

**SENATE COMMITTEE ON BUSINESS & CONSUMER AFFAIRS**

**February 5, 1999 Hearing Room C**

**1:00 p.m. Tapes 26 - 30**

**MEMBERS PRESENT: Sen. David Nelson, Chair**

**Sen. Lee Beyer, Vice-Chair**

**Sen. Rick Metsger**

**Sen. Randy Miller**

**Sen. Charles Starr**

**MEMBER EXCUSED:**

**STAFF PRESENT: Y. Sherry Sheng, Administrator**

**Nancy Masee, Administrative Support**

**MEASURE/ISSUES HEARD:**

**Introduction of Committee Bill**

**SB 142 & SB 1436 Informational Meeting**

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
<b>TAPE 26, A</b>		
004	Chair Nelson	Opens meeting at 1:12 p.m. Introduces LC 2421 (SB 587) relating to building code inspectors. Asks for discussion.
<b><u>INTRODUCTION OF COMMITTEE BILL</u></b>		
005	Chair Nelson	<b>MOTION: Moves LC 2421 BE INTRODUCED as a</b>

		<b>committee bill.</b>
<b>006</b>		<b>VOTE: 3-0</b>  <b>EXCUSED: 2 n Beyer, Miller</b>
<b>007</b>	<b>Chair Nelson</b>	<b>Hearing no objection, declares the motion CARRIED.</b>
		<b>LC 2421 becomes SB 587.</b>
<b><u>SB 142 and SB 143 INFORMATIONAL MEETING</u></b>		
020	Terry Edvalson	Represents Rural Oregon Telecommunications Consortium, LaGrande, Oregon. Testifies in support of SB 142 and SB 143. Presents reasons for implementing telecommunications in eastern Oregon. Presents <b>(EXHIBIT A)</b> .
085	Edvalson	Discusses the need for broadband telecommunications infrastructure connecting Oregon communities. SB 142 and SB 143 will help by: <ul style="list-style-type: none"> <li>• Creating route redundancy</li> <li>• Creating network loops</li> <li>• Encouraging new partnerships</li> <li>• Replacing older technology</li> <li>• Enabling local exchange carriers and new market entrance to make use of improved bandwidth to come to rural communities.</li> </ul> Explains how SB 142 and SB 143 will assist financing telecommunications. States SB 142 proposes replacing rate of return regulation with price cap regulation.
125	Edvalson	Comments on the present litigated rate case between U. S. West and the Public Utility Commission (PUC) that is on appeal. Says the effect on the public will depend on the court's decision to either uphold U. S. West or PUC's, or choose somewhere in between. Explains public policy in returning money to rate payers, if PUC prevails.
170	Edvalson	Continues on expectations of rural telecommunications. States that if U. S. West, GTE, Sprint, and Century Tel elect to participate they will be required to make a guaranteed investment in the infrastructure.
217	Edvalson	Continues presentation on tax credit proposals in SB 143. Emphasizes the issues in SB 142 and SB 143 are critical and urgent.
262	Chair Nelson	Asks why anyone should interfere with the telecommunication system that is in place.

