

These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

SENATE COMMITTEE ON
TELECOMMUNICATIONS AND CONSUMER AFFAIRS

February 19, 1991 Hearing Room B
1:00 p.m. Tapes 14 - 15

MEMBERS PRESENT: Senator Jolin, Chair
 Senator Otto, Vice-Chair
 Senator Kennemer
 Senator Bunn
 Senator Shoemaker

STAFF PRESENT: Cherie Copeland, Committee Administrator
 Apryl Poff, Committee Assistant

MEASURES HEARD: SB 470 Phone service to unserved areas.
 SB 227 Toll service levels.
 SB 230 PUC jurisdiction over contracts.

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PUBLIC HEARING

TAPE 14, SIDE A

005 CHAIR JOLIN: Calls the meeting to order at 1:06 p.m.

010 CHERIE COPELAND: Introduces proposed committee bills (EXHIBIT A).
 >LC 1640 Amusement device taxes.
 >LC 2903 Discount auto insurance.
 >LC 2633 Insurance privacy.

013 Senator Shoemaker and Senator Kennemer arrive at 1:08.

019 There being no objections all three proposed committee bills are accepted.

SB 470 PHONE SERVICE TO UNSERVED AREAS, PUBLIC HEARING.

Witnesses: Ed Parker, Parker Telecommunications.
 Ed Morrison, Public Utilities Commission.
 Maurey Astley, Oregon Independent Telephone Association.
 Dave Overstreet, GTE.

030 EDWIN PARKER: Submits and summarizes written testimony in favor of SB 470 (EXHIBIT B).
Recommends passage of SB 470 because it will help rural Oregon consumers without telephones obtain telephone service, without cost to Oregon taxpayers or telephone ratepayers. The benefits can be achieved by taking advantage of federal government subsidies available to help achieve the policy goal

of universal telephone service. Research on rural economic development has shown that the availability of telephone service, including residential telephones, contributes to rural economic development. In addition, availability of telephone service for rural consumers is a significant contribution to their quality of life. According to a recent Federal Communications Commission report using data collected by the Census Bureau, 7.2% of Oregon households don't have telephone service. There are many reasons people don't have telephone service. In rural Oregon one reason is that several Oregon telephone utilities charge what is called a "line extension charge" or extraordinary one-time installation fee of up to \$5,000 per mile of distance from the nearest point at which the telephone utility previously provided service. Recommends four amendments see (EXHIBIT B).

161 CHAIR JOLIN: Do you know what the percentage is of people who don't have household phone service in Oregon?

169 EDWIN PARKER: Yes, the number of unserved households in Oregon is 7.2%.

177 SENATOR KENNEMER: Does this percentage include recreational homes?

179 EDWIN PARKER: My understanding is that it includes households where people are in residence at the time the Census Bureau did the survey.

196 SENATOR SHOEMAKER: Would the public consumer contact the phone company that is closest to them about getting phone service in a rural area?

200 EDWIN PARKER: No, they would contact the PUC.

302 CHAIR JOLIN: Asks Ed Morrison to address issues raised.

350 SENATOR SHOEMAKER: If a consumer asks for service and the local phone company turns them down, does the PUC have the authority to order the phone company to serve them?

358 ED MORRISON: Yes.

405 MAUREY ASTLEY: Submits and summarizes written testimony in opposition to SB 470 (EXHIBIT C). OITA has dealt with the issue of line extension charges and the issue of PUC authority over allocated boundaries several times in the past. This bill provides problems in both areas. Line extension charges were established to allow service to be provided in cases where the cost to provide service is high and the likelihood of recovery of costs from the customer are unlikely or speculative in nature. Both issues require thousands of dollars of new investment, which would now be borne by the remaining ratepayers. OITA believes that the current law and procedures are the best solution to the problem and request that this bill go no further.

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097 MAUREY ASTLEY: Companies in Rural Electrification Administration spread the cost of line extension through out rate base, other companies charge their customers up front.

213 DAVE OVERSTREET: Submits and summarizes testimony in opposition to SB 470 (EXHIBIT D). We believe that SB 470 is an unnecessary piece of legislation designed to "fix" a problem that doesn't exist. The exchange deviations procedure is a tool the PUC can use as a complement to its basic

regulatory authority over telecommunications utilities' rates, specifically line extension charges. In setting and resetting these rates from time to time, the commission balances the interests of remote residents who desire telephone service with the interests of the general body of ratepayers, who don't necessarily want to fully subsidize the cost of constructing telephone lines to such locales. Passage of this bill might make it possible for one telecommunications company to take important new customers from another company. GTE believes that this committee should further consider SB 470 only if it can be clearly shown that the current statute is in significant need of change.

