

2015 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1375

2015 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Peace Garden Room, State Capitol

HB 1375
2/2/2015
22957

- Subcommittee
 Conference Committee

Donna Whitham

Explanation or reason for introduction of bill/resolution:

Relating to price increases for essential telecommunications services.

Minutes:

Attachments # 1-3.

Representative Keiser: opens hearing on HB 1375.

Representative Streyle: District 3. Introduces HB 1375. (00:35-2:16) (See Attachment #1).

Kent Blickensderfer: CenturyLink in North Dakota: in support of HB 1375. (2:50-6:33)
(See Attachment # 2).

Representative Keiser: Any other support of HB 1375? Any opposition to HB 1375?
Seeing none. Is there anyone in neutral position on HB 1375?

Brian Kalk~Public Service Commissioner: in neutral position to HB 1375. (7:00-10:42)
(See Attachment # 3).

Representative Laning: Do you feel there would be price gouging possibility?

Kalk: I don't believe the companies would do price gouging. I do believe they might have spikes in their cost. We would get a surge of complaints from those areas. We have worked with CenturyLink many times and I think we would be able to work through that.

Representative Keiser: Is there anyone else in neutral position to HB 1375? Seeing none. Closed the hearing on HB 1375.

Representative Ruby: Moved Do Pass on HB 1375.

Representative Becker: Second.

Representative Ruby: It's a common sense approach and I think the market will dictate prices and keep costs under control.

Representative Keiser: Any other discussion? Seeing none. We will take the roll on a do pass for HB 1375.

A Roll Call Vote was taken. Yes: 11 No: 0 Absent: 4. Motion carried.

Representative Beadle: will carry the bill.

Date: Feb 2, 2015

Roll Call Vote: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1375

House Industry, Business & Labor Committee

Subcommittee Conference Committee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations

Other Actions: Reconsider _____

Motion Made By Rep Ruby Seconded By Rep Becker

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	x		Representative Lefor	x	
Vice Chairman Sukut	x		Representative Louser	x	
Representative Beadle	x		Representative Ruby	x	
Representative Becker	x		Representative Amerman	x	
Representative Devlin	x		Representative Boschee	Ab	
Representative Frantsvog	Ab		Representative Hanson	x	
Representative Kasper	Ab		Representative M Nelson	Ab	
Representative Laning	x				

Total (Yes) 11 No 0

Absent 4

Floor Assignment Rep Beadle

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1375: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **DO PASS** (11 YEAS, 0 NAYS, 4 ABSENT AND NOT VOTING).
HB 1375 was placed on the Eleventh order on the calendar.

2015 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1375

2015 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Roosevelt Park Room, State Capitol

HB 1375
3/16/2015
Job Number 24862

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to price increases for essential telecommunications services

Minutes:

Attachments

Chairman Klein: Called the committee back to order.

Representative Streyle: Written Testimony Attached (1). (:11-1:05)

Chairman Klein: Asked if the legislature set the residential service prices in 1999.

Representative Streyle: That is correct. It was put into statute in 1999 at eighteen dollars a month.

Senator Burckhard: Asked if this just pertains to telephone companies that the public service commission regulates or to all.

Representative Streyle: This basically applies to one company.

Kent Blickensderfer, Representing Century Link: Written Testimony Attached (2). (2:55-6:36)

Chairman Klein: We are going to set the fee to what is appropriate but we still have to work it through the PSC?

Kent Blickensderfer: We don't but the PSC retains price complaint authority over our prices. So if a group of individuals wanted to get together and bring a price complaint we would have to prove that are prices were reasonable in front of the public service commission.

Chairman Klein: Certainly even at the very end, what you have suggested is if you price yourself out of the market.

Kent Blickensderfer: Yes I don't see this running up prices beyond what anybody would consider to be reasonable.

Senator Burckhard: If you had a price complaint you would have to prove to the PSC without going through the rate hearing process?

Kent Blickensderfer: We are not currently under the rate of return type regulations. So the rate of return wouldn't necessarily be a factor it would be the reasonableness of the pricing as determined by the public service commission.

Illona A. Jeffcoat-Sacco, General Counsel for the Public Service Commission: Written Testimony Attached (3). The commission is neutral on the bill but wanted to point out a few concerns. (9:45-11:15)

Chairman Klein: You are suggesting that there is someplace in this small exchange where they can't use their cell phones?

Illona A. Jeffcoat-Sacco: I am going to guess that there are places where cell phones do not have good reception or service. We had researched these kinds of things years ago for other issues but we do not have current data on these but we are guessing that there are some places where cell phones do not provide consistent alternatives.

Senator Sinner: Asked for a list of communities that they had the last time they looked at this issue.

