded by any proposed price change. The adjustment formula shall apply to the price caps for the local residential and single-line business basket after December 31, 1999, and to the miscellaneous services basket after December 31, 1997. The price cap formula, but not actual prices, shall be reviewed every five years.

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

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

(j) The price caps for the miscellaneous services basket shall be adjusted annually after December 31, 1997, based on the adjustment formula determined by the commission under subsection (g).

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

(l) A local exchange carrier may offer promotions within an exchange or group of exchanges. All promotions shall be approved by the commission and may not be unjust, unreasonably discriminatory or unduly preferential.

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

(n) On or before July 1, 1997, the commission shall establish guidelines for reducing regulation prior to price deregulation of price cap regulated services in the miscellaneous services basket, the switched access services basket, and the residential and single-line business basket.

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

(p) A local exchange carrier may petition the commission to designate an individual service or service category, if any, within the miscellaneous services basket, the switched access services basket or the residential and single-line business basket for reduced regulation. The commission shall act upon a petition for reduced regulation within 21 days, subject to an extension period of an additional 30 days, and upon a good cause showing of the commission in the extension order, or within such shorter time as the commission shall approve. The commission shall issue a final order within the 21-day period or within a 51-day period if an extension has been issued. Following an order granting reduced regulation of an individual service or service category, the commission shall act on any request for price reductions within seven days subject to a 30-day extension. The

commission shall act on other requests for price cap adjustments, adjustments within price cap plans and on new service offerings within 21 days subject to a 30-day extension. Such a change will be presumed lawful unless it is determined the prices are below the price floor or that the price cap for a category, if any, within the entire basket has been exceeded.

(q) (1) Beginning July 1, 2006, price regulation of telecommunications services in the residential and single-line business service basket and the miscellaneous services basket for local exchange carriers subject to price cap regulation shall be as follows:

(A) Packages or bundles of services shall be price deregulated statewide, however the individual telecommunication service components of such packages or bundles shall remain available for purchase on an individual basis at prices subject to price cap regulation in any exchange in which the standards in subsection (q)(1)(B), (C) or (D) have not been met. If standards in subsection (q)(1)(B), (C) or (D) have been met, the individual telecommunication service components of such packages or bundles shall remain available for purchase on an individual basis and prices for packages or bundles shall not exceed the sum of the highest prices of the a la carte components of the package or bundle;

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

(C) 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;

(D) 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;

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

(F) up to and continuing until July 1, 2008, rates for the initial residential local exchange access line and up to four business local exchange access lines at one location shall remain subject to price cap regulation. On and after July 1, 2008, the local exchange carrier shall be authorized to adjust such rates without commission approval by not more than the percentage increase in the consumer price index for all urban consumers, as officially reported by the bureau of labor statistics of the United States department of labor, or its successor index, in any one year period and such rates shall not be adjusted below the price floor established in subsection (k). Such rates shall not be affected by purchase of one or more of the following: Call management services, intraLATA long distance service or interLATA long distance service; and

(G) local exchange carriers shall offer a uniform price throughout each such exchange for services subject to price deregulation, under this subsection, including packages or bundles of services, except as provided in subsection (1) or as otherwise approved by the commission.

(2) For the purposes of this subsection:

(A) Any entity providing voice service shall be considered as a local

telecommunications service provider regardless of whether such entity is subject to regulation by the commission;

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

(C) telecommunications carriers offering only prepaid telecommunications service shall not be considered entities providing local telecommunications service.

(3) If the services of a local exchange carrier are classified as price deregulated under this subsection, the carrier may thereafter adjust its rates for such price deregulated services upward or downward as it determines appropriate in its competitive environment, with tariffs for such services deemed effective upon filing with the commission. Price deregulated services shall be subject to the price floor in subsection (k), and shall not be unreasonably discriminatory or unduly preferential within an exchange.

(4) The commission shall act upon a petition filed pursuant to subsection (q)(1)(C) or (D) within 21 days, subject to an extension period of an additional 30 days, and upon a good cause showing of the commission in the extension order, or within such shorter time as the commission shall approve. The commission shall issue a final order within the 21-day period or within a 51-day period if an extension order has been issued.

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

(6) The commission on July 1, 2006, and on each date that any service is deregulated, shall record the rates of each service which has been price deregulated in each exchange.

(7) Prior to January 1, 2007, the commission shall determine the weighted, statewide average rate of nonwireless basic local telecommunications service as of July 1, 2006. Prior to January 1, 2007, and annually thereafter, the commission shall determine the weighted, average rate of nonwireless basic local telecommunications services in exchanges that have been price deregulated pursuant to subsection (q)(1)(B), (C) or (D). The commission shall report its findings on or before February 1, 2007, and annually thereafter to the governor, the legislature and each member of the standing committees of the house of representatives and the senate which are assigned telecommunications issues. The commission shall also provide in such annual report information on the current rates for services provided by all telecommunications carriers or other telecommunications service providers regardless of the technology used to provide service in price deregulated exchanges, service offerings provided by all telecommunications carriers or other telecommunications service providers regardless of the technology used and available in price deregulated exchanges and the number of competitors in price deregulated exchanges including, but not limited to, facilities based carriers, commercial mobile radio service or broadband based service providers.