310 SENATOR SHOEMAKER: Of the 7.2% of people without telephone service, how many don't want it, and do the statistics truly mean households or does it mean vacation homes?

314 DAVE OVERSTREET: The statistics show that in reality the number of unserved customers in this state is not significantly higher than any other state in the union as far as people who don't have telephone service. "The figures definitely include service that has been provided to vacation homes."

428 ED MORRISON: Submits and summarizes written testimony in favor of SB 470 (EXHIBIT E). The enactment of this legislation will open additional telephone service options for unserved rural Oregonians. An Oregonian in a territory allocated to telephone utility could then be served by a number of technologies such as radio or satellite. These technologies skip over conventional telephone boundaries. This legislation allows any unserved customers that must pay line extension charges to obtain service from another telephone utility; and, allows service to be made available by any telephone utility.

TAPE 14 SIDE B

074 CHAIR JOLIN: Does the 7.2% include vacation homes?

077 ED MORRISON: The census is of households. They ask you where is your primary household and where is it located, and do you have a phone in that household? So, the 7.2 percentage would include primary households only.

264 CHAIR JOLIN: Concludes hearing on SB 470 and opens the hearing on SB 227 .

SB 227 - TOLL SERVICE LEVELS, PUBLIC HEARING.

Witnesses: Ed Morrison, Public Utilities Commission.
Maurey Astley, Oregon Independent Telephone Association.

294 ED MORRISON: Submits and summarizes written testimony in favor of SB 227 (EXHIBIT F).

It is important that consumers be made aware of the service standards of long distance carriers and that the Commission has the means for enforcing these standards. For example, there are telephone carriers that advertise long distance services at attractive flat rates. However, some of these carriers have failed to tell potential customers that there might be problems in completing calls because of insufficient facilities to provide adequate service. This legislation would require the carriers to let consumers know what service standard they will provide. The commission believes that SB 227 will provide needed protection to consumers in this area.

351 SENATOR KENNEMER: The bill states that you must inform customers. What format would

you anticipate that would take?

354 ED MORRISON: The format is up to the sales organization that is selling the service. They just must inform the customer of what level of service they are going to provide.

359 SENATOR KENNEMER: Do you set standards for their performance?

360 ED MORRISON: No.

366 SENATOR SHOEMAKER: So you will not in any way tell the provider how they must inform their customers of its service level?

375 ED MORRISON: Correct. But if they don't inform their customers, then the PUC will have the right to pull their certification.

381 SENATOR SHOEMAKER: So the information could appear in fine print on the back of one of the documents correct?

394 ED MORRISON: Yes. The PUC could by rule specify these kinds of things but at this time it would not be practical. If the commission has problems with this, then we will require providers to print the information where it would definitely be noticed.

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050 MAUREY ASTLEY: Submits and summarizes written testimony in favor of SB 227 (EXHIBIT G). OITA supports SB 227 because it prevents long distance providers from misleading consumers about quality of service. Some carriers have used the fact that they have a certificate of authority to convince customers that they provide service that meets most normal service standards. In the past some resellers haven't ordered enough access lines and then blamed the local telephone company for busy circuits. SB 227 puts the responsibility with the appropriate provider. Yet it leaves the carrier with the option of marketing a higher or lower level of service to meet customer needs.

133 CHAIR JOLIN: Closes hearing on SB 227 and opens the hearing on SB 230 .

140 SB 230 PUC JURISDICTION OVER CONTRACTS, PUBLIC HEARING.
Witnesses: Ed Morrison, Public Utilities Commission.

146 ED MORRISON: Submits and summarizes written testimony in favor of SB 227 (EXHIBIT H). This bill merely deletes unnecessary language from the telecommunication statutes.

161 CHAIR JOLIN: Adjourns hearing at 2:45.

Submitted by: Reviewed by:

Apryl Poff Cherie Copeland
Assistant Committee Administrator

EXHIBIT LOG:

- A - Summary of LC drafts submitted by Cherie Copeland, administrator, 1 page.
- B - Written testimony submitted by Edwin Parker, 5 pages.
- C - Written testimony submitted by Maurey Astley, 2 pages.
- D - Written testimony submitted by Dave Overstreet, 4 pages.
- E - Written testimony submitted by Ed Morrison, 1 page.
- F - Written testimony submitted by Ed Morrison, 2 pages.
- G - Written testimony submitted by Maurey Astley, 1 page.
- H - Written testimony submitted by Ed Morrison, 1 page.