270	Edvalson	Says that Oregon is behind in their telecommunications ability.
296	Chair Nelson	Asks if election of rate of return regulation in SB 142 is voluntary.
300	Edvalson	Says it is voluntary, but it should be mandatory.
310	Chair Nelson	Asks if SB 142 will result in more regulations.
308	Edvalson	Says this does not appear to be the case.
311	Sen. Metsger	Asks about the part of eastern Oregon that is not in the service area.
321	Edvalson	Answers that US West currently supplies most of the backbone. Explains the backbone is between central offices, connecting Baker and LaGrande by U.S. West and GTE collaborating. Explains there are broadband carriers that go through LaGrande, but go to the wrong places. Says it is very expensive to hookup.
353	Sen. Metsger	Asks about possible rebates from U.S. West as a result of the current litigation. Asks if the legislature should determine what is in the consumers interest. Asks about the judicial rule and if the legislature should interfere.
380	Edvalson	Says rural Oregon is under served. Says there will be no jobs in the future if telecommunications are not developed now.
<b>TAPE 27, A</b>		
006	Edvalson	Summarizes the need for developing telecommunications in rural Oregon. Says implementing a telecommunication systems in rural Oregon is an investment in the state's future.
020	Chair Nelson	Says witnesses from over 100 miles away will be able to testify first.
025	Linda Swearingen	Commissioner, Deschutes County. Supports SB 142. Explains that Deschutes County needs economic development and feels that implementation of telecommunications infrastructure will aid in attracting business. Says SB 142 encourages investment and lessens regulations. Presents <b>(EXHIBIT B)</b> .
090	Phil Houk	President of Pendleton City Council. Past President of Pendleton Chamber of Commerce. President of Hermiston Chamber of Commerce. League of Oregon Cities has not taken a position regarding SB 142. Presents an amendment to SB 142. Explains the amendment to SB 142. Asks for the committee's support of the amendment. Presents <b>(EXHIBIT C)</b> .

113	Beth Vargas Duncan	League of Oregon Cities, city of LaGrande. Says Oregon needs advanced telecommunications. An enterprise network by the state needs to serve all of the interested parties.
120	Steve McClure	Union County Commissioner. Agrees with Edvalson's report of LaGrande area's needs. Agrees with the state's plans for an enterprise network. Emphasizes the importance of keeping the telecommunications implementation together and to use partnering.
142	Sen. Beyer	Asks if the state's purpose was to serve the smaller communities.
144	McClure	Says there should not be restrictions on the business community. States that everybody should have access.
167	Wes Hare	City Manager, LaGrande. Supports SB 142. Describes how the telecommunications issues arose in LaGrande three years ago. Says affordable bandwidth is what LaGrande is seeking. Says a business needs a T-3 line. Costs will be much higher to those businesses that decide to locate there. Comments the cost is about \$13,000 each month for a T-3 line in LaGrande, while in Bend the cost would be \$8,000.
210	Kevin Campbell	Management Consultant, Canyon City. Supports SB 142. Says the future of business in Oregon depends on the rural development of telecommunications.
247	Chair Nelson	Asks for questions.
310	Bob Jenks	Citizens Utility Board (CUB). Opposes SB 142. Gives reasons he is against the bill. Disagrees with U.S. West's claims. Says basic services lack in many areas that are served by U.S. West. Says the cost is not clear in SB 142, nor who will be paying it. Says the plan is not clear. Explains problems for consumers. Presents <b>(EXHIBIT D)</b> .
<b>TAPE 26, B</b>		
060	Jenks	Continues discussion on reasons why SB 142 is ineffective, saying that price caps on a monopoly will not aid consumers. Comments that there is no incentive to build or to invest. Says it is not good policy for the legislature to set rates. States SB 142 will raise service rates because rural customers cost more to serve and SB 142 is anti-competitive. Says there is no easy way to raise money for infrastructure. CUB approves of direct taxes and other approaches and does not agree with SB 142.
096	John Glascock	Represents the American Association of Retired Persons (AARP). Opposes SB 142. SB 142 takes potential benefits of half a billion dollars from US West customers. Asks why ratepayers should give up benefits to allow a monopoly to be deregulated. Says SB 142 is corporate welfare. Presents <b>(EXHIBIT E)</b> .

