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HOUSE BILL No. 2754

By Committee on Utilities

2-1

AN ACT concerning telecommunications; amending K.S.A. 2001 Supp. 66-1,187, 66-2001, 66-2002, 66-2003, 66-2004, 66-2005, 66-2008, 66-2009, 66-2010 and 66-2011 and repealing the existing sections; also repealing K.S.A. 2001 Supp. 66-2012 and 66-2016.

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

Section 1. K.S.A. 2001 Supp. 66-1,187 is hereby amended to read as follows: 66-1,187. As used in this act:

- "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.
 - "Commission" means the state corporation commission.
- "Consumer broadband" means the transmission of digital signals at rates equal to or greater than 200 kilobits per second.
- $\overline{\text{(d)}}\left(e\right)$ "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.
- "Eligible telecommunications carrier" means any telecommunications public utility, telecommunications carrier, local exchange carrier or wireless telecommunications service provider that has been designated eligible to receive KUSF support or federal universal service support for service in this state.
- (g) "Enhanced universal service" means the telecommunications capacity to provide consumer broadband that enables users to originate and receive high-quality voice, data, graphics and video telecommunications. It shall also include, on a technology neutral basis: Out-of-band common channel signaling capability, with CLASS service capability; 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.

- (e) (h) "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.
- $\frac{-(g)}{(i)}$ "LATA" has the meaning ascribed to it in the federal act.
- (h) (j) "Local exchange carrier" means any telecommunications public utility or its successor 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 earriers were certified by the commission prior to January 1, 1996, the commission's determination, subject to any court appeals, of which authorized earrier shall serve as the earrier of last resort will determine which earrier shall be deemed the local exchange earrier for that exchange.
- $\frac{\langle i \rangle}{\langle k \rangle}$ "Number portability" has the meaning ascribed to it in the federal act.
- $\frac{\langle \mathbf{j} \rangle}{\langle l \rangle}$ "1+ intraLATA and interLATA dialing parity" means the ability of a local exchange service customer to specify the telecommunications or local exchange carrier that will carry the intraLATA and interLATA long distance messages when that customer dials either "1" or "0" plus a 10-digit number.
 - (k) (m) "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.
- $\frac{\text{(1)}}{\text{(n)}}$ "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.
- $\overline{\text{(m)}}$ (o) "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.
 - $\frac{(n)}{(p)}$ "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.

- $\overline{(0)}(q)$ "Telecommunications service" means the provision of a service for the transmission of telephone messages, or two-way video or data messages.
- $\langle p \rangle$ (r) "Universal service" means telecommunications services and facilities which include: single party, two-way voice grade calling; stored program controlled switching with vertical service capability; E911 capability; tone dialing; access to operator services; access to directory assistance; and equal access to long distance services 1+intraLATA and interLATA dialing parity.
- (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. 2. K.S.A. 2001 Supp. 66-2001 is hereby amended to read as follows: 66-2001. 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) to the extent possible without negative impact on achievement of the policy set forth in subsection (a), ensure that consumers throughout the state realize the benefits of competition through increased services and improved telecommunications facilities and infrastructure at reduced rates:
- (c) to the extent possible without negative impact on achievement of the policy set forth in subsection (a), 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.
- Sec. 3. K.S.A. 2001 Supp. 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. 2001 Supp. 66-1,187;
- (b) (a) Authorize any requesting telecommunications carrier to provide local exchange or exchange access service pursuant to subsection (a) of K.S.A. 2001 Supp. 66-2003, and amendments thereto;
- (e) on or before July 1, 1996, the commission shall initiate a proceeding to adopt guidelines to (b) 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;
- $\frac{\text{(d)}}{\text{(c)}}$ review, approve and ensure compliance with network infrastructure plans submitted by local exchange carriers pursuant to K.S.A. 2001 Supp. 66-2005, and amendments thereto;
- $\frac{\text{(e)}}{\text{(d)}}$ review, approve and ensure compliance with regulatory plans submitted by local exchange carriers pursuant to K.S.A. 2001 Supp. 66-2005, and amendments thereto;
- (f) on or before January 1, 1997, establish, pursuant to K.S.A. 2001 Supp. 66-2006, 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. 2001 Supp. 66-2008, hereinafter referred to as the KUSF, and make various determinations relating to the implementation of such fund;
- $\frac{\langle i \rangle}{\langle e \rangle}$ authorize all local exchange carriers to provide internet access as outlined in K.S.A. 2001 Supp. 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) (f) 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 establish and, to the extent necessary, modify rules and guidelines to determine what additional services qualify as universal services or enhanced universal services, in addition to those services defined in subsections (g) and (r) of K.S.A. 66-1,187, and amendments thereto, taking into account advances in telecommunications and information technology and services; and