Illona A. Jeffcoat-Sacco: Said she could probably produce a list, it would be verily old but there was a program to try to improve cell service because we had lots of complaints and we were collecting data on unserved cellular areas. To update you would want the cellular companies to confirm what they have added as far as infrastructure since that time.

Chairman Klein: With Century Link having only sixteen percent of the market we wouldn't be alarmed here by how many folks would actually be affected.

Senator Sinner: My question if we cross reference that list with Century Link and where they provide service, we could probably see and get an indication.

Illona A. Jeffcoat-Sacco: I am hoping we can if we still have the records.

Senator Poolman: Said she would caution on using that list as it is so old.

Senator Sinner: It gives a list of places that weren't served at one point.

Chairman Klein: Over in the House they didn't ask for a list?

Illona A. Jeffcoat-Sacco: I didn't testify in the House.

Chairman Klein: Closed the hearing.

Senator Poolman: Moved a do pass.

Senator Miller: Seconded the motion.

Chairman Klein: Called for discussion.

Senator Murphy: If you are in a community that doesn't have cell service and you are counting on Century Link, we might want to know about that.

Senator Burckhard: What would be an example of some of your smaller exchanges that are served, landline service by Century Link?

Kent Blickensderfer: Said he could list them off the top of his head. He went on to list them, there were twenty seven total. (19:26-20:35)

Chairman Klein: We pretty much heard the list rather than going back looking for the list.

Senator Sinner: Are there any communities on the list that don't have cell service?

Kent Blickensderfer: There are a few areas but let's not get off the focus of what this bill actually does. He said it won't change the areas they service and they can't raise the rates way up and it doesn't allow them to charge different rates for different areas.

Chairman Klein: Do you feel those communities are served by cellular?

Kent Blickensderfer: Yes everyone one of our communities has competition in it.

Chairman Klein: We have a motion. The clerk will call the roll on a do pass.

Roll Call Vote: Yes-6 No-1 Absent-0

Senator Poolman will carry the bill.

**2015 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 HB 1375.**

Senate Industry, Business and Labor Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Senator Poolman Seconded By Senator Miller

Senators	Yes	No	Senators	Yes	No
Chairman Klein	x		Senator Murphy		x
Vice Chairman Campbell	x		Senator Sinner	x	
Senator Burckhard	x				
Senator Miller	x				
Senator Poolman	x				

Total (Yes) 6 No 1

Absent 0

Floor Assignment Senator Poolman

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1375: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends **DO PASS** (6 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). HB 1375 was placed on the Fourteenth order on the calendar.

2015 TESTIMONY

HB 1375

1
HB 1375
2/2/15

HB 1375

Rep. Roscoe Streytle, District 3

Testimony - House IBL Committee 2/2/15

House Bill 1375 changes the law with regard to certain telecom price changes once aimed at prohibiting over pricing in the days of telephone monopolies.

Regulated landline companies now hold the minority market share due to substantial expansion of wireless and cable companies, neither of which is regulated.

Local residential service prices for regulated companies have not changed since they were set in statute in 1999.

The costs of labor, equipment, and facilities have all gone up since then and these costs are spread over a much smaller customer base.

This bill allows the local landline companies competing in the marketplace the same pricing flexibility as all other competitors.

Please give HB1375 a do-pass recommendation.

2
HB 1375
2/2/15

House Bill 1375
Testimony of Kent Blickensderfer
Presented to Chairman George Keiser
House Industry, Business and
Labor Committee
February 2, 2015

Chairman Keiser and committee members my name is Kent Blickensderfer. I represent CenturyLink in North Dakota. CenturyLink is the successor company to the former Qwest, US West Communications and Northwestern Bell Telephone Company. As a merged successor of what were once known as the “baby bell” companies, Century Link today has a worldwide network with local telecom operations in 37 US states. But in none of those states do we control a majority of the telecom services market any longer.

House Bill 1375 seeks to amend state law with regard to certain price changes once designed to be prohibited in what was a near-monopoly environment. Section 49-21-01.3 was written to allow minimal pass-through price changes related to government surcharges and accounting practices but not to allow the incumbent telephone company to change rates for local residential phone services without Public Service Commission approval and oversight. This was the beginning of moderate or “piecemeal deregulation” as it was called at the time to transition from strict rate of return regulation of the Northwestern Bell days to “Price Cap” regulation of the US WEST days. In 1999, the ND Legislature set local residential rates at \$18.00 per month for US WEST after the company went through extensive cost studies by the Public Service Commission. At that time, US WEST still enjoyed the majority of the local phone business in its exchanges across North Dakota and costs were spread among a large pool of customers.