150	Glascock	Shifts money from one part of Oregon to another. Quality of service would not improve. Says the bill provides a disincentive of service. Proposes options for financing fund. Committee should require state agencies to have a specific plan with a budget.
200	Glascock	<p>Continues discussion on options for financing such as:</p> <ul style="list-style-type: none"> <li>• Maximum use of the Oregon enterprise network</li> <li>• Tax credit</li> <li>• Federal E-rate program</li> <li>• Small assistance benefit charge</li> <li>• Economic development funds</li> </ul> <p>Or a combination of some of these options.</p> <p>States an access fund should:</p> <ul style="list-style-type: none"> <li>• Locate community needs</li> <li>• Be targeted when no other funds are available</li> <li>• Be geographically equitable</li> <li>• Be technically neutral</li> <li>• Be equitably financed</li> <li>• Be available to any company competitively neutral</li> <li>• Have third party governing by a citizens board</li> <li>• Have enforcement of accountability</li> <li>• Allow for a review process for changes</li> </ul>
260	John Valley	Represents Oregon State Public Research Group (OSPRG). Opposes SB 142. Supports CUB and AARP in their arguments against SB 142. States the concern is with the rate case between PUC and US West which may result in refunds to citizens, and that SB 142 may undercut competition. Presents <b>(EXHIBIT F)</b> .
275	Chair Nelson	Asks Valley if he can speak on Monday and Wednesday.
280	Fred Peterson	Executive Director, Telecommunications Ratepayers Association for Cost Based and Equitable Rates (TRACER). Says the organization is made up of large telecommunication users, such as retail, manufacturing, education, government, and medical users. Opposes SB 142. States it will increase cost of telephone service. Presents <b>(EXHIBIT G)</b> .
330	Peterson	<p>Explains that SB 142 is so large that it is cumbersome and deals with the large public policy issues of:</p> <ul style="list-style-type: none"> <li>• rate deregulation</li> <li>• universal service</li> <li>• build-out of telecommunications infrastructures</li> </ul> <p>Says his group believes that rate deregulation and universal service issues should be considered separately from build-out of telecommunications infrastructures. Explains that SB 142 does not have a plan for funding that is visible. SB 142:</p> <ul style="list-style-type: none"> <li>• lacks accountability</li> <li>• frees monopolies from rate regulation</li> <li>• sets rate caps to levels that are not rate based</li> </ul>

		<ul style="list-style-type: none"> <li>• reduces the commission's oversight of service quality</li> </ul>
<b>TAPE 27, B</b>		
011	Peterson	<p>Continues presentation in opposition to SB 142. Says legislation should implement a process which establishes the following:</p> <ul style="list-style-type: none"> <li>• specific plans</li> <li>• surety of accomplishment</li> <li>• accountability</li> <li>• support of competition</li> </ul> <p>Emphasizes that SB 142 proposes to merge three large and complicated public policy issues at substantial risk to the ratepayers.</p>
041	Larry Huss	Vice President, US West. Introduces Fred Fouse. Supports SB 142. Says the issue is service to rural Oregon. Suggests that Oregon's losses in timber, fishing, and agriculture need to be replaced with businesses that rely on telecommunications.
084	Huss	Continues presentation in support of SB 142. Suggests that action needs to be taken to provide telecommunications services for rural Oregon. States that no company can invest where there is no hope of recovering costs. Describes how rural Oregon sought US West to invest in rural Oregon's infrastructure, if a form of deregulation could be arrived at. Discusses the rate case under appeal. Guarantees investment from \$170,000 to \$2 million by US West if US West prevails. If PUC prevails over US West, US West will not be able to invest in rural Oregon.
184	Huss	Continues discussion regarding re-engineering to modernize US West systems. Explains how US West is attempting to improve their service.
240	Fred Fouse	US West Vice President of Network Operations. Says that US West tries to serve the citizens of Oregon. Emphasizes the improvement in service to customers by US West in last two years due to increased staffing, new managers, increase in service, and implementation of preventive measures.
340	Huss	Comments that prices to customers will most likely go down in urban areas. The universal service fund will help keep prices down. Says SB 142 is not anti-competitive and explains that SB 142 does not give US West any more advantage than other competitors. States that the anti-trust laws control anti-competitive behavior of monopolies. Says the focus of the committee is how to help rural Oregon. SB 142 will permit connecting rural Oregon. Clarifies that there are four carriers that represent 90 percent of the access lines. Says, with subsidies, the benefits will be spread across Oregon. SB 142 will allow US West to bolster the inter-exchange capacity between communities.
<b>TAPE 28, A</b>		