(8) For the purposes of this subsection:

(A) “Packages or bundles of services” means the offering of a local telecommunications service with one or more of the following, subscribed together, as one service option offered at one price, one or more call management services, intraLATA long distance service, interLATA long distance service, internet access, video services or wireless services. Packages or bundles of services shall not include only a single residential local exchange access line or up to four business local exchange access lines at one location and intraLATA long distance service or interLATA long distance service, or both;

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

(C) “broadband network” means a connection that delivers services at speeds exceeding two hundred kilobits per second in both directions;

(D) “prepaid telecommunications service” means a local service for which payment is made in advance that excludes access to operator assistance and long distance service;

(E) “facilities based carrier” means a telecommunications carrier or entity providing local telecommunications service either wholly or partially over its own network. Facilities based carrier shall not include any radio communication services provider licensed by the federal communications commission to provide commercial mobile radio services; and

(F) “call management services” means optional telecommunications services that allow a customer to manage call flow generated over the customer’s local exchange access line.

(r) (1) Upon complaint or request, the commission may investigate a price deregulated service.

(2) The commission shall resume price cap regulation of a service provided in any exchange area by placing it in the appropriate service basket, as approved by the commission, upon a determination by the commission that the conditions in subsection (q)(1)(C) or (D) are no longer satisfied in that exchange area.

(3) The commission shall resume price cap regulation of business services in any exchange meeting the conditions of subsection (q)(1)(B) by placing it in the appropriate service basket, as approved by the commission, upon a determination by the commission that the following condition is not met: There are at least two 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 such nonaffiliated carriers or entities shall be a provider of commercial mobile radio services in that exchange.

(4) The commission shall resume price cap regulation of residential services in any exchange meeting the conditions of subsection (q)(1)(B) by placing it in the appropriate service basket, as approved by the commission, upon a determination by the commission that the following condition is not met: There are at least 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 such nonaffiliated carriers or entities shall be a provider of commercial mobile radio services in that exchange.

(s) The commission shall require that for all local exchange carriers all such price deregulated basic intraLATA toll services be geographically averaged statewide and not be priced below the price floor established in subsection (k).

(t) Cost studies to determine price floors shall be performed as required by the commission in response to complaints. In addition, notwithstanding the exemption in subsection (b), the commission may request information necessary to execute any of its obligations under the act. In response to a complaint that a price deregulated service is priced below the price floor set forth in subsection (k), the commission shall issue an order within 60 days after the filing of the complaint unless the complainant agrees to an extension.

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

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

(w) ~~Telecommunications carriers shall not be subject to price regulation, except that. Access charge reductions shall be passed through to consumers by reductions in basic intrastate toll prices, and basic toll prices shall remain geographically averaged statewide. As required under K.S.A. 66-131, and amendments thereto, and except as provided for in subsection (c) of K.S.A. 66-2004, and amendments thereto, telecommunications carriers that were not authorized to provide switched local exchange telecommunications services in this state as of July 1, 1996, including cable television operators who have not previously offered telecommunications~~

services, must receive a certificate of convenience based upon a demonstration of technical, managerial and financial viability and the ability to meet quality of service standards established by the commission. Any telecommunications carrier or other entity seeking such certificate shall file a statement, which shall be subject to the commission's approval, specifying with particularity the areas in which it will offer service, the manner in which it will provide the service in such areas and whether it will serve both business customers and residential customers in such areas. Any structurally separate affiliate of a local exchange carrier that provides telecommunications services shall be subject to the same regulatory obligations and oversight as a telecommunications carrier, as long as the local exchange carrier's affiliate obtains access to any services or facilities from its affiliated local exchange carrier on the same terms and conditions as the local exchange carrier makes those services and facilities available to other telecommunications carriers. ~~The commission shall oversee telecommunications carriers to prevent fraud and other practices harmful to consumers and to ensure compliance with quality of service standards adopted for all local exchange carriers and telecommunications carriers in the state.~~

(x)(1) Any local exchange carrier with a majority of the carrier's local exchange access lines in the state price deregulated pursuant to subsection (q) may elect to no longer be regulated as a local exchange carrier and, notwithstanding any other provisions, upon such election shall instead be regulated as a telecommunications carrier, except as provided in this subsection. A local exchange carrier making such election shall be referred to as an "electing carrier." A local exchange carrier may make such election by providing the commission with at least 90 days' written notice of election. The notice of election shall include a verified statement that a majority of the carrier's local exchange access lines are price deregulated. Such notification shall include information regarding the number of access lines the carrier serves in each of the carrier's exchanges. Within 45 days of receipt of such a notification, the commission shall review the information concerning the carrier's local exchange access lines and upon failure of the commission, within 45 days of receipt of the notification, to determine that a majority of such lines of the carrier are not price deregulated the commission shall designate the carrier as an electing carrier.