(l) on or before January 1, 1997, initiate and complete a proceeding to establish minimum

- (g) make quality of service standards which will be adopted by the commission equally applicable to all local exchange carriers and eligible telecommunications carriers in the state; any local exchange carrier or eligible telecommunications carrier violating such standards, for each occurrence, shall forfeit and pay a penalty of not less than \$100, nor more than \$5,000; persistent violation of such standards may result in revocation of eligible telecommunications carrier status by the commission; 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 legislature. 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.
- Sec. 4. K.S.A. 2001 Supp. 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 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 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 which prohibit resellers from purchasing retail telecommunications services offered by that local exchange 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 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 E911 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 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 and interLATA dialing parity be provided by all local exchange carriers and eligible telecommunications carriers coincidentally with the provision of in-region interLATA toll services in the state by local exchange carriers with more than 150,000 access lines or their affiliates.
- Sec. 5. K.S.A. 2001 Supp. 66-2004 is hereby amended to read as follows: 66-2004. (a) Pursuant to subsection (f)(1) of section 251 of the federal act, the obligations of an incumbent local exchange carrier, which include the duty to negotiate interconnection, unbundled access, resale, notice of changes and collocation, shall not apply to a rural telephone company unless such company has received a bona fide request for interconnection, services or network elements and the commission determines that such request is not unduly economically burdensome, is tech-

nically feasible and preserves and enhances universal service.

- (b) On July 1, 1996, The commission shall initiate a rulemaking procedure to adopt guidelines to ensure that all eligible 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. The preservation and advancement of universal service pursuant to subsection (a) of K.S.A. 2001 Supp. 66-2001, and amendments thereto, shall be a primary concern. The commission shall issue the guidelines no later than December 31, 1996.
- (c) Pursuant to subsection (f) of section 253 of the federal act and subsection (b) of this section, any telecommunications carrier that seeks to provide telephone exchange service or local exchange access universal service or enhanced universal service, as defined in K.S.A. 66-1,187, and amendments thereto, in a service area served by a rural telephone company shall, for that area, meet the requirements of (1) subsection (e)(1) of section 214 of the federal act for designation as an eligible telecommunications carrier for that area for federal universal service funding and (2) all applicable provisions of this act relating to eligible telecommunications carriers before being permitted by the commission to provide such service receive the respective funding; however, the guidelines shall be consistent with the provisions of subsection (f) (1) and (2) of section 253 of the federal act.
- (d) The commission may grant *eligible telecommunications carrier status or* a certificate to provide local exchange or exchange access service in the service area of a rural telephone company if, among other issues to be considered by the commission, the application for such certificate complies with commission guidelines issued pursuant to subsection (b).
- (e) Any restrictions established by the commission for rural entry of competitors or for resale and unbundling of services shall not apply to any service area of a rural telephone company if such company, or an entity in which such company directly or indirectly owns an equity interest of 10% or more, provides local exchange or exchange access service, as authorized under K.S.A. 2001 Supp. 60-2003, and amendments thereto, and this section, in any area of the state outside of its local exchange areas, as approved by the commission on or before January 1, 1996, and outside of any area in which it is the successor to the local exchange carrier serving such area on or before January 1, 1996.
- Sec. 6. K.S.A. 2001 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) (g) and (r) 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 consumer 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 com-mission 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. 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 (+) (g) of K.S.A. 2001 Supp. 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, *upon request*, 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, upon request, consumer broadband service at prices which are uniform throughout the carrier's service area. Local exchange