009	Huss	Says the committee will determine how the money is spent according to SB 142. Says the principle of SB 142 is to encourage investment and US West will provide the technological know-how. States the communities will describe their needs and US West will describe the technology available.
055	Cindy Weeldryer	Lane County Commissioner. Explains the Association of Oregon Counties (AOC) perspective. Says telecommunications stakeholders agree that a well-planned, broadband, high-speed telecommunications structure is needed throughout Oregon. Agrees that legislation is needed to ensure this goal. Suggests a working group be created to address the implementation of telecommunications. Says SB 142 and SB 143 should not be caught up in controversies. Says the association wants to know how to pay for the telecommunications package and how the issue of fairness will be resolved. Presents <b>(EXHIBIT H)</b> .
144	Bill Penhollow	AOC. Says he has nothing to add and thanks the committee for inviting the testimony.
190	Sandy Ryman	Director, Oregon Area Health Education Center (OAHEC), LaGrande. Supports SB 142 and SB 143 that will provide infrastructure development in rural Oregon. States the organization provides health care professionals training. OAHEC needs funding to deliver education to health care professionals. Describes the students presently in training programs and the problem of rural location, for these students, to get trained. Summarizes the delivery of services necessary to ensure education to health care students. Presents <b>(EXHIBIT I)</b> .
217	Dr. Doug Perednia	President of Association of Telemedicine Service Providers, a national association of health care providers by distance. Explains why telecommunications is important in health care. Rural Oregon does not have the specialized health care that urban areas have. Use of telecommunications transmits the medical information from the specialists to local providers and patients. Presents <b>(EXHIBIT J)</b> . Explains maps.
308	Perednia	Continues to explain how treatment for strokes must be performed within a few hours of symptoms to avoid brain damage. The high cost of telecommunications for transmittal of medical information prohibits access to services. Concludes that finding a solution to accessing rural Oregon to improve medical care and training is very important.
374	Curt Pederson	Associate Provost of Information Services, Oregon State University. Discusses proposed benefits of the technology access fund to education programs. Presents <b>(EXHIBIT K)</b> .
<b>TAPE 29, A</b>		
010	Curt Pederson	Continues discussing needs for telecommunications implementation in rural Oregon. Describes the need for accessibility by handicapped people. OSU is doing research on development of telecommunications for the blind.
050	Pederson	Explains how Ednet provided service to Oregon. Describes degree programs

		through the worldwide net. Explains how to certify teachers through 18 web modules. Emphasizes that infrastructure is needed throughout the state. Explains the degree program at Warm Springs that needs wide-band resources.
095	Pederson	Discusses consortiums, extension programs, agriculture programs, weather monitoring, and insect monitoring as information that could be transmitted, if the infrastructure was available. Summarizes state-wide advanced telecommunications must be made available to rural Oregon. Washington State is in the forefront of availability. Asks for action. Supports SB 142 and 143 as a beginning step in implementing telecommunication systems throughout Oregon.
107	Joan Harding	Jewel School, Jewel, Oregon. Describes the rural area of Jewel. Describes the need for internet connections to get educational programs to rural schools. Describes the 56K line they now have. Students are using satellite online services, internet for foreign languages, and cyberspace school. Emphasizes that without the internet connection, the students could not prepare for the future. States rural schools need funding. Supports SB 142 as a way to improve telecommunications in schools.
136	Tom Cook	Director, Oregon Public Education Network (OPEN). Explains the K-12 project on telecommunications connectivity. Says 1,026 schools are now connected and 128 are in a dial-up mode. States 73 are not yet connected. States the OPEN is neutral on SB 142.
070	Cook	Says teachers are needed in rural areas. Explains the need in connecting the last mile to reach all schools.
190	Diane Walton	Office of Community Colleges, Job Training Partnership Administration. Speaks for infrastructure needs. Explains the opportunities for job seekers and employers that could be obtained with better telecommunications.
220	Steve Turner	Director of Small Business Development Center, Eastern Oregon University. Explains how telecommunications are concentrated in urban areas. Describes access problems by small businesses in rural America. Discusses satellite system that Wal-Mart established. Supports SB 142 that will help start-up rural telecommunications.
263	Brian Bay	Director, Emergency Services, Chemeketa Community College. Supports SB 142. States that rural Oregon needs to get medical professionals' training. Discusses the communities receiving distant delivery of courses in medical education.
301	Ed Parker	Gleneden Beach, telecommunications consultant. Supports SB 142 and SB 143 as incentives for investment in telecommunications in rural Oregon. Presents <b>(EXHIBIT L)</b> .
340	Parker	Explains the lack of points of presence on the coast to aid transmission. Describes the telecommunication businesses that could locate on the coast, if telecommunication systems were adequate, such as internet based businesses, business consulting services, call center, software development, home based



