

HOUSE COMMITTEE ON COMMERCE

SUBCOMMITTEE ON TELECOMMUNICATIONS AND TRADE

March 18, 1997 Hearing Room 343

8:30 AM Tapes 24 - 25

MEMBERS PRESENT:

Rep. Jim Hill, Chair

Rep. Ron Adams

Rep. Eldon Johnson

Rep. Tom Whelan

Rep. Cynthia Wooten

STAFF PRESENT:

Julie Neburka, Administrator

Coben Tistadt, Administrative Support

MEASURE/ISSUES HEARD:

HB 3021 - Public Hearing

HB 2060 - Public Hearing

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 24, A		
000	Chair Hill	Opens meeting at 8:34 AM. Opens public hearing on HB 3021.
<u>HB 3021 - Public Hearing</u>		
007	Pat Hickey	Representing AT&T. Submits written testimony (EXHIBIT A). Recalls abundant testimony in opposition to HB 3021 and urges the committee to find a better way.
017		

	Paul Romain	Representing MCI Telecommunications. States that the delays which the bill seeks to ameliorate were largely caused by US West. States support for present law.
031	Rep. Adams	Asks if the witness would do the same thing as US West if he was in their position.
036	Romain	Answers yes.
040	Rep. Adams	Asks if US West and GTE are protecting their investments or their monopolies.
048	Romain	Answers referring to guidelines set by the Federal Telecommunications Act. Distinguishes between a company's investment and the customers' investments. Notes MCI's desire to buy from monopolies at fair prices and thereby to compete. Insists that HB 3021 "attacks" the established system.
060	Susan McAdams	Representing Electric Lightwave Incorporated (ELI). Testifies that ELI entered the Portland market in 1990, and that the company is facilities-based. Reports that incumbents have had, in essence, veto power over entry requests. Reports that currently there is little competition but good law. Mentions that US West and GTE have pricing flexibility contingent upon the existence of competition.
115	Chair Hill	Asks if ELI serves residential customers.
118	McAdams	Answers that they have high-tech investments better suited for businesses and that they have targeted businesses. Cites expectation that they will serve residential customers in the future.
132	Chair Hill	Asks if business zones are competitive.
138	McAdams	Answers yes and mentions the ensuing flexibility for the incumbents.
144	Chair Hill	Speaks to implicit subsidies and asks if competition in business will raise residential prices.
153	McAdams	Cites studies showing that residential rates meet costs. Speaks to subsidies in rural areas. States that the question is: are the costs where they should be.
168	Rep. Johnson	Asks if ELI pays for access to buildings in Portland.
172	McAdams	Answers that there are some buildings where they pay for space, and that they haven't paid for the right to be in the riser.
178	Rep. Johnson	Asks if those rates are reasonable.
181	McAdams	Describes instance where rates were not reasonable.
185	Rep. Johnson	Asks how ELI competes.
188	McAdams	Refers to a study done by ELI showing that for customers price isn't the number one priority, but rather customer service.
200	Rep. Johnson	Asks how the company deals with downed poles.
204	McAdams	

		Answers that they spent extra money to create a loop so that calls can be rerouted and thereby service isn't lost.
223	Rep. Johnson	Asks if the company provides basic services to its customers.
224	McAdams	Answers yes.
226	Rep. Johnson	Asks if businesses can move from provider to provider.
228	McAdams	Notes that in these cases it is unusual to have enough wires from each provider to maintain normal level of service.
239	Rep. Johnson	Asks if the company receives subsidies to provide service to residential customers.
243	McAdams	States that ELI participates in mechanism providing service to lower income customers and high cost areas.
245	Rep. Johnson	Asks for the details of the subsidy program.
251	Rep. Whelan	Asks what OCAF stands for.
252	McAdams	Replies that it stands for the Oregon Customer Assistance Fund.
255	Chair Hill	Asks if ELI has the same requirement as have incumbents to serve the tenants of a building in which a current customer resides.
261	McAdams	States that the same requirements apply, adding that the requirement on incumbents is not a "absolute" requirement.
273	Chair Hill	Refers to a previous bill relating to held orders, in which ELI would have been held to lesser standards than incumbents.
284	McAdams	States that economic considerations determine whether ELI will serve a customer.
298	Rep. Adams	Asks to have the Public Utilities Commission answer Chair Hill's question, stating his belief that there is an absolute requirement effecting incumbents.
310	Rep. Johnson	Asks for a definition of "build-out" requirements.
314	McAdams	Answers that it refers to extending facilities to meet new customer requests.
325	Roger Hamilton	Chair of the PUC. States that in some cases there are customer charges for extensions but that generally incumbents are required to provide those extensions. States that same requirement does not apply for competitors.
339	Chair Hill	Asks if he agrees with that policy.
354	Hamilton	Mentions that incumbents aren't subject to the same market discipline as the competitors. Cites desire that the PUC not to be intrusive. Cites support for HB 2079 which creates penalties for not meeting PUC standards.
369		

