

## MINUTES OF THE SENATE UTILITIES COMMITTEE

The meeting was called to order by Chairman Jay Emler at 9:30 A.M. on January 17, 2006 in Room 526-S of the Capitol.

Committee members absent: Senator Roger Reitz- excused

Committee staff present: Athena Andaya, Kansas Legislative Research Department  
Raney Gilliland, Kansas Legislative Research Department  
Bruce Kinzie, Revisor of Statutes' Office  
Ann McMorris, Committee Secretary  
Leann Hirschfeld, Intern

Conferees appearing before the committee:

Michael J. Foster, president, Twin Valley Telephone Inc., Miltonvale  
Steve Rarrick, staff attorney, CURB  
Janet Buchanan, Chief of Telecommunications, KCC

Others in attendance: See attached list

Chairman Emler opened the hearing on:

**SB 349 - Telecommunications, Kansas Universal Service Fund**

Proponent -

Michael J. Foster, president, Twin Valley Telephone, Inc., Miltonvale appeared on behalf of thirty-six Kansas rural independent telephone companies in support of **SB 349**. He testified that this bill will maintain existing regulatory standards that have allowed rural companies to invest in improved telecommunications services. (Attachment 1)

Opponent -

Steve Rarrick, staff attorney, Citizens' Utility Ratepayer Board (CURB), opposed the proposed amendment to K.S.A. 66-2008(e) because it would eliminate the ability of the KCC to use a forward-looking cost model if the FCC implements a forward-looking cost model. He reviewed the history behind the provisions in K,S,A, 66-2008(e). He urged the committee to vote against **SB 349** as drafted but instead approve CURB's proposal to repeal in its entirety the provisions of K.S.A. 66-2008(e) to reverse the effects of the *Bluestem* decision as it did not, in his opinion, accurately reflect legislative intent. Senator Lee strongly disagreed, stating it did accurately reflect the intent of the Kansas Legislature. (Attachment 2)

Neutral -

Janet Buchanan, Chief of Telecommunications, Kansas Corporation Commission, testified the Commission is taking a neutral position on **SB 349** but would like to provide the Committee with background information and point out two implications of the bill. First, removal of the June 30, 2006, date from subsection (e) will require use of embedded costs for determining KUSF support for rural ILECs indefinitely and without regard for any changes made by the FCC or Congress concerning federal USF support. Second, leaving (e) otherwise unmodified means legislative acceptance of the Court's statutory interpretation which may require the Commission to make new findings regarding competitive neutrality and require increases in the size of the KUSF and the assessments to fund those increases. (Attachment 3)

After considerable discussion and questions from the committee, it was moved by Senator Lee, seconded by Senator Apple, SB 349 be passed out favorably. Motion carried.

Adjournment.

Respectfully submitted,  
Ann McMorris, Secretary  
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