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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, consumer broadband service for resale in accordance with K.S.A. 2001 Supp. 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. 2001 Supp. 66-2008, and amendments thereto. Rural telephone companies shall not be required to reduce their intrastate switched access rates to interstate levels on March 1, 1997, and every two years thereafter, as long as amounts equal to such reductions are below the level of interstate switched access rates. Any reduction of a rural telephone company's cost recovery due to reduction of its intrastate access revenue shall be recovered from the KUSF.
- 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

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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. An affordable local residential and business rate for each rural local exchange carrier shall be the higher of the current basic local residential and business service rate or the statewide local exchange carrier average basic local residential and business service rate. The statewide local exchange carrier average rates shall be the average non-weighted lowest flat rate as of January 1, 2002, and as recalculated January 1 every two years thereafter, for local residential service and for local business service offered by each local exchange carrier within the state. Upon motion by a carrier, the commission may determine a higher affordable local residential or business rate for that carrier if such higher rate allows the carrier to provide additional or improved service to customers, which additional or improved service may include provision of tone signaling service to all customers of the company at no additional charge.

- (e) 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 (f).
- (f) 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.

- (g) 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 (f).
- (h) 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).
- (i) 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 (f).
- (j) 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.
- (k) A local exchange carrier may offer promotions within an exchange or group of exchanges. All promotions shall be approved by the commission and shall apply to all customers in a nondiscriminatory manner within the exchange or group of exchanges.
- (l) 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.
- (m) 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.
 - (n) Subsequent to the adoption of guidelines pursuant to subsection

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(m), 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 suspension. 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.

- 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 a suspension period of an additional 30 days, and upon a good cause showing of the commission in the suspension 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 a suspension 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 suspension. 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 suspension. 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.
- (p) The commission may price deregulate within an exchange area, or at its discretion on a statewide basis, any individual service or service category upon a finding by the commission that there is a telecommunications carrier or an alternative provider providing a comparable product or service, considering both function and price, in that exchange area. The commission shall act upon a petition for price deregulation within 21 days, subject to a suspension period of an additional 30 days, and upon a good cause showing of the commission in the suspension order, or within such shorter time as the commission shall approve; provided that no such petition shall be filed prior to July 1997, unless the commission otherwise authorizes. The commission shall issue a final order within the 21-day period or within a 51-day period if a suspension has been issued.
- (q) Upon complaint or request, the commission may investigate a price deregulated service. The commission shall resume price 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 there is no longer a telecommunications carrier or alternative provider providing a comparable product or service, considering both function and price, in that exchange area.

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- (r) 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 (j).
- (s) Cost studies to determine price floors shall be performed as required by the commission in response to complaints. In addition, not-withstanding the exemption in subsection (b), the commission may request information necessary to execute any of its obligations under the act.
- (t) 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 suspension.
- (u) No audit, earnings review or rate case shall be performed with reference to the initial prices filed as required herein.
- (v) 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. 2001 Supp. 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.
 - Sec. 7. K.S.A. 2001 Supp. 66-2008 is hereby amended to read as

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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 initial amount of the KUSF shall be comprised of local exchange carrier revenues lost as a result of rate rebalancing pursuant to subsection (e) of K.S.A. 2001 Supp. 66-2005, and amendments thereto, and subsection (a) of K.S.A. 2001 Supp. 66-2007, and amendments thereto. Such revenues shall be recovered on a revenue neutral basis. The revenue neutral calculation shall be based on the volumes and revenues for the 12 months prior to September 30, 1996, adjusted for any rate changes.