	Rep. Johnson	Asks if incumbents and competitors aren't subject to the same standards.
377	Hamilton	Answers yes, adding that currently the PUC doesn't have authority to exact penalties in either case.
387	Rep. Wooten	Asks Ms. McAdams to describe difficulties in entering the market.
TAPE 25, A		
008	McAdams	Mentions that interconnectivity requires a certain level of cooperation.
017	Rep. Wooten	Asks of difficulties in relations specifically with US West.
023	McAdams	Mentions that there isn't an approved interconnection agreement.
026	Rep. Wooten	Mentions her intention to expedite interconnection agreements.
031	Chair Hill	Mentions various concerns relating to differing service quality standards.
058	Hamilton	States that uniform standards would act as a barrier to entry. Adds that the companies are not starting from the same place.
069	McAdams	States that ELI made a decision in implementing high technology networks which are more suited for businesses.
071	Chair Hill	Asks for reasons why low volume traffic couldn't be transferred to ELI switches.
075	McAdams	Answers that it could with reasonable rates for local loops.
086	Rep. Johnson	Asks about the states' authority concerning interconnectivity
093	Hamilton	States that that authority is inhibited by the federal act. Cites a current case being decided in federal court in Eugene.
102	Dave Booth	PUC staff. States that the commission has approved only one agreement between Citizens Communications and US West. States belief that it is a temporary agreement. Talks of arbitration before the commission presently.
123	Hamilton	States that arbitration in federal court is with GTE.
127	Rep. Johnson	Asks if federal law stop the state from acting on interconnection.
130	Hamilton	Answers no.
132	Rep. Johnson	Asks if the state can mandate agreements by certain time.
134	Hamilton	Answers yes if consistent with the federal act.
137	Booth	Answers that they can do it more rapidly than required by the federal act.
144	Chair Hill	Notes that the federal government can pass any law, but the state governments have to wait for federal decisions.

150	Rep. Adams	Briefly describes history of the telecommunications market since 1953.
167	Chair Hill	Asks for an outline of interconnection agreements process.
173	Rep. Wooten	Asks about the commission's limitations in processing interconnection agreements, about pending cases, and for their anticipated resolution of applications for certification.
182	Booth	Clarifies distinction between processing certificates and interconnection agreements.
185	Rep. Wooten	Asks how many of those applying for certification are involving in pending interconnection cases.
196	Chuck Lenard	US West. Discusses present status of interconnection agreements, stating that there are a number still pending. States that there are incentives to interconnect, specifying the 14-point checklist required of Bell Operating Companies prior to entering long-distance markets. States that HB 3021 mandates a second carrier of last resort.
246	Lenard	Mentions misinterpretations relating to the bill. Expresses desire for a clear understanding of contentious issues.
268	Chair Hill	Closes public hearing on HB 3021. Opens public hearing on HB 2060.
<u>HB 2060 - Public Hearing</u>		
274	Dick Yates	Economist for the Legislative Revenue Office. Submits and explains written materials (EXHIBIT B).
324	Yates	Continues presentation relating to written materials.
354	Rep. Wooten	Asks if the figures for gross charges include subsidiary companies.
356	Yates	Answers yes.
358	Rep. Wooten	Asks for the figures relating to subsidiaries.
361	Yates	Responds that he wouldn't know how to access that information.
370	Chair Hill	Asks for a breakdown identifying revenues for wireless services.
377	Yates	Responds.
384	Rep. Johnson	Asks for the total franchise taxes paid by utilities.
TAPE 24, B		
013	Yates	Refers to EXHIBIT B. Questions whether electricity is subject to the tax.
015	Rep. Adams	Expresses desire for specifics.
016	Chair Hill	Announces upcoming testimony by the League of Oregon Cities. Adjourns meeting at 9:30 AM.

Submitted By, Reviewed By,

Coben Tistadt, Julie Neburka,

Administrative Support Administrator

EXHIBIT SUMMARY

A - HB 3021, written testimony, Pat Hickey, 6 pp.

B - HB 2060, charts, Dick Yates, 2 pp.