~~(2) An electing carrier shall not be subject to price regulation and shall be subject to nondiscriminatory regulation by the commission in the same manner as and subject to no more regulation than other telecommunications carriers operating in the state, except that the carrier shall remain subject to:~~

~~(A) The reasonable resale of retail telecommunications services, as well as unbundling and interconnection obligations as required by K.S.A. 66-2003, and amendments thereto;~~

~~(B) the requirements of subsection (c) concerning intrastate access charges;~~

~~(C) the requirements of the KLSP, as required by K.S.A. 66-2006, and amendments thereto;~~

~~(D) price cap regulation for lifeline services; and~~

~~(E) shall remain eligible to receive KUSF funding.~~

~~(3) An electing carrier's rates for single residential or business local exchange access lines in its rural exchanges shall be no higher than the average of such rates for single residential or business local exchange access lines respectively in its urban exchanges.~~

~~(4) An electing carrier may elect to be relieved of the requirement to serve as carrier of last resort, as required by K.S.A. 66-2000, and amendments thereto, by providing written notification to the commission of the specific urban exchanges for which the electing carrier is electing to be relieved of carrier of last resort obligations, in the electing carrier's urban exchanges.~~

~~(5) Notwithstanding any other provision of law to the contrary, an electing carrier that notifies the commission that the electing carrier chooses to be relieved of carrier of last resort obligations in specific urban exchanges or any local exchange carrier that does not have a carrier of last resort obligation in a specific exchange shall not be eligible for KUSF funding for carrier of last resort obligations, as required by K.S.A. 66-2000, and amendments thereto, or high cost support in those specific~~

~~exchanges, but would remain eligible for KUSF support for Kansas lifeline service program purposes.~~

~~(6) Notwithstanding the provisions of this subsection (x), an electing carrier shall offer single residential local exchange access lines in the electing carrier's exchanges.~~

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

~~(A) "Facilities based carrier" means a telecommunications carrier or entity providing local telecommunications service either wholly or partially over its own network. Facilities based carrier shall not include any radio communication services provider licensed by the federal communications commission to provide commercial mobile radio services;~~

~~(B) "rural exchange" means any exchange in which there are fewer than 6,000 local exchange access lines served by the electing carrier and all facilities based carriers; and~~

~~(C) "urban exchange" means any exchange in which there are 75,000 or more local exchange access lines served by the electing carrier and all facilities based carriers.~~

(y) Notwithstanding the provisions of this act, *and subject to any applicable exemption from interconnection generally*, a telecommunications carrier is entitled to interconnection with a *local exchange carrier* or an electing carrier to transmit and route voice traffic between both the telecommunications carrier and the *local exchange carrier* or electing carrier regardless of the technology by which the voice traffic is originated by and terminated to a consumer. The commission shall afford such telecommunications carrier all substantive and procedural rights available to such carrier regarding interconnection pursuant to 47 U.S.C. §§ 251 and 252 as in effect on the effective date of this act. *Nothing in this subsection shall be construed to confer jurisdiction upon the commission for services that are exempt from or otherwise not subject to commission jurisdiction.*

(z) (1) *Telecommunications carriers and electing carriers shall not be subject to regulation by the commission for the provision of telecommunications services, except that the commission shall retain the authority and jurisdiction to authorize applications, suspension or cancellation of certificates of public convenience and necessity to provide local exchange or exchange access service in the state of Kansas, but the commission may not use this certification authority to regulate telecommunications carriers or electing carriers beyond the jurisdiction provided the commission in this subsection.*

(2) *Nothing in this section shall be construed to restrict the commission's authority and jurisdiction to:*

(A) *Carry out the commission's obligations established in 47 U.S.C. §§ 251 and 252;*

(B) *implement rules delegated to the state by the federal communications commission or federal law; or*

(C) *regulate intrastate switched access rates, terms and conditions, including the implementation of federal law concerning intercarrier compensation.*

(3) *The commission shall retain the authority and jurisdiction to:*

(A) *Carry out the commission's obligations pursuant to the underground utilities damage prevention act, K.S.A. 66-1801 et seq., and amendments thereto, and the overhead power line accident prevention act, K.S.A. 66-1709 et seq., and amendments thereto;*

(B) *require the reasonable resale of retail telecommunications services, as well as unbundling and interconnection obligations as required by K.S.A. 66-2003, and amendments thereto;*

(C) *administer the Kansas lifeline service program pursuant to K.S.A. 66-2006, and amendments thereto;*

(D) *administer contributions to the Kansas universal service fund pursuant to subsection (a) of K.S.A. 66-2008, and amendments thereto;*

(E) *assess costs and expenses pursuant to K.S.A. 66-1501 et seq., and amendments thereto, but the commission shall not use this authority to regulate telecommunications carriers or electing carriers beyond the jurisdiction provided the commission in this subsection;*

(F) *request information from telecommunications carriers and electing carriers pursuant to K.A.R. 82-1-234a(b) and subject to the provisions of K.A.R. 82-1-221a and K.S.A. 66-1220a, and amendments thereto, but the commission shall not use this authority to regulate telecommunications*

*carriers or electing carriers beyond the jurisdiction provided the commission in this subsection; and*

*(G) administer consumer complaints against telecommunications carriers and electing carriers to investigate fraud, undue discrimination and other practices harmful to consumers, but the commission shall not use this authority to regulate telecommunications carriers or electing carriers beyond the jurisdiction provided the commission in this subsection.*

Sec. 9. K.S.A. 2012 Supp. 66-2006 is hereby amended to read as follows: 66-2006. (a) On or before January 1, 1997, the commission shall establish the Kansas lifeline service program, hereinafter referred to as the KLSP. The purpose of the KLSP shall be to promote the provision of universal service by local exchange carriers to persons with low income. The KLSP shall be targeted to maintain affordable rates for residential local exchange service. The commission shall approve a means test to determine the eligibility of customers for such low-income assistance.