(b) (a) The commission shall require every telecommunications carrier, telecommunications public utility and wireless telecommunications service provider that provides intrastate telecommunications services to contribute to the KUSF on an equitable and nondiscriminatory basis. Any telecommunications carrier, telecommunications public utility or wireless telecommunications service provider which contributes to the KUSF may collect from customers an amount equal to such carrier's, utility's or provider's contribution, except that before January 1, 2000, no such carrier, provider or utility shall collect from customers an amount in excess of 8.89% of its intrastate retail revenues as provided in commission docket no. 190-492-U but such carrier, provider or utility may collect a lesser amount from its customer.

Prior to January 1, 2000, with respect to wireless telecommunications service providers, an equitable and nondiscriminatory rate shall be an amount equal to the rate of contributions of wireline telecommunications service providers, as determined by the commission, reduced by the percentage minutes of usage initiated and terminated entirely over the wireless network as determined by the commission. The commission shall establish such rate for wireless telecommunications service providers no later than December 31, 1998. 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.

(e) (b) Pursuant to the federal act and to subsection (c) of K.S.A. 2001 Supp. 66-2004 and subsection (a) of K.S.A. 2001 Supp. 66-2009, and amendments thereto, 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 eligible telecommunications carriers which are designated both under subsection (e)(1) of section 214 of the federal act and by the commission.

 $\frac{\text{(d)}}{\text{(c)}}$ The commission shall periodically review the KUSF to determine if the costs of qualified telecommunications public utilities, tele-

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communications carriers and wireless telecommunications service providers to provide local service eligible telecommunications carriers to provide service for which KUSF support is received justify modification of the KUSF. If the commission determines that any changes are needed, the commission shall modify the KUSF accordingly. Costs to be used by the commission shall be the actual costs incurred by the eligible telecommunications carrier.

(e) (d) Any qualified telecommunications earrier, telecommunications public utility or wireless telecommunications service provider eligible telecommunications carrier may request supplemental funding from the KUSF based upon a percentage increase in access lines over the 12month 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 eligible telecommunications carrier. 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 eligible telecommunications carrier. All affected parties shall be allowed to review and verify a request of such a qualified utility, earrier or provider an eligible telecommunications carrier 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 reduction of intrastate access rates to continue maintenance of parity with interstate access rates; shortfalls due to changes to access revenue requirements (based on the incurred revenue requirement of that carrier) resulting from changes in federal rules; additional investment (based on the incurred investment of that carrier) 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 (based on the incurred expenditure of that carrier) in response to facility or service requirements established by any legislative, regulatory or judicial authority. Such requests Supplemental funding will be received by an eligible telecommunications carrier only if the carrier files a request for such funding which 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). The request will be authorized by the commission if such procedures are met.

(f) (e) Additional supplemental funding from the KUSF, other than as provided in subsection (e) of this section (d), may be authorized at the discretion of the commission. However, the commission may require ap-

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proval of such funding to be based upon a general rate case filing. With respect to any request for additional supplemental funding from the KUSF, the commission shall act expeditiously, but shall not be subject to the 120 day deadline set forth in subsection $\frac{\langle e \rangle}{\langle e \rangle}(d)$.

