

SENATE COMMITTEE ON BUSINESS & CONSUMER AFFAIRS

March 12, 1999 Hearing Room C

1:00 p.m. Tapes 57 - 58

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:

SB 142 Work Session

SB 143 Work Session

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
TAPE 57, A		
003	Chair Nelson	Opens meeting at 1:06 PM. Opens work session on SB 142.
<u>SB 142 WORK SESSION</u>		

011	Chris Crean	<p>Deputy Legislative Counsel. Presents (EXHIBIT A). States that the-6 amendments would replace all the language in SB 142. Describes Section 1 of the ñ6 amendments which adds new language to ORS Chapter 759, the telecommunications regulations chapter. Section 2 contains definitions. Section 3 allows carrier to elect to be regulated under the provisions of this act, as opposed to ROR statutes. Page 2, subsection 2, requires a carrier to establish an infrastructure account and requires the carrier to deposit 5 percent of the gross regulated revenue based on the year prior to year of election, for four years. Subsection 3, line 16, requires carrier to expend monies in account on projects approved by carrier and the connecting board. Monies used to be ensure rural and urban Oregonians have equal access to telecommunications. Page 3, line 5, requires the Connecting Oregon Communities Board to establish a benchmark of annual infrastructure maintenance improvements. Allows board to approve expenditures on other projects. Paragraph D, line 14, is unchanged from the ñ5 amendments. Subsection 4, line 22, now reads ten percent of monies in the telecommunication carriers' infrastructure account will be deposited in a Connecting Oregon Communities Fund. Subsection 5 is unchanged from the ñ5 amendments.</p>
061	Crean	<p>Section 4, establishes price regulation. Subsection 2, line 5, caps basic service. Lines 11 and 12, page 4, read the maximum price a carrier may charge for other telecommunication services shall not be subject to regulation. Explains this caps the price of basic service and deregulates all other prices. Subsection 3 requires the Public Utility Commission (PUC) to establish a price floor for basic service and allows a carrier to fluctuate prices between the cap and the floor for basic service. New services implemented by a carrier, following this act, are subject to a price floor, but not a price ceiling. Page 5, line 6, subsection 8, preserves cities' authority to impose privilege taxes and rights-of-way. Section 5 states nothing in the act alternates wholesale transactions regulated under federal law. Section 6, subsection 1, prohibits PUC from initiating a rate proceeding under existing rate of return (ROR) against an electing carrier. Subsection 2, page 5, states any rate proceeding brought by an electing carrier or brought by PUC against an electing carrier prior to January, 1999, shall be subject to provisions, which address the existing rate case. Subsection B addresses any refund order by the court and sets the time for carrier liability in relation to this act. Paragraph C addresses the price for basic service.</p>
113	Crean	<p>Explains paragraph D, page 6, says any reduction in rates charged by a carrier between election and final judgment shall be credits to annual rate reduction. Section 7 is the Universal Service Fund section, which is basically the same as the ñ5 amendments. Section 8 establishes the Oregon Connecting Communities Board and changes voting members to 5. Section 9 is unchanged from the ñ5 amendments. Section 10 establishes the OCC Fund, directs the OCC Board to administer the fund, and allows monies to be used for administrative purposes of the board. Page 10, Section 10, directs the board to establish guidelines for expenditures of the fund and lays out priorities for expenditures. States that the next change, Page 10, states the board needs to consult with Department of Administrative Services (DAS) and PUC to ensure planning development of the telecommunications infrastructure is funded by the OCC fund and maximizes statewide benefits. Issues addressed are contract management, knowledge of advanced telecommunication systems, and telecommunication regulations. Section 11 staggers the terms of board members. Section 12 is unchanged from the ñ5 amendments. Page 12, Section 13, amends the current price regulation statute. Page 14, Section 14, amends ORS 759.255, the existing AFOR statute, to include that PUC needs to make a determination that allows a company to have one or more services regulated under this section that will result in enhanced development of telecommunications in rural areas. Page 15, Section 15 amends ORS 261.305 and lays out the powers of a Public Utility District. Page 17,</p>