~~(b) Every local exchange carrier providing residential local telecommunications services that have been price deregulated in this state pursuant to subsection (q) of K.S.A. 66-2005, and amendments thereto, shall, and any other~~ A local exchange carrier, *electing carrier* or telecommunications carrier may, automatically enroll its existing and eligible customers in the KLSP, subject to the following:

(1) On or before January 1, 2009, the department of social and rehabilitation services, hereinafter referred to as the department, or any other successor state agency, may provide each participating carrier a list of those persons residing in the state that participate in programs which also qualify such persons to receive KLSP services. This listing shall consist of those persons who have consented to the release of their personal information to the KLSP carrier to receive KLSP services and include at a minimum the name, address and telephone number of such persons. Every six months thereafter, the department may provide to each participating carrier an updated list of persons consenting to such KLSP services. The secretary of the department may adopt rules and regulations to coordinate the acquisition and provision of the information to be provided pursuant to this subsection (b).

(2) The participating carrier shall use the list for the sole purpose of identifying those of its existing customers to whom it is currently providing telephone service.

(3) The participating carrier shall discontinue providing KLSP services to an eligible customer if the eligible customer notifies the participating carrier that the customer wishes to discontinue receiving those services.

(4) Each participating carrier receiving customer information pursuant to this subsection (b) shall execute a confidentiality agreement with the department prior to receiving non-public customer eligibility information. The agreement will specify that the customer information is released by the department to the participating carrier for the sole purpose of providing KLSP to eligible customers, and that the information cannot be released or used by the carrier for any other purpose unless authorized by the customer or otherwise required by law.

(c) To generate and facilitate participation in the lifeline service program, provide choice for Kansas consumers, and allow collection of federal lifeline program reimbursements, the KCC shall approve a wireline (non-CMRS) facilities-based telephone service provider's application for eligible telecommunications carrier, hereinafter referred to as the ETC, designation in a nonrural service area for the purpose of receiving low-income federal universal service fund support for participation in the lifeline service program, for the area equal to the applicant provider's own service area, provided the applicant provider meets all other ETC eligibility requirements. The commission, however, may condition that such designation remain consistent with the guidelines of the federal program.

*(d) Telecommunications carriers and electing carriers may cease participation in the KLSP at any time upon provision of 90-days prior written notification to the commission. Telecommunications carriers and electing carriers participating in the KLSP shall be eligible to receive KUSF support for KLSP services, but shall not be subject to any regulation by the*

*commission based on such participation other than that provided for in subsection (z) of K.S.A. 66-2005, and amendments thereto.*

Sec. 10. K.S.A. 66-2007 is hereby amended to read as follows: 66-2007. (a) All local exchange carriers ~~and telecommunications carriers~~, *not including electing carriers*, providing long distance service in Kansas shall reduce their statewide averaged basic long distance rates to reflect the net reductions in access charges; however, such carriers shall be allowed to increase long distance rates to reflect the KUSF funding requirements set forth in K.S.A. 66-2008, *and amendments thereto.*

(b) The commission shall approve, upon not more than 120 days' notice, any basic local exchange price increases that in the aggregate in any one year are \$1.50 or less per access line per month, that are proposed by any rural telephone company which is subject to traditional rate of return regulation and that comply with the requirements of this section. Any such proposed price increases shall be presumed reasonable and not subject to commission investigation and review if the rural telephone company has followed the notice requirements set forth below. However, the commission shall initiate an investigation if more than 15% of the subscribers subject to the rate increase request such an investigation within 60 days of the date of distribution of the notice of the proposed change. Upon filing such an application for a rate increase, any rural telephone company seeking expedited approval of the proposed rate under this section shall send a notice to its subscribers by regular mail, which may be included with regular subscriber mailings. Such mailings shall include the name, mailing address and telephone number of the commission. The notice shall include a schedule of the proposed local exchange rates, the effective date of the rates and a description of the procedures by which the subscribers can petition the commission to determine the reasonableness of the proposed rates, including a provision specifically stating that protest by 15% or more of subscribers subject to the proposed rate increase would require the commission to initiate an investigation concerning the reasonableness of the proposed rate increase.

(c) The commission shall have the right to investigate and determine the reasonableness of an increase in local exchange rates and charges under subsection (b) by any rural telephone company within one year of the time local exchange rates or charges are increased. If the commission determines such rate or charge increases are unreasonable, the commission shall have the authority to order a rate hearing and, after such hearing, shall have the authority to rescind all or any portion of the increases found to be unreasonable.