Sec. 8. K.S.A. 2001 Supp. 66-2009 is hereby amended to read as follows: 66-2009. (a) Local exchange carriers that provided switched local exchange services in the state prior to January 1, 1996, or their successors, shall be designated as the provider of the primary line for their customers, 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 earrier shall serve as earrier of last resort. The local exchange earrier serving as the earrier of last resort shall remain the carrier of last resort and shall be entitled to recover the costs of serving as earrier of last resort. for all primary and secondary lines. All eligible telecommunications carriers may receive portable KUSF funding if they meet all applicable requirements of this act relating to eligible telecommunications carriers. Continuing eligibility to receive KUSF funding shall be contingent upon a showing that the carrier is meeting the requirements pursuant to subsection (g) of K.S.A. 2001 Supp. 66-2002, subsection (f) of K.S.A. 2001 Supp. 66-2003 and subsection (b) of K.S.A. 2001 Supp. 66-2004, and amendments thereto. Support per line payable to an eligible telecommunications carrier other than a local exchange carrier shall be portable based on its actual incurred costs. Pursuant to subsection (b) of K.S.A. 2001 Supp. 66-2004, and amendments thereto, the local exchange carrier of last resort for the area, shall be entitled to receive its per line KUSF support for all primary and secondary lines lost to other eligible carriers in order to recover its ongoing actual incurred costs of continuing to provide facilities to serve as carrier of last resort. Supplemental KUSF funding pursuant to subsection (d) of K.S.A. 2001 Supp. 66-2008, and amendments thereto, shall be portable to another eligible telecommunications carrier if that carrier meets the requirements for such funding pursuant to subsection (d) of K.S.A. 2001 Supp. 66-2008, and amendments thereto.

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

Sec. 9. K.S.A. 2001 Supp. 66-2010 is hereby amended to read as

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follows: 66-2010. (a) The commission shall utilize a competitive bidding process to select a neutral, competent and bonded third party to administer the KUSF.

- (b) The administrator shall be responsible for: (1) Collecting and auditing all relevant information from all qualifying telecommunications public utilities, telecommunications carriers or wireless telecommunications service providers receiving funds from or providing funds to the KUSF; (2) verifying, based on the calculations of each qualifying telecommunications carrier, telecommunications public utility or wireless telecommunications service provider, the obligation of each such qualifying carrier, utility or provider to generate the funds required by the KUSF; (3) collecting all moneys due to the KUSF from all telecommunications public utilities, telecommunications carriers and wireless telecommunications service providers in the state; and (4) distributing amounts on a monthly basis due to qualifying telecommunications public utilities, wireless telecommunications service providers and eligible telecommunications carriers receiving KUSF funding.
- (c) Any information made available or received by the administrator from carriers, utilities or providers receiving funds from or providing funds to the KUSF shall not be subject to any provisions of the Kansas open records act and shall be considered confidential and proprietary.
- (d) The administrator shall be authorized to maintain an action to collect any funds owed by any telecommunications carrier, public utility or wireless telecommunications provider in the district court in the county of the registered office of such carrier, utility or provider or, if such carrier, utility or provider does not have a registered office in the state, such an action may be maintained in the county where such carrier's, utility's or provider's principal office is located. If such carrier, utility or provider has no principal office in the state, such an action may be maintained in the district court of any county in which such carrier, utility or provider provides service.
- (e) The KUSF administrator shall be responsible to ensure that funds do not fall below the level necessary to pay all amounts collectively owed to all qualifying telecommunications public utilities, wireless telecommunications service providers and eligible telecommunications carriers. The administrator shall have the authority to retain and invest in a prudent and reasonable manner any excess funds collected in any period to help ensure that adequate funds are available to cover amounts payable in other periods.
- Sec. 10. K.S.A. 2001 Supp. 66-2011 is hereby amended to read as follows: 66-2011. (a) As used in this section, "the internet" means the international network of interconnected government, educational, and commercial computer networks. An "internet service provider" means an

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entity that provides end user access to the internet. Nothing in this section shall be construed to mean that the commission has any regulatory jurisdiction over internet service providers. The provisions of this section apply only to those locations of the state where local (7-digit) internet access, which supports at least $14.4\ 19.2$) kilobits per second service with no more than 5% blockage during the busiest hour of the service, is not available on or after $\frac{\text{Oetober 1}}{10.2}\ 10.2\ 10.$