		businesses, and telecommuting jobs.
395	Bob Hogdson	Southern Oregon Telecommunications and Technology Council. Says that SB 142 is the plan. Says specific details will vary from community to community and when funds become available. Gives background on needs of southern Oregon telecommunications. States there is a great need to have the capacity. Emphasizes that infrastructure is needed in rural Oregon. Says the pending rate case on appeal is not an issue to southern Oregon.
<b>TAPE 28, B</b>		
048	Hogdson	Continues presentation on the need for connecting in rural areas Summarizes that SB 142 is a start to get to the problems of rural telecommunications.
055	Kevin Talbert	Southern Oregon Telecommunications and Technology Council. Supports SB 142. Describes Ashland's system of serving students and the need for bandwidth development. Says US West has helped to solve problems. States the need for action.
085	Hogdson	Emphasizes the need to tie SB 142 with the state enterprise network. States that would provide a good backbone for getting to the community.
089	Talbert	Refers to the Idaho plan, described in the Wall Street Journal. Says that plan has been compared to SB 142.
095	Barbara Peschiera	Executive Director, Columbia Foundation. Supports SB 142. Asks the committee to take the view that this is an opportunity to solve the problem of development of telecommunications. Emphasizes the issue is about livability in rural Oregon. Says there is a critical need for this.
175	Link Shadley	Director, Community Information Center, North Coast Telecommunications Consortium, Astoria. Supports SB 142 and SB 143. Emphasizes the momentum must be kept up to pass SB 142 and SB 143. Says the state enterprise network is a positive force. States the need for grassroots groups to move SB 142 forward.
248	Chuck Adams	Northwest Payphone Association, Montana, Idaho, Washington, Oregon. Opposes SB 142. Discusses the refund issue, the universal service fund issue, and the rural infrastructure problem.
275	Chuck Jones	Telad International. Describes payphones located from Portland metro to Medford. Describes the use of several exchange companies. Says the concern of the payphone industry is the cost of lines. States that service problems have been prevalent. Explains that a small company cannot absorb the high cost of telephones. Says the Universal Service Act was poorly drafted, but some relief was received. States there are a lot of people who cannot afford phones, such as those who live in north Portland. SB 142 has too many complex parts. Says universal funds need to be separated.

