SB 120 Comparison Chart

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Depreciation Rates at page 2, lines 2-4	Carriers that elect price cap regulation shall be exempt from: rate base, rate of return and earnings regulation; *and regulation of depreciation rates of assets for all regulatory purposes.*	Makes clear that the Commission does not have the authority to approve or disapprove a price cap company's depreciation rates. A price cap company should be free to set depreciation rates to reflect the true value of its assets.	This language would prohibit the Commission from examining the appropriate depreciation rate applicable for determination of KUSF support. It would also prohibit the Commission from examining depreciation rates to be used in determinations of rates for unbundled network elements (UNEs) that Sprint and SWB provide to competitors. The Commission could support this language if it did not limit its review of KUSF support and UNE rates.	This language would remove the Commission's authority to regulate the depreciation rates of assets for price cap carriers which is likely to result in the increase in KUSF funding to these carriers that elect price cap regulation as well as result in increased pricing of UNEs.	<u>KCTA</u>: The price floor is defined as long-run incremental cost (LRIC) and imputed access charges, of which, depreciation is a cost component in that calculation. While the price cap seems to apply to all services in a basket, taken as a whole, it appears that the price floor is service specific. If that is correct, it would not be too difficult for the ILEC to establish depreciation rates for service specific assets which would result in a lower LRIC for those services they wish to price low (i.e., those which face some level of competition) and higher LRICs for those services they wish to price higher (i.e., those services which face no competition). Depreciation rates will also affect the rates charged CLEC's either positively or negatively for "wholesale" services.

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Price Deregulation of Bundled Offerings at page 5, lines 22-27	Residential and single-line business, including touch-tone *but excluding residential and single-line business when combined with a packaged or bundled offering of two or more telecommunications or other services that are offered for a single price, provided that the services in such packages must be made available individually*;	Defines a local telephone company's packaged services as "competitive," so long as the individual services making up the package are offered separately and remain subject to existing regulatory rules. Local telephone companies can adjust prices for competitive services without regulatory approval.	The amendment excludes services included in bundled offerings from the price cap baskets and price cap regulations. This provision would price deregulate bundled offerings even in those areas served by Sprint or SWB for which there is minimal competition to discipline the price of the bundle. The Commission suggests that if this amendment is approved, it be made clear that when services in bundles are removed from Basket 1 or Basket 3, it should be done in a manner that does not have an impact on the existing rates of the services remaining in the respective baskets.	If the proposed amendment to KSA 66-2005(p) is passed, this provision would have no application, since all price capped basic local service would be priced deregulated without this amendment. There is no definition for "new telecommunications service". This amendment is unnecessary since price cap carriers may seek approval to create Competitive Sub-Baskets for pricing flexibility required by actual competition.	<u>KCTA</u>: Bundles will include the basic line and will allow the ILEC to lower prices in competitive areas and keep prices higher in rural areas. In addition, customers who desire only basic services will be paying a higher rate for that service than those customers who spend more overall. Bundling will force customers to buy more services than they may require or desire

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Price Deregulation of New Services at page 5, lines 28-30	*Any new telecommunications service offered after August 1, 2005, and packaged or bundled offerings defined by this subsection are price deregulated and not subject to price regulation by the Commission.*	Encourages local providers to introduce new and innovative services by defining new services as competitive	It is unclear what is meant by "new telecommunications service". It appears new services will not be offered individually under price cap as in intended for other services. Therefore, the rates for such services will be dependant upon the degree of competition. Consumers will not have the opportunity to purchase new services individually under price cap regulated rates.	There is no definition of "new telecommunications service" in the amendment which could result in existing basic local service being redefined and introduced as a new service. This amendment is unnecessary since price cap carriers may seek approval to create Competitive Sub-Baskets for pricing flexibility required by actual competition.	<u>Everest</u>: This language would negate the prohibition of pricing a service below the price floor, which will provide the opportunity for incumbents to reduce the price for local service in packages while raising prices in other areas of the state where consumers may not have similar alternatives. <u>Nex-Tech</u>: Concerned that language would allow a large, financially dominant incumbent provider to engage in predatory pricing in all, or a portion of a tele-phone exchange. <u>KCTA</u>: Being a new service does not guarantee there is competition to provide that service. The term new service is not defined and could ultimately allow a renaming of an existing service to be considered a new service.