- (b) On or after July 1, 1996 and prior to October 1, 1996, rural telephone companies shall file concurring tariffs to offer internet access in locations identified in subsection (a) to an intraLATA internet service provider of the customer's choice. All rural telephone companies, including local exchange carriers pursuant to subsection (c), shall provide dialup access to support at least 14.4 kilobit per second service ubiquitously throughout the exchange service area, with 19.2 kilobit per second service on and after July 1, 1999. All eligible telecommunications carriers shall provide not less than 19.2 kilobit per second service ubiquitously throughout their respective service areas in order to obtain or maintain eligible telecommunications carrier status. The commission shall increase the 19.2 kilobit per second requirement when the commission determines that more advanced technology is both technically and economically feasible.
- (c) On or after July 1, 1996 and prior to October 1, 1996, all local exchange carriers, other than rural telephone companies, shall file tariffs with the commission for two flat-rate dial-up plans, which would provide internet access in locations identified in subsection (a) to an intraLATA internet service provider of the customer's choice. All such plans shall be approved by the commission if they meet the criteria established in this section. The first plan includes: (1) For off-peak users, a monthly rate of not more than \$15 per line for the hours of 5 p.m. through 7:59 a.m. weekdays and all hours on weekends and federal holidays. Calls placed outside this specified off-peak period shall be billed at prevailing toll rates. (2) For unlimited usage, the rate shall not exceed \$30 per line per month. The commission shall waive imputation considerations in reviewing and approving these service offerings.
- (d) If a location was previously eligible for the plans provided in subsection (c) and a new internet service provider establishes a local presence in that location, the local exchange carrier serving the location shall:
- (1) Notify all subscribers of the discounted internet access service that a local internet service provider is now available;
- (2) continue to make the discounted internet access service available to existing subscribers of such service with no deterioration of such service: and
- (3) allow no new subscribers of the discounted internet access service.

- (e) Nothing in this section shall be construed to imply that the commission has any regulatory jurisdiction over the internet or internet service providers with respect to quality of service, rates, billing and collection practices, end-to-end bandwidth, technical support or any other aspects of the business of providing internet access service. However, the commission shall monitor the adequacy of connectivity to internet service providers. Upon complaints of inadequate access, commission staff shall request a seven-day traffic busy line study from the local exchange carrier serving the internet service provider. Commission staff shall analyze the study results to determine whether there is more than 5% access blockage and shall provide the analysis to the internet service provider for consideration and possible action. If the analysis indicates a need for additional capacity and the internet service provider fails to take a corrective action within 45 days after the analysis is provided to such provider by the commission staff, the internet service provider shall be removed from the commission's internet service provider registry and subscribers of such internet service subscriber shall be eligible for the plans provided in subsection (c) if there is no other local internet service provider serving the location.
- (f) All internet service providers operating in the state shall register with the commission. Such registration shall include the name of the internet service provider and the provider's address, contact name, phone number, and access line numbers. This information shall be maintained by the commission at the commission's internet home page (http://www.kcc.state.ks.us). This information shall be used to determine a requesting customer's eligibility for the plans provided in subsection (c) and to provide a single authoritative listing of internet service provider access numbers for local exchange carriers to use in processing service orders. Absent complaints to commission staff, internet service providers shall be assumed to provide service with 5% or less access blockage upon registration. If, upon complaint and subsequent investigation, access blockage is determined to exceed 5%, the provider shall be removed from the commission's registry.
- (g) During the 1999 session of the Kansas legislature, the commission shall transmit a report to the chairperson, vice-chairperson and ranking minority member of the house standing committee on energy and natural resources [°], the senate standing committee on transportation and utilities [°°] and the joint committee on computers and telecommunications [°°°] concerning implementation of this section. The report shall include recommendations for revisions in this section necessitated by technological innovation or market changes in the telecommunications industry. The report also may include an expiration date for this section.
 - Sec. 11. K.S.A. 2001 Supp. 66-1,187, 66-2001, 66-2002, 66-2003, 66-

2004, 66-2005, 66-2008, 66-2009, 66-2010, 66-2011, 66-2012 and 66-2016 are hereby repealed.

Sec. 12. This act shall take effect and be in force from and after its publication in the statute book.