Sec. 11. K.S.A. 2012 Supp. 66-2008 is hereby amended to read as follows: 66-2008. On or before January 1, 1997, the commission shall establish the Kansas universal service fund, hereinafter referred to as the KUSF.

(a) The commission shall require every telecommunications carrier, telecommunications public utility and wireless telecommunications service provider that provides intrastate telecommunications services and, to the extent not prohibited by federal law, every provider of interconnected VoIP service, as defined by 47 C.F.R. § 9.3 (October 1, 2005), to contribute to the KUSF on an equitable and nondiscriminatory basis. Any telecommunications carrier, telecommunications public utility, wireless telecommunications service provider or provider of interconnected VoIP service which contributes to the KUSF may collect from customers an amount equal to such carrier's, utility's or provider's contribution, but such carrier, provider or utility may collect a lesser amount from its customer.

Any contributions in excess of distributions collected in any reporting year shall be applied to reduce the estimated contribution that would otherwise be necessary for the following year.

(b) Pursuant to the federal act, distributions from the KUSF shall be made in a competitively neutral manner to qualified telecommunications public utilities, telecommunications carriers and wireless telecommunications providers, that are deemed eligible both under subsection (e)(1) of section 214 of the federal act and by the commission.

(c) *Beginning January 1, 2014:*

(1) *Annual distributions from the KUSF for a local exchange carrier*

subject to price cap regulation pursuant to K.S.A. 66-2005, and amendments thereto, shall be capped at the lesser of:

- (A) 90% of KUSF support the carrier received for the 12-month period ending February 28, 2013; or
- (B) \$11,400,000.

The amounts prescribed in subparagraph (A) or (B) shall not include KUSF support for Kansas lifeline service program purposes, pursuant to K.S.A. 66-2006, and amendments thereto.

(2) Local exchange carriers subject to price cap regulation pursuant to K.S.A. 66-2005, and amendments thereto, shall not receive KUSF support for any residential or business lines within an exchange that the commission has granted price deregulation pursuant to subsections (q)(1)(B), (C) or (D) of K.S.A. 66-2005, and amendments thereto, except for areas within any census block in such an exchange in which there is no wireline carrier providing local exchange access lines that does not receive KUSF support, not including KUSF support for Kansas lifeline service program purposes pursuant to K.S.A. 66-2006, and amendments thereto, for such access lines.

(3) Local exchange carriers subject to price cap regulation pursuant to K.S.A. 66-2005, and amendments thereto, shall receive the same per line, per month KUSF support as established in the April 13, 2000 notice in commission docket numbers 99-GIMT-326-GIT and 00-GIMT-236-GIT subject to the cap percentage in subsection (c)(1), not including KUSF support for Kansas lifeline service program purposes pursuant to K.S.A. 66-2006, and amendments thereto, except that the amount shall be reduced by any funding received by such carrier from the federal communication commission's connect America fund II for the same household, if feasible, or for the same census block.

(4) The commission shall discontinue the use of the "identical support" rule and shall cap all competitive eligible telecommunications carriers' KUSF high cost support as of March 1, 2013, and beginning March 1, 2014, over a period of four years in annual equal increments, reduce to zero, beginning March 1, 2018, the amount of KUSF high cost support received by competitive eligible telecommunications carriers. Nothing in this section shall be construed to affect competitive eligible telecommunications carriers' eligibility for Kansas lifeline service program purposes pursuant to K.S.A. 66-2006, and amendments thereto. For the purposes of this subsection, "competitive eligible telecommunications carrier" means a telecommunications carrier designated by the commission as an eligible telecommunications carrier after January 1, 1998. "Competitive eligible telecommunications carrier" shall not mean any local exchange carrier or any electing carrier designated by the commission as an eligible telecommunications carrier by order dated December 5, 1997, in docket No. 98-GIMT-241-GIT, or any such local exchange carrier's or electing carrier's successors or assigns.

(5) An electing carrier shall no longer be eligible to receive high cost support from the KUSF.

(d) (1) Subject to paragraph (2), the commission may periodically review the KUSF to determine if the costs of qualified telecommunications public utilities, telecommunications carriers and wireless telecommunications service providers to provide local service justify modification of the KUSF. If the commission determines that any changes are needed, the commission shall modify the KUSF accordingly and annually report such changes to the senate standing committee on utilities and the house standing committee on utilities and telecommunications.