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Price Cap Formula at page 5, on lines 36-43 and page 6, lines 1-5	~~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.~~	In conjunction with the provisions added to the statute below, this revision reduces costly and contentious regulation by simplifying current price cap rules. Specifically, the revision specifies the inflation factor to be used in the price cap formula for adjusting rates for basic local service. The revisions offers price cap companies predictability and stability as they make investment and other business decisions. Consumers continue to realize prices that rise less than the overall annual rate of inflation.	The price cap formula currently used by the Commission is Price Cap Index = Inflation - Productivity Offset + Extraordinary Event Adjustment. Inflation is determined by the Gross Domestic Product Price Index (GDP-PI). CPI-TS would take the place of GDP-PI and the productivity offset. There would be no need for a productivity factor since it should be captured by the CPI-TS. The Commission is concerned that the CPI-TS will not be accurately reflective of the industry's performance because it is not clear if CPI-TS is meant to represent the local service index or if it is the index that is a weighted combination of all telecommunications services. Continued below	This proposed amendment would replace the current price cap formula methodology utilized by the Commission, whereby the receive and weigh expert testimony and evidence on extremely technical issues related to consumer price indices and productivity factors.	KCTA: Bill allows increase up to 6% each year without commission review and does not take into account generally accepted and current Commission required adjustments for efficiencies.

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Price Cap Formula at page 6, lines 5-12	~~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.~~	See comments above	If the intent of the bill is to apply the CPI-TS that is a combination of all telecommunications services, the bill should be modified to indicate this intent.	See comments above	

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Price cap formula con't (Basket 1 Price cap adjustment) at page 6, lines 16-25	The price caps for this basket and for the categories in this basket, if any, shall be adjusted annually *based upon the change in the telephone service component of the consumer price index (CPI-TS) as published by the United States Department of Commerce or its successor agency for the preceding 12 months and any exogenous event as approved by the Commission. For purposes of this subsection, "exogenous event" means an event that is outside of the local exchange carrier's control and has a disproportionate effect on the industry so that its effect is not reflected by the CPI-TS*	See comments above	See comments above	See comments above	

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Price cap formula con't (Basket 3 price cap adjustment) at page 6, lines 32-36	The price caps for the miscellaneous services basket *may* be adjusted annually, *at the discretion of the telecommunications carrier such that the total basket increase does not exceed 6%*.	Reduces costly and contentious regulation by simplifying current price cap rules. Specifically, the revision eliminates the price cap formula for adjusting non-basic rates. In place of the formula, which must be periodically reviewed and revised by the Commission, the revision permits price cap companies to adjust their non-basic rates in the aggregate by as much as 6% annually.	The Commission finds the proposal of increases of up to 6% for Basket 3 or miscellaneous services to be unreasonable given either the performance of the telecommunications industry or the economy as a whole. The rate of increase is much greater than recent measures of inflation. The Commission suggests it may be prudent to include language to permit it to continue to have jurisdiction to review these measures for reasonableness and propose adjustments at the industry changes if prices appear to be increasingly unreasonable.	CURB believes the 6% is excessively high and cannot be justified. A similar provision in Missouri law allowed the local exchange provider to "bank" the guaranteed percentage to be added to next year's percentage if the full increase is not taken in the current year.	