		subsection 12, states the Public Utility District (PUD) shall have power to engage in telecommunication services. Page 18, section 16, is the emergency clause.
200	Chair Nelson	Asks for questions of the committee.
202	Sen. Miller	Refers to Page 8, about determining board members; asks if there are definitions of the different regions mentioned.
204	Crean	Answers there are definitions in statute, but not defined in Chapter 759.
205	Chair Nelson	On Page 3, asks if the board can recommend that a carrier be returned to ROR.
212	Crean	Says this paragraph governs expenditures from the telecommunications account, which says if the board decides a carrier is not complying, it can recommend returning it to ROR.
225	Sen. Metsger	Page 11, line 22, asks if increasing the fine by PUC has more impact.
227	Crean	Answers that is what it would do.
232	Chair Nelson	Asks legislative counsel for an explanation of Universal Service Fund on page 7.
234	Crean	Explains how the Universal Service Fund is established to make up the difference of cost to carrier and the cost to offer the service. Says in providing basic service, universal service makes up the difference.
239	Chair Nelson	Asks about the Federal Universal Service Fund. States the committee also has SB 291 on telecommunications.
242	Crean	Replies that is correct, it was created by the 1996 Telecommunications Act. It is not clear, as the rules are not established. That would also be a further support for basic telecommunications service.
244	Chair Nelson	MOTION: Moves to ADOPT SB 142-6 amendments dated 3/12/99.
		VOTE: 5-0
245	Chair Nelson	Hearing no objection, declares the motion CARRIED.
247	Sen. Miller	MOTION: Moves to AMEND the ñ6 amendments on page 1, in line 11, after

		"carrier" insert "or services provided by a radio common carrier as defined in ORS 759.005"
249	Sen. Miller	Says the effect would be to remove wireless service from the Universal Service Fund tax, found on page 7, subsection 3.
250	Chair Nelson	VOTE: 2-3 AYE: 2 ñ Miller, Starr NAY: 3 ñ Beyer, Metsger, Nelson
251	Chair Nelson	The motion FAILS.
253	Sen. Miller	MOTION: Moves to AMEND the ñ6 amendments on page 8, section 8, to delete lines 19 and 20.
255		VOTE: 2-3 AYE: 2 - Miller, Starr NAY: 3 - Beyer, Metsger, Nelson
256	Chair Nelson	The motion FAILS.
257	Sen. Beyer	Explains his view on that section. States why he thinks there should be someone on the board who helps make the decisions. Opposes the amendment.
259	Sen. Miller	Feels that any imparted knowledge would be questionable.
261	Chair Nelson	Asks for further questions.
263	Sen. Starr	Asks if the new board could ask for advice from any source, including the PUC. Sees no point in the presence of a non-voting member.
270	Sen. Miller	MOTION: Moves to AMEND the -6 amendments on page 11, in line 22, to delete "\$50,000" and insert "\$10,000".
273	Sen. Metsger	Responds that he is opposed to the amendment because the \$50,000 penalty would help enforce service quality.

		VOTE: 1-4 AYE: 1 n Miller NAY: 4 - Beyer, Metsger, Starr, Nelson
279	Chair Nelson	The motion FAILS.
282	Chair Nelson	Asks for any further amendments from the committee.
TAPE 58, A		
030	Chair Nelson	MOTION: Moves SB 142 to the floor with a DO PASS AS AMENDED recommendation.
035		VOTE: 4-1 AYE: 4 - Beyer, Metsger, Starr, Nelson NAY: 1 n Miller
036	Chair Nelson	The motion CARRIES. Sen. NELSON will lead discussion on the floor.
034	Sen. Beyer	Comments on the complexity of the bill and all the time and hard work of many people contributing to this bill.
035	Sen. Metsger	Compliments Chair Nelson and everybody for all their time, hard work, and processing the many views expressed during the crafting of this bill.
057	Sen. Miller	Comments that he has a problem on Page 6, Section 7, subsection 2, which allows the Public Utility Commission to determine whether and to what extent basic telephone service should be subsidized. Regarding subsidizing, says the bill is not well defined as to the limitations. Comments that he is nervous granting that kind of authority to an agency. Does not support the bill. Comments that he appreciates the chair's leadership on this issue. States that the committee hopes to reach the goal of providing good telecommunication service to Oregonians not now receiving it.
080	Sen. Beyer	Responds that he understands Sen. Miller's concern, which he thinks is the language mirrored in the federal act.

084	Chair Nelson	Expresses appreciation of the work of all the people involved. States there is a need for this bill to go forward. Closes work session on SB 142. Opens work session on SB 143.
<u>SB 143 WORK SESSION</u>		
100	Chair Nelson	MOTION: Moves SB 143 to the floor WITHOUT RECOMMENDATION as to passage and BE REFERRED to the committee on Revenue.
		VOTE: 5-0
102	Chair Nelson	Hearing no objection, declares the motion CARRIED.
103	Chair Nelson	Adjourns meeting at 1:45 PM.

Submitted By, Reviewed By,

Nancy Masee, Y. Sherry Sheng,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñ SB 142, -6 Amendments, Chris Crean, 18 pp.