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Good morning Chairman Townsend, Members of the Committee,

My name is Ann C. Pongracz. I am testifying today on behalf of Sprint in support of S.B. 400 and the amendments, which we propose together with SBC. Dan Reaser, of the Lionel Sawyer law firm is with me testifying in support of the bill and the amendments on behalf of SBC.

Sprint and SBC have listened carefully and worked diligently to address the concerns of opponents expressed before this Committee at the hearing on March 27, 2003. We have participated in extended settlement discussions with Cox Communications regarding possible amendments to S.B. 400. Sprint and SBC are happy to report that Sprint, SBC and Cox all reached an agreement late yesterday regarding amendments. Those amendments are set forth on the document provided to your Secretary for distribution to the Committee.

We understand this Committee and others on which each of you serve have much business to complete this week. Therefore, we will keep our explanation of the proposed amendments to S.B. 400 brief. We would of course be happy to discuss these amendments further with you if you desire to do so.

The major changes included in the proposed amendments fall into two categories:

- 1) Refinements to the business services pricing flexibility allowed to Sprint and SBC as proposed in S.B. 400.
- 2) Simplifying the language governing broadband services parity to remove the concerns that the language of S.B. 400 might unintentionally impact basic telephone services.

I. REFINEMENTS TO PRICING FLEXIBILITY

I will first explain the changes to the pricing flexibility provisions in S.B. 400 which Sprint and SBC have agreed to accept to address certain concerns expressed by some opponents of the bill and in order to specifically address issues raised by Cox. With these changes, we understand Cox no longer opposes S.B. 400. These changes include:

- 1) Sprint and SBC have agreed to eliminate the competitive reclassification rules proposed in section 25 of S.B. 400. We had proposed to streamline the Public Utility Commission process for detariffing services where we face competition.

However, as the Members of the Committee may recall, a number of witnesses at that hearing, including notably the representative for Cox, expressed concerns regarding section 25. Therefore, Sprint and SBC have agreed with Cox to eliminate most of the provisions of section 25, including the statutory criteria for competitive reclassification. Instead, Sprint and SBC will move forward to address this issue before the PUC in Docket 02-7001. The only amendment to existing law retained in section 25 of the bill is that once the PUC has resolved by regulation new criteria for competitive reclassification, requests from Sprint and SBC for reclassification will be resolved by the PUC within 120 days.

- 2) Sprint and SBC also have agreed with Cox to eliminate certain aspects of the pricing flexibility we had sought to achieve through use of customer contracts. Sprint and SBC have agreed to utilize a new tariff procedure to provide term and volume discounts when dealing with all, or to a class of, business customers. This provision will be added to section 12 of S.B. 400. It provides for the Commission to conduct an expedited 60-day review for this type of tariff filing.
- 3) Sprint and SBC have further agreed with Cox to revise S.B. 400 as to those situations in which we can offer term and volume discounts through contracts. As amended, S.B. 400 provides for use of contracts in those situations where we are offering term and volume discounts to individual customers. These changes are reflected in the amendment we have proposed to section 26.
- 4) On this subject, Sprint and SBC also have agreed to increase the regulatory requirements applied to such contracts by including a requirement that the Commission post the notices of these contracts we file. This change also is included in the amendment we have proposed to section 26.
- 5) And, Sprint and SBC have agreed to give ten days notice of contracts providing term and volume discounts to business customers, instead of the one-day notice originally proposed in S.B. 400.
- 6) Finally, while not included in the language of S.B. 400, Sprint and SBC have agreed to file and support a request to the PUC in Docket 02-7001 for an amendment to existing regulations governing the content of the annual reports of PAR carriers. This regulation amendment would require each PAR carrier to include in its annual report information regarding the pricing flexibility we have exercised under section 12, and the number and type of contracts that we have utilized under section 26 of S.B. 400. The Commission would review this information to determine the carriers' compliance with the requirements of these provisions. Prior to the

adoption of these regulations, Sprint and SBC will voluntarily submit such information with their annual report.

II. BROADBAND PARITY

Sprint and SBC also have agreed to simplify the language on broadband services parity originally proposed in S.B. 400. During this Committee's first hearing on S.B. 400, a number of witnesses expressed concern that Sprint and SBC intended to somehow utilize the definition of "High-speed Internet access" or "broadband service" contained in section 10, to deregulate virtually all of our services.

Specifically, at the last hearing, opponents of S.B. 400 alleged that the definition of "broadband service" was flawed by its reference to "underlying facilities."

We disagreed with this interpretation. Nevertheless, in order to eliminate this attack on the broadband services parity provisions of S.B. 400, Sprint and SBC have agreed to an amendment to section 10 that removes the reference to underlying facilities and sets forth a simpler definition of broadband service.

We have retained the provisions of S.B. 400, and left unchanged provisions of existing law, which govern the provision of wholesale services by Sprint and SBC to competitive suppliers. Therefore, with the enactment of S.B. 400, Sprint and SBC will have the same wholesale obligations we have today under federal law.

In other words, S.B. 400 does not change our current legal obligations to lease our networks for CLEC use, and to resell our services, at a substantial discount to the CLECs, in compliance with the Telecommunications Act of 1996 and the FCC's regulations.

CONCLUSION:

We believe that with these recommended changes this Committee may vote today with confidence in support of passing the amended version of S.B. 400 and forward the bill for consideration by the full Senate. We would be glad to respond to any questions.

Thank you very much.