(2) The commission shall periodically review the KUSF to determine if the costs of qualified telecommunications public utilities, telecommunications carriers and wireless telecommunications service providers to provide local service justify modification of the KUSF. If the commission determines that any changes are needed, the commission shall modify the KUSF accordingly undertake a review of the capped amount of KUSF support available for each local exchange carrier operating under price cap regulation that receives such support, not including Kansas lifeline service program purposes pursuant to K.S.A. 66-2006, and amendments thereto, and determine if a lesser amount is appropriate for KUSF distributions after March 1, 2019. Reviews of such carriers shall be based on the forward-looking costs of providing basic voice service, using inputs that reflect the actual geography being served and that reflect the scale

*and scope of the local exchange carrier providing basic local voice service within each exchange.*

~~(d) Any qualified telecommunications carrier, telecommunications public utility or wireless telecommunications service provider may request supplemental funding from the KUSF based upon a percentage increase in access lines over the 12-month period prior to the request. The supplemental funding shall be incurred for the purpose of providing services to and within the service area of the qualified telecommunications carrier, telecommunications public utility or wireless telecommunications service provider. Supplemental funding from the KUSF shall be used for infrastructure expenditures necessary to serve additional customers within the service area of such qualifying utility, provider or carrier. All affected parties shall be allowed to review and verify a request of such a qualified utility, carrier or provider for supplemental funding from the KUSF, and to intervene in any commission proceeding regarding such request. The commission shall issue an order on the request within 120 days of filing. Additional funding also may be requested for: The recovery of shortfalls due to additional rebalancing of rates to continue maintenance of parity with interstate access rates; shortfalls due to changes to access revenue requirements resulting from changes in federal rules; additional investment required to provide universal service and enhanced universal service, deployed subject to subsection (a) of K.S.A. 66-2005, and amendments thereto; and for infrastructure expenditures in response to facility or service requirements established by any legislative, regulatory or judicial authority. Such requests shall be subject to simplified filing procedures and the expedited review procedures, as outlined in the stipulation attached to the order of November 19, 1990 in docket no. 127,140-U (Phase IV).~~

(e) (1) For each local exchange carrier electing pursuant to subsection (b) of K.S.A. 66-2005, and amendments thereto, to operate under traditional rate of return regulation, all KUSF support, including any adjustment thereto pursuant to this section shall be based on such carrier's embedded costs, revenue requirements, investments and expenses. *Until at least March 1, 2017, any modification of such support shall be made only as a direct result of changes in those factors enumerated in this subsection. Nothing in this subsection shall prohibit the commission from conducting a general investigation regarding effects of federal universal service reform on KUSF support and the telecommunications public policy of the state of Kansas as expressed in K.S.A. 66-2001, and amendments thereto. The commission may present any findings and recommendations to the telecommunications study committee established in section 1, and amendments thereto.*

(2) *Notwithstanding any other provision of law, no KUSF support received by a local exchange carrier electing pursuant to subsection (b) of K.S.A. 66-2005, and amendments thereto, to operate under traditional rate of return regulation shall be used to offset any loss of federal universal service fund support for such carrier, except that such limitation on KUSF support shall not preclude recovery of reductions in intrastate access revenue pursuant to subsection (c) of K.S.A. 66-2005, and amendments thereto.*

(3) *Notwithstanding any other provision of law, the total KUSF distributions made to all local exchange carriers operating under traditional rate of return regulation pursuant to subsection (b) of K.S.A. 66-2005, and amendments thereto, shall not exceed an annual \$30,000,000 cap. A waiver of the cap shall be granted based on a demonstration by a carrier that such carrier would experience significant hardship due to force majeure or natural disaster as determined by the commission.*

(f) Additional supplemental funding from the KUSF, other than as provided in subsection ~~(d)~~(e), may be authorized at the discretion of the commission. However, the commission may require approval of such funding to be based upon a general rate case filing. With respect to any request for additional supplemental funding from the KUSF *and to any audit of a rural telephone company's KUSF support*, the commission shall act expeditiously, ~~but~~ and shall ~~not~~ be subject to the ~~120-day~~ 240-day deadline ~~set forth in subsection (d) for rate case applications pursuant to K.S.A. 66-117, and amendments thereto.~~

Sec. 12. K.S.A. 2012 Supp. 66-2009 is hereby amended to read as

follows: 66-2009. (a) Local exchange carriers, *not including electing carriers*, that provided switched local exchange services in the state prior to January 1, 1996, or their successors, shall serve as the carrier of last resort in their exchanges and shall be eligible to receive KUSF funding. However, with respect to the Hill City exchange area in which multiple carriers were certified prior to January 1, 1996, the commission's determination, subject to court appeals, shall determine which authorized carrier shall serve as carrier of last resort. The local exchange carrier serving as the carrier of last resort shall remain the carrier of last resort and shall be entitled to recover the costs of serving as carrier of last resort.

(b) Beginning March 1, 1997, the amount of KUSF funds owed to each qualifying telecommunications carrier, telecommunications public utility or wireless telecommunications service provider in the state, based upon the revenue requirements assigned to the funds for such qualifying utility, carrier or provider, shall be allocated by the fund administrator in equal monthly installments.

(c) (1) For the purposes of this subsection:

(A) "Alternative service provider" means any person or entity providing local telecommunications services or any person or entity allowing another person or entity to use its equipment or facilities to provide local telecommunications services or any person or entity securing rights to select an alternative service provider for a property owner or developer, and does not include a local exchange carrier providing service within its commission-approved local exchange service area.

(B) "Alternative technology" means any technology that offers local telecommunications service and functionality comparable to that provided through an existing alternative service provider's facilities, and may include a technology that does not require the use of any public right-of-way.