**TAPE 29, B**

013	Chuck Truman	President, Digital Access Communications. Describes problems of the payphone industry. Opposes SB 142. Opposes the proposed rate cap. Rates are currently too high. States that currently there is no competition in the public access market. Says the company is unable to find anyone to resell public access lines. States they are a large customer of US West, paying \$100,000 a month to them, and they are also a competitor of US West. Says the rate cap is anti-competitive. Explains how the refund would amount to over \$130,000 in overcharges during the time the litigation is pending between US West and PUC. Presents <b>(EXHIBIT M)</b> .
060	Sen. Beyer	Asks if they were making a profit at the rates that they were being charged.
066	Truman	Says they have had to compete with the stock market and their return on investments is dwindling. Describes the Federal Universal Fund. Says it was to help infrastructures in rural and high cost areas. Asks why the state needs to augment this.
115	Chuck Jones	Says the payphone call industry cannot pass on costs to the customers very easily.
180	Gary Yaquinto	Vice President of Government and Regulatory Affairs, GST Telecom. Opposes SB 142 and SB 143. Presents <b>(EXHIBIT N)</b> . Says GST provides integrated telecommunications and has its headquarters in Vancouver. Explains reasons for opposing SB 142 because it will not encourage new investment, it will harm the competitive landscape, and it will result in less investment in Oregon. SB 143 unfairly advantages the incumbent companies.
251	Stephen Kafoury	Represents Oregon Internet Service Providers Association (OISPA), which is made up of 40 internet service providers all over the state. States that increases in broadband helps the providers. States there are concerns about SB 142.
270	Stephen Roderick	President of Pro-access Communications, Corvallis. Expresses concerns about SB 142. Believes the incumbent exchange carriers should increase their current service level before deregulation. Believes competition should be accomplished. Says that SB 142 does not provide a plan for build-out of rural enhancement. States that Oregon should make available cost-free provisioning of co-location in every incumbent central office for competitors. Suggests the focus should shift to improving the quality of local loops, by increasing the availability of high speed DSL to customers in rural and urban areas.
348	Tom Cropper	Independent Producers Organization, Multnomah County. Discusses the lack of access and reliability of phone service in the valley. Explains the need for long distance service as part of basic telephone service. Presents <b>(EXHIBIT O)</b> .
379	Kathy Britain	Manager, Rodeonet, Telecommunication for Mental Health in Eastern Oregon. Supports SB 142 and SB 143. Explains the need for advanced telecommunications in eastern Oregon.

**TAPE 30, A**

003	Britain	Continues presentation on solutions to telecommunication connections in RodeoNet. Says there is a huge lag in telecommunications service in Oregon compared to other states. Summarizes what the consortium has been thorough in their attempt to implement SB 142 and SB 143. Describes working with US West to gain telecommunications access in rural areas. Emphasizes the importance of partnerships and collaborations to enable telecommunication systems to be implemented.
070	Larry Huss	Vice President, US West. Comments on the controversy between US West and PUC reported in the newspapers. Compliments Joan Smith, Commissioner and says she has presented PUC's policies in a professional way.
084	Chair Nelson	Adjourns meeting at 4:55 p.m.

Submitted By, Reviewed By,

Nancy Masee, Y. Sherry Sheng,

Administrative Support Administrator

**EXHIBIT SUMMARY**

**A ñ SB 142 and SB 143, Written testimony, Terry Edvalson, 14 pp**

**B ñ SB 142 and SB 143, Written testimony, Linda Swearingen, 2 pp**

**C ñ SB 142, -1 Amendments, Phil Houk, 1 p**

**D ñ SB 142, Written testimony, Bob Jenks, 5 pp**

**E ñ SB 142, Written testimony, John Glascock, 3 pp**

**F ñ SB 142, Written testimony, John Valley, 2 pp**

**G ñ SB 142, Written testimony, Fred Peterson, 5 pp**

**H ñ SB 142, Written testimony, Cindy Weeldreyer, 7 pp**

**I ñ SB 142, Written testimony, Sandy Ryman, 2 pp**

**J ñ SB 142, Written testimony, Douglas Perednia, M.D., 3 pp**

**K ñ SB 142, Written testimony, Curt Pederson, 3 pp**

**L ñ SB 142, Written testimony, Edwin Parker, 2 pp**

**M ñ SB 142, Written testimony, Charles Truman, 1 p**

**N ñ SB 142, Written testimony, Gary Yaquinto, 3 pp**

**O ñ SB 142, Written testimony, Tom Cropper, 1 p**