Today, the story is far different. CenturyLink's customer count and market share has fallen far below the levels of 1999, yet prices for local residential service remain locked at those set in 1999. In fact, CenturyLink's share of the residential voice market in North Dakota today stands at just **sixteen percent**--far below that of wireless (41 percent) or even cable companies(combined 35 percent) offering voice service. Most likely, it isn't difficult for those of you here to grasp how market share has been lost by local telephone companies in the last ten years. How many of you or your families no longer keep landlines connected at home? Yet CenturyLink is the last telecom company in the state with pricing restrictions like this one in statute. We attempt to spread the same amounts of labor, equipment and facilities costs we had with our significant market share of 16 years ago over a customer base that's shrunk by over seventy percent.

It's time we receive the same pricing flexibility enjoyed by all of our competitors today. The over struck language on pages 1 and 2 seeks to do just that, allow pricing flexibility for incumbent providers like CenturyLink. The bill does not take away any Public Service Commission jurisdiction with regard to price complaints, service quality authority or any other area relating to essential telecommunications services. And even though those regulations remain in statute, many would argue that a customer choosing a competitor is a far stronger deterrent to unreasonable pricing than any regulation on the books today.

Price regulation has its place when governing over those with overbearing market power. But as a 17-year employee of a former Bell operating company, I've watched the dramatic changes that have occurred in the industry and can say with certainty that competition and the marketplace is a far more efficient regulator over companies today than pricing regulation.

Please give House Bill 1375 your thoughtful consideration and a "Do-Pass" recommendation for the full House of Representatives. Questions?

3
HB 1375
2/2/15

House Bill 1375

Presented by: Brian P. Kalk, Commissioner
Public Service Commission

Before: House Industry, Business and Labor Committee
The Honorable George Keiser, Chairman

Date: February 2, 2015

TESTIMONY

Mister Chairman and committee members, I am Brian Kalk, Public Service Commissioner. The Public Service Commission is taking a neutral position on House Bill 1375. However, the Commission does want to point out some concerns with the bill.

House Bill 1375 will remove the final piece of telephone rate protection in law for residential flat-rate telephone service provided by companies with eighteen thousand or more local exchange subscribers. The price for residential flat-rate telephone service provided by those companies was capped by the Legislative Assembly in 1999 at eighteen dollars after June 30, 2000.

Since the price cap law was implemented, the Commission has not reviewed the cost structure or basis underlying the price of CenturyLink's basic essential telecommunications service. Therefore, the Commission has no relevant data to provide the Committee that would indicate support for or opposition to lifting the statutory \$18 price cap.

Likewise, the Commission has no data to share that would indicate the degree of competition or practical choices for telecommunications service available to residential customers in smaller communities served by CenturyLink.

In general, competition can be less than sufficient in small exchange areas resulting in fewer quality choices for end users.

Mister Chairman, this concludes my testimony. I will be happy to answer any questions.

HB 1375

Rep. Roscoe Streytle, District 3

Testimony - Senate IBL - March 16, 2015 @ 10:30AM

House Bill 1375 changes the law with regard to certain telecom price changes once aimed at prohibiting over pricing in the days of telephone monopolies.

Regulated landline companies now hold the minority market share due to substantial expansion of wireless and cable companies, neither of which is regulated.

Local residential service prices for regulated companies have not changed since they were set in statute in 1999.

The costs of labor, equipment, and facilities have all gone up since then and these costs are spread over a much smaller customer base.

This bill allows the local landline companies competing in the marketplace the same pricing flexibility as all other competitors.

Please give HB1375 a do-pass recommendation.

House Bill 1375
Testimony of Kent Blickensderfer
Presented to Chairman Jerry Klein
Senate Industry, Business and
Labor Committee
March 16, 2015

Chairman Klein and committee members my name is Kent Blickensderfer. I represent CenturyLink in North Dakota. CenturyLink is the successor company to the former Qwest, US West Communications and Northwestern Bell Telephone Company. As a merged successor of what were once known as the “baby bell” companies, Century Link today has a worldwide network with local telecom operations in 37 US states. But in none of those states do we control a majority of the telecom services market any longer.

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Price regulation has its place when governing over those with overbearing market power. But as a 17-year employee of a former Bell operating company, I've watched the dramatic changes that have occurred in the industry and can say with certainty that competition and the marketplace is a far more efficient regulator over companies today than pricing regulation.

Please give House Bill 1375 your thoughtful consideration and a "Do-Pass" recommendation for the full Senate. Questions?

House Bill 1375

Presented by: Illona A. Jeffcoat-Sacco, General Counsel
Public Service Commission

Before: Senate Industry, Business and Labor Committee
The Honorable Jerry Klein, Chairman

Date: March 16, 2015

TESTIMONY

Mister Chairman and committee members, I am Illona Jeffcoat-Sacco, General Counsel with the Public Service Commission. The Public Service Commission is taking a neutral position on House Bill 1375. However, the Commission does want to point out some concerns with the bill.

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