Citizens' Utility Ratepayer Board

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HOUSE UTILITIES AND TELECOMUNICATIONS COMMITTEE
H.B. 2201

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
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Chairman Seiwert and members of the committee:

Thank you for this opportunity to offer testimony on H.B. 2201. This bill creates a telecommunications study committee and amends K.S.A. 66-1,187, 66-1,188, 66-2002, 66-2003, 66-2005, 66-2006, 66-2007, 66-2008, and 66-2009 to further deregulate telecommunications services in Kansas.

This bill makes changes to Kansas law surrounding the Kansas Universal Service Fund (KUSF). The proposed changes should substantially reduce the total level of KUSF funding requirements and reduce consumer telephone bills accordingly. If HB 2201 only contained the provisions reforming the KUSF fund, the Citizens' Utility Ratepayer Board would support the bill.

However, HB 2201 does much more than simply reform KUSF. HB 2201 will eliminate quality of service requirements; allow price discrimination based on geographic location, potentially reduce Lifeline availability and eliminate the price cap on lifeline services, and eliminate carrier of last resort (COLR) obligations for electing carriers. Ultimately, the changes proposed in this bill will disproportionately impact the more rural areas of Kansas, result in less service, potentially higher rates, potentially less Lifeline services and fewer consumer protections. For these reasons, CURB cannot support this bill at this time. CURB believes that a more reasonable course of action is to have the telecommunications study committee, created by the bill, review the proposed changes to determine if the changes further Kansas policy goals.

Kansas policy is set forth at 66-2001. "Telecommunications; declaration of public policy". It is hereby declared to be the public policy of the state to:

(a) Ensure that every Kansan will have access to a first class telecommunications infrastructure that provides excellent services at an affordable price;
(b) ensure that consumers throughout the state realize the benefits of competition through increased services and improved telecommunications facilities and infrastructure at reduced rates;
(c) promote consumer access to a full range of telecommunications services, including advanced telecommunications services that are comparable in urban and rural areas throughout the state;
(d) advance the development of a statewide telecommunications infrastructure that is capable of supporting applications, such as public safety, telemedicine, services for persons with special needs, distance learning, public library services, access to internet providers and others; and
(e) protect consumers of telecommunications services from fraudulent business practices and practices that are inconsistent with the public interest, convenience and necessity.

Specifically, HB 2201 makes the following changes to existing Kansas law:

a) Section 4 eliminates quality of service requirements for telecommunications carriers and electing carriers, making them applicable only to local exchange carriers. (*See p.5, lines 31 and 32*) The Kansas Corporation Commission (KCC) will no longer have the ability to assist customers of telecommunication providers or electing carriers when their phone service quality is unacceptable.

b) Section 6 deletes language that currently requires geographically averaged statewide pricing of basic toll service by telecommunication carriers and electing carriers. (*See p. 18, lines 1-4*) Toll pricing may be increased in areas with fewer competitive options.

c) Section 6 deletes language that currently gives the KCC authority to prevent fraud and other practices harmful to consumers and to insure compliance with quality of service standards for telecommunication providers and electing carriers. (*See p 18, lines 25-29*) This is in direct opposition to the stated Kansas policy to protect consumers from fraudulent practices.

d) Section 6 eliminates a series of requirements currently applicable to electing carriers. Electing carriers will no longer be required to price cap lifeline services. (*See p. 19, line 17*) Also eliminated is the requirement that electing carrier rates for single residential or local business lines in rural exchanges be no higher than the average urban rate. (*See p. 19, lines19-22*) Removing these critical consumer protections will allow electing carriers to impose higher prices for rural customers (where little or no competition exists) than the prices it charges in more competitive urban exchanges. Electing carriers can also potentially raise prices to lifeline customers.

e) Section 7 allows telecommunication carriers and electing carriers to cease participation in the Kansas Lifeline Service Program at any time, by simply giving the KCC a 90 day written notice. (*See p. 22, lines 22-24*) This has the potential to eliminate essential lifeline telephone services for poor Kansans, directly against state policy.

f) Section 10 eliminates carrier of last resort obligations (COLR) for electing carriers. (*See p. 26, line 27*) Electing carriers can simply refuse to provide wired basic local service to new housing developments. More troubling, electing carriers can simply cease providing service in rural exchanges if the carrier decides doing business in sparsely populated exchanges is not preferable.

While CURB supports the proposed KUSF reforms in HB 2201, eliminating consumer protections related to quality of service, price discrimination, Lifeline availability and pricing caps, and the COLR obligation should be undertaken only if you believe your constituents no longer deserve these critical consumer protections. Ultimately, this bill gives electing carriers the ability to provide less service, lower quality service or service at higher rates in the more sparely populated, less competitive areas of the state. Lifeline services may be abandoned or simply priced too high for customers to afford and no regulatory body will have oversight authority. This changes the core principles of Kansas policy. CURB does not believe such changes should be made without studying the potential impacts of the changes. Therefore, CURB recommends the Committee not pass the non-KUSF reform portion of this bill, but rather have the telecommunications study committee examine these proposed changes to determine if they further Kansas policy goals and report back to the committee next year.

Thank you for your consideration of this testimony.