(C) "Greenfield area" means an area that requires entirely new construction of local loops, in addition to the deployment of any necessary switching and other network equipment, to serve new real property developments.

(D) "Local telecommunications service" means two-way voice service capable of being originated and terminated within a local exchange service area, regardless of the technology used to provision the voice service.

(E) "Owner or developer" means the owner or developer of a business or residential property, any condominium association or homeowners' association thereof, any other person or entity having ownership in, or control over, the property, or any person acting on behalf of such owner or developer.

(F) "Real property" includes, but is not limited to, any single tenant or multi-tenant business or residential property, subdivisions, condominiums, apartments, office buildings or office parks.

(2) A local exchange carrier obligated by this section to serve as the carrier of last resort is hereby relieved of that obligation, and shall not be obligated to provide basic local telecommunications service to any occupants of real property if the owner or developer of the real property, or a person acting on behalf of the owner or developer of real property, engages in any of the following acts:

(A) Permits an alternative service provider to install its facilities or equipment used to provide local telecommunications service based on a condition of exclusion of the local exchange carrier, during the construction phase of the real property;

(B) accepts or agrees to accept incentives or rewards from an alternative service provider that are contingent upon the provision of any or all local telecommunications services by one or more alternative service providers to the exclusion of the local exchange carrier; or

(C) collects from the occupants or residents of the real property mandatory charges for the provision of any local telecommunications service provided by an alternative service provider to the occupants or residents in any manner, including, but not limited to, collection through rent, fees or dues.

(3) The local exchange carrier relieved of its carrier of last resort obligation to provide basic local telecommunications service to the occupants of the real property, pursuant to subsection (c), shall notify the commission of that fact within 120 days after receiving knowledge of the existence of such fact.

(4) A local exchange carrier that is not automatically relieved of its carrier of last resort obligation pursuant to paragraph (2) of subsection (c) may seek a waiver of its carrier of last resort obligation from the commission for good cause shown based on the facts and circumstances of the provision of local telecommunications service or internet access service to a particular real property. Upon petition for such relief, notice shall be given by the local exchange carrier at the same time to the relevant owner or developer. The commission shall make a determination concerning the petition on or before 90 days after such petition is filed.

(5) If all conditions described in paragraph (2) or (4) of subsection (c) cease to exist at the property, and the owner or developer requests in writing that the local exchange carrier make local telecommunications service available to occupants of the real property and confirms in writing that all conditions described in paragraph (2) or (4) of subsection (c) have ceased to exist at the property, the carrier of last resort obligation under this section shall again apply to the local exchange carrier at the real property. The local exchange carrier shall provide notice to the commission that it is assuming the carrier-of-last-resort obligation. The local exchange carrier may require that the owner or developer pay to the local exchange carrier in advance a reasonable fee to recover costs that exceed the costs that would have been incurred to construct or acquire facilities to serve customers at the real property initially. The commission may verify that the fee enables the local exchange carrier to recover its costs that exceed the costs that would have been incurred to construct or acquire facilities to serve customers at the real property initially, including, but not limited to, amounts necessary to install or retrofit any facilities or equipment, to cut or trench sidewalks and streets and to restore roads, sidewalks, block walls or landscapes to original conditions. The local exchange carrier shall have a reasonable period of time following the request from the owner or developer to make arrangements for local telecommunications service availability. If a local exchange carrier is relieved of its carrier of last resort obligation under paragraph (2) or (4) of subsection (c), the owner or developer shall notify all occupants and any subsequent owner of the specific real property of the following: (1) That the incumbent local exchange carrier does not have facilities installed to serve the specific real property, and that such carrier has been relieved of its carrier of last resort obligations; and (2) the name of the person that will be providing local telecommunications service to the real property, and the type of technology that will be used to provide such service. An incumbent local exchange carrier may meet the carrier's obligations under this section using any available alternative technology. If any conditions described in paragraph (2) or (4) of subsection (c) again exist at the real property, the relief in paragraph (2) or (4) of subsection (c) shall again apply.

(6) When real property is located in a greenfield area, a carrier of last resort shall not automatically be excused from its obligations under paragraph (2) of subsection (c) unless the alternative service provider possesses or shall possess at the time of commencement of service the capability to provide local telecommunications service or the functional equivalent of such service through any form of technology.

(7) If an owner or developer of real property permits an alternative service provider to install its facilities or equipment used to provide local telecommunications service to such property based on a condition of exclusion of the local exchange carrier, the owner or developer must provide written notice to the purchaser of any such real property that there is an exclusion of that local exchange carrier, and that the alternative service provider is the exclusive provider of service to such property.

Sec. 13. K.S.A. 2012 Supp. 75-7224 is hereby amended to read as follows: 75-7224. (a) The board shall:

(1) Provide a program to facilitate the use of broadband technology-based video communication for distance learning and telemedicine by schools, libraries and hospitals;

(2) transition schools, libraries and hospitals that have a direct KAN-ED connection as of January 1, 2012, to a commercially provided broadband internet connection no later than June 30, 2013. At the time a school, library or hospital has been transitioned off a KAN-ED connec-

tion, the board shall pay up to \$350 per month to such school, library or hospital for the cost of broadband service until June 30, 2013;

(3) provide the secretary of commerce any information necessary to conduct the needs assessment described in subsection (b);

(4) assist schools, libraries and hospitals to apply for federal grants to be used for purposes consistent with this act; and

(5) collect data regarding:

(A) Distance learning and telemedicine usage; and

(B) the volume of data accessed.