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Price Deregulation at page 8, lines 1-8	The Commission *shall* price deregulate within an exchange area, any individual *residential* service or service category upon a *demonstration* by the *requesting local telecommunications carrier* that there is *at least one* telecommunications carrier or *other entity* providing *basic local telecommunications service to residential customers* in that exchange area.	Clearly identifies where and when local telephone service competition exists and permits local telephone companies to respond quickly. Competition is defined as a provider (not affiliated with the existing local telephone company) offering local voice services. The Commission must verify that competition exists. Where competition exists, local telephone companies can raise and lower their prices for competitive services without first seeking the Commission's approval	Current law already provides a process for price deregulation of services when the Commission finds that competitive activity can protect consumers by disciplining the pricing of those services. The Commission is concerned that this bill eliminates any discretion of the Commission to determine through a review of factual evidence whether a suitable service is available to consumers, whether the presence of a single competitor is sufficient to discipline prices and whether the market has matured sufficiently to permit price deregulation or to satisfy concerns regarding "destructive competition."	All Sprint and SWB exchanges will be price deregulated, since there is currently a wireless, cable, or VIOP provider in portions of every exchange. The single carrier or entity may be a provider that does not provide ubiquitous service throughout the exchange The single carrier or entity typically charges substantially more than the current price capped service, therefore the ILECs would raise prices to meet competition rather than lower their prices.	Everest: Prices will likely fall dramatically in the areas where competition is robust but will likely increase in areas where there is little or no competition. Also concerned about predatory pricing to force small players out of the market. Nex-Tech: Without the Commission's oversight, anti-competitive behavior will eliminate competitive carriers. KCTA: After 8 years under the 1996 Telecom Act, only 5.4% of the telephone lines in Kansas are provided by facilities based competitors. There are currently mechanisms in place to allow pricing flexibility and deregulation where there is sufficient and sustainable competition. Sprint recently received such an approval to deregulate the Gardner exchange. According to Janet Buchanan's testimony the approval was granted in less than 35 days. Before statewide deregulation is allowed a thorough study of competition should be conducted by the KCC.

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Price Deregulation Con't at page 8, lines 8-13	*The Commission shall price deregulate within an exchange area any individual business service or service category upon a demonstration by the requesting local telecommunications carrier that there is at least one telecom-munications carrier or other entity providing basic local telecom-munications service to business customers in that exchange.*	The revision recognizes that competitors may not be required to gain certification by the Commission. The revisions recognize that a variety of technologies can be used to provide local voice service. Permits local providers in competitive areas to tailor services to specific business customers and market segments.	The Commission is concerned that the language is broad and would permit price deregulation to occur without regard to whether the services of the competitor can be a substitute for the incumbent provider.	Once deregulation, the carriers, could lower their rates within the exchange where a competitor actually provides service at lower prices, and increase rates for those outside that area but within the same exchange, regardless of the reasonableness or affordability of those rates, since price discrimination will not be prohibited in this price deregulated environ-ment. There is no need for price deregulation since the current regulatory environment allows carriers to seek approval to create Competitive Sub-Baskets for pricing flexibility required by actual competition.	KCTA continued: Upon a finding that robust, sustainable local telephone competition exists, then a plan for reasonable, thoughtful deregulation of the local telephone market should be developed and implemented.

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Price Deregulation Con't at page 8, lines 13-17	*(i) basic local telecommunications service shall mean two-way voice service capable of being originated or 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*;	See comments above	See comments above	See comments above	
Price Deregulation Con't at page 8, lines 17-20	*(ii) any entity providing voice service shall be considered as a basic local telecommunications service provider regardless of whether such entity is subject to regulation by the Commission*	See comments above	See comments above	See comments above	
Price Deregulation Con't at page 8, lines 20-22	*(iii) telecommunications carriers offering only prepaid telecommunications service shall not be considered entities providing basic local telecommunications service.*	See comments above	See comments above	See comments above	

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Price Deregulation Con't at page 8, 22-28	*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. Customer-specific pricing is authorized on an equal basis for all telecommunications carriers for services which have been price deregulated.*	See comments above	See comments above	See comments above	

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KUSF at page 10, lines 19- 26	The Commission shall periodically review the KUSF *using costs specific to the individual qualified telecommunications provider, whichever is applicable, receiving funds from the KUSF including costs arising from fulfilling carrier of last resort obligations* 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.	Makes clear that the Commission is to include "carrier of last resort" obligations when determining the appropriate size of the state universal service fund.	For price cap carriers, the Commission has employed a model for determining the costs of an efficient provider to serve customers. The Commission believes this amendment is unnecessary since current law already permits Sprint to request the Commission recognize its distinguishing characteristics that impact its cost of providing service. "*costs arising from fulfilling carrier of last resort obligations*" language is currently being address before the Court of Appeals.	CURB sees no reason to change the existing KUSF review process.	KCTA: USF funds, both state and federal, will subsidize price decreases in competitive areas. When the ILEC is deregulated, it should not also receive KUSF or USF funds except for reimbursement of Lifeline discounts.
KUSF Con't			Funding for carrier of last resort costs may be in conflict with the requirement that distributions from the KUSF be made in a neutral manner unless that support is also portable to competitive carriers.		