

# MICROFILM DIVIDER

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DESCRIPTION

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2003 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1052

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Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1052

House Industry, Business, & Labor Committee

Conference Committee

Hearing Date: January 8, 2003

Tape Number	Side A	Side B	Meter #
1	X		31.5-54.3
1		X	0.0-3.6

Committee Clerk Signature:

*Mickie Schmidt*

Minutes:

**(31.5) REP. GEORGE KEISER; CHAIRMAN:** We will open the hearing on HB# 1052.

**(31.7) TONY CLARK; STATE PUBLIC SERVICE COMMISSIONER & A HOLDER OF THE COMMISSIONS TELECOMMUNICATIONS PORTFOLIO:** The bill that's before you today is actually submitted from the RRRC, Regulatory, Reform and Review Commission which is a statutory committee which I am a member of. Testified in support of HB #1052. (see attachment)

**REP. MARY EKSTROM:** Potential bad actions, page 2: What sort of things do we envision, slamming and cramming?

**TONY CLARK:** When we refer to potential bad actions, it's strictly in how Quest deals with it's competitors and the wholesale market place. There's a whole list of standards to which Quest is agreed and offered to these competitors basically as part of the contract that they agree to provide this level of service.

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**REP. MARY EKSTROM:** How does this compare in terms of the PSC's handling of this long distance carrier and other long distance carriers? Are there similar agreements and similar situations?

**TONY CLARK:** This is really new and just for Quest. The reason: It goes back to the federal act which Quest and all Bell companies were prohibited from providing long distance after the break up of AT&T. Commerce came up with the idea. One encouraged competition for local phones. So Bell company said if you meet all of these standards, then the reward that you get for opening your local network, is you get to get into long distance. The FCC is part of this process.

**(42.1) REP. JIM KASPER:** How do you or the entity determine the rate that can be charged to the other long distance carriers for the use of the local lines? What method have you been using to investigate?

**TONY CLARK:** There are two rates. There are a couple of different areas that are regulated, there are access fees which long distance companies pay to local companies when they access their network. There are two parts of access fees: Partially intrastate access fees which are regulated by the PSC. The companies can choose to be price capped, which is allowed under state law, or they can choose the rate of return regulated. There are intrastate access fees, which are regulated by the Federal Communications Commission. The second type of regulated rates to which they might be referring are the grades that Quest offers to use network if you're a competitive local phone company. So it wouldn't be a long distance company. It might be one who is renting Quest network and what they're renting is network element, which there are certain network elements under the Act which Quest has to rent to competitors, and they have to rent them at regulated rates. The rates have been in effect for a number of years. In the Interim

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arbitrated agreement before the commission that AT&T & Quest entered into. The FCC wants final rates set.

**REP. JIM KASPER:** So they are regulated?

**TONY CLARK:** At least on the wholesale level for what they can charge competitors for certain portions of that network.

**REP. MATTHEW KLEIN:** Who are the four Legislatures that serve on the RRCC with you?

**TONY CLARK:** Rick Berg, Rich Wardner, Sen. Tomak, and Rep. Glassheim.

**REP. MATTHEW KLEIN:** How do those predetermined amounts and what are we relating to on the second page of your testimony; if Quest fails to meet it's obligations, the phrase predetermined amounts, how do those get determined and what is it?

**TONY CLARK:** There is a whole matrix of predetermined amounts. There's a matrix of what Quest would have to pay to both competitors and competitive companies and to the state. The way those were developed was part of a multi-state regional collaborate. Most of these, Quest, states, commissions, the competitive phone companies over the course of the last 3 years have collaboratively worked on the plan and came up with that whole matrix of how much will be taken as payments. It's the upper Midwest and west, Minnesota, North Dakota, South Dakota, Nebraska, Wyoming.

**REP. MATTHEW KLEIN:** On page 3, you talked about the 100,000 dollars per biennium. Was that live debt or just a gift?

**(46.4) TONY CLARK:** These are just gifts. None of the commissions know what the expenditures are going to be. After looking at the Legislation that was in the Nebraska Legislature had instituted, they are structuring differently. They're creating the fund and giving

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the commission their unlimited spending authority. But once over \$100,000 accrued, any additional money goes to the schools.

**REP. GLEN FROSETH:** Could we review the fiscal note?

**(48.5) TONY CLARK:** Explained the fiscal note. The total that they're projecting for the 03-05 biennium is \$300,000. The \$30,000 is just prorating for these last few months. \$100,000 would be the expenditure that's in the bill itself.

**REP. JIM KASPER:** Are telephone companies that may have interest in that hearing, have they been notified so they can get involved in the process if they so desire, and if they haven't been, how do they get involved in the process, so they can take part in sharing their thoughts?

**TONY CLARK:** Yes, any of the phone companies involved would be notified.

**REP. MARK DOSCH:** A few months ago, Quest developed some new accounting deregularities, has that issue been resolved to your satisfaction?

**(52.3) TONY CLARK:** The accounting deregularities, are trouble. The commission itself needs to keep it's eye on what we have regulatory authority over.

**REP. MARK DOSCH:** It also deals with the integrity of the company and if we're relying on Quest to be honest with it's competitors on how they treat them, needs to be taken into account.

**TONY CLARK:** That is actually the reason for this bill. The Commission will be entering with regional piers to hiring an auditor to ensure that.

**REP. GEORGE KEISER:** Why are we putting this in code versus doing it through administrative rule?

**(54.3) TONY CLARK:** The legislation itself, we would have to do it statutorily, because all monies would get deposited to the general fund, which is fine but the Commission doesn't know

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really what the income and expenditures are going to be in the first two years, because this is all new to all of us in the 14 state region.

\*(Tape 1, Side B:)

MEL?: Testified in support of HB 1052.

REP. GEORGE KEISER: Is there anyone in opposition to HB 1052? We will close the hearing on HB 1052. What would the committee like to do with this bill?

REP. MATTHEW KLEIN: I vote a due pass on HB 1052.

REP. WAYNE TIEMAN: second it.

(14)REP. GEORGE KEISER: There was discussion on HB 1052 by the committee. Asked the clerk to take a Roll Call Vote on a due pass for HB 1052: 14 yeas; 0 nays; 0 absent; Rep. Matthew Klein will carry the bill.

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