The board shall develop a methodology for updating and validating any data collected for periodic revisions of the program, standards and priorities.

(b) (1) The secretary of commerce shall facilitate the execution of the needs assessment and the creation of the report. The secretary shall contract with a third party that has expertise in telecommunications services for educational institutions to conduct such needs assessment and create such report.

(2) The needs assessment shall include, for each school, library and hospital connected to the network as of January 1, 2012: Current and future broadband service and quality needs and a determination of all KAN-ED expenses for shared services or infrastructure, including any costs deferred by federal moneys, that are providing services and network connections. Based on the results of the needs assessment, the secretary of commerce, in coordination with the third party contractor, shall create a report that: (A) Compares the utilization, efficiency and effectiveness of KAN-ED to other similar programs in other states for schools, libraries and hospitals; (B) determines if the KAN-ED program, as of the effective date of this act, is worth its cost in terms of price, service, quality, needed network upgrades and increased utilization of broadband by schools, libraries and hospitals; (C) determines if there are alternative models or opportunities for broadband procurement by schools, libraries and hospitals; (D) determines if the services and applications offered by KAN-ED lead to full utilization of broadband technology by schools, libraries, hospitals and their surrounding communities; and (E) recommends any cost-effective broadband services that are available.

(3) The board shall reimburse the cost of conducting such needs assessment and report described in paragraph (2), not to exceed \$250,000.

(4) The results of such needs assessment and the report shall be submitted to the board on or before January 1, 2013.

(c) The board may request and receive assistance from any school, any library, any hospital, the state corporation commission, any other agency of the state or any telecommunications, cable or other communications services provider to gather necessary data to implement such program.

(d) The board shall establish: (1) Technical standards for operation and maintenance of the program; (2) the method of monitoring operations of the program; and (3) the method or methods of adjusting the program to reflect the needs of schools, libraries and hospitals as determined by the needs assessment or ongoing data collection for each such entity. Such standards and methods shall be included in the board's report to the legislature pursuant to K.S.A. 2012 Supp. 75-7226, and amendments thereto.

(e) Based on the findings of the needs assessments or collected data, the board shall develop a plan to: (1) Facilitate the use of broadband technology-based video communication for distance learning and telemedicine by schools, libraries and hospitals; *and* (2) transition schools, libraries and hospitals that have a direct KAN-ED connection as of January 1, 2012, to a commercially provided broadband internet connection no later than June 30, 2013. The plan may require users of the program to bear part of its cost. Such plan shall be included in the board's report to the legislature pursuant to K.S.A. 2012 Supp. 75-7226, and amendments thereto.

(f) The board may appoint such advisory committees as the board determines necessary to carry out the purposes of this act. The membership of advisory committees may include both members of the board and persons who are not board members. Such advisory committees, to the extent appropriate, shall include both communications services providers and participants knowledgeable about topics such as network facilities and

services, distance learning and telemedicine, user training and such other topics as may be necessary or useful. Members of advisory committees appointed by the board shall receive amounts provided for in subsection (e) of K.S.A. 75-3223, and amendments thereto.

(g) The board shall have all other powers necessary to achieve the purposes of this act, including, but not limited to, the power to: (1) *Fix, charge and collect user fees for services provided by the KAN-ED program in accordance with the plan developed pursuant to subsection (e); and* (2) receive any appropriations, *fees*, donations, grants, bequests and devises, conditional and otherwise, of money, property, services or other things of value for the purposes of this act.

(h) The state department of education, the office of information technology services of the department of administration, the state corporation commission and all other state agencies shall cooperate with the board in providing information and other assistance requested by the board for the performance of its duties pursuant to this act at no cost to such agencies.

Sec. 14. K.S.A. 66-1,188, 66-1,191, 66-1,195, 66-2002, 66-2003 and 66-2007 and K.S.A. 2012 Supp. 66-1,187, 66-2005, 66-2006, 66-2008, 66-2009 and 75-7224 are hereby repealed.

Sec. 15. This act shall take effect and be in force from and after its publication in the statute book.

I hereby certify that the above BILL originated in the HOUSE, and was adopted by that body

\_\_\_\_\_  
HOUSE adopted  
Conference Committee Report \_\_\_\_\_

\_\_\_\_\_  
*Speaker of the House.*

\_\_\_\_\_  
*Chief Clerk of the House.*

Passed the SENATE  
as amended \_\_\_\_\_

SENATE adopted  
Conference Committee Report \_\_\_\_\_

\_\_\_\_\_  
*President of the Senate.*

\_\_\_\_\_  
*Secretary of the Senate.*

APPROVED \_\_\_\_\_

\_\_\_\_\_  
*Governor.*