

2/12/85
Approved Jayne Aylward _____
Date

MINUTES OF THE HOUSE COMMITTEE ON COMMUNICATION, COMPUTERS AND TECHNOLOGY.

The meeting was called to order by Representative Jayne Aylward at _____
Chairperson

3:30 ~~xxx~~ p.m. on February 6, 1985 in room 522-S of the Capitol.

All members were present except:

Committee staff present:

Scott Rothe, Research Department
James A. Wilson, III, Senior Assistant Revisor
Jean Mellinger, Secretary to the Committee

Conferees appearing before the committee:

Don Low, Director, Utilities Division, Kansas Corporation Commission
Susan Schroeder, Budget Division, Department of Administration
Dr. Russell Getter, Division of Information Systems and Computing
Jerald Jennings, Division of Information Systems and Computing

Chairman Jayne Aylward opened the meeting.

Don Low spoke on the resale of local telephone services (Attachment 1).

Representative Roper asked if the additional revenues mentioned on page 3 referred to increase in rates overall. Mr. Low said that if the facilities are not used by the ones they were dedicated to, the costs still remain and will have to be picked up by all.

Representative Friedeman inquired as to how Oklahoma and Texas have resolved the question of the universities on resale in their states. Mr. Low said that the Texas Commission entered an order which indicated it would allow resale subject to development of specific tariff rates for that situation. Bell filed a motion for reconsideration, and he wasn't sure of the disposition of that. He didn't know about Oklahoma. Representative Friedeman asked if part of the question is whether or not it is even legal to be resold regardless of rates. Mr. Low said there are a number of legal questions. First, prospective resellers claim that we are pre-empted by the FCC. Another legal question is whether a reseller would be considered a public utility. Representative Friedeman inquired if the Commission agreed that the state would have the right to resell that service in a university dormitory, and we are talking about bypassing which is the way the state is headed right now, would that not give us a feeling of philosophical ambivalence if we do not allow private parties to do the same thing. Mr. Low said there would be a difference of treatment but one of the elements of resale that bothers some people is the profit factor, they feel perhaps that the profit should go to the local telephone company.

Representative Roper inquired if the resellers were classified as a public utility if they wouldn't fall under all the restrictions of a public utility. Mr. Low said they would.

The chairman said Arkansas has passed legislation that only a telephone company can provide basic service and asked Mr. Low if he had any opinion on whether that would be the way for the State of Kansas to address this. He said he didn't think the Commission had, had a chance to consider its position on this.

Chairman Aylward passed out a bill draft (Attachment 2) which essentially would deregulate radio common carriers for consideration by the committee.

Representative Chronister moved for introduction of the bill with a request that it be sent back to this committee for hearings. Representative Erne seconded the motion. The motion carried. Representative Friedeman asked to be recorded as voting no.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON COMMUNICATION, COMPUTERS AND TECHNOLOGY

room 522-S, Statehouse, at 3:30 ~~am~~ p.m. on February 6, 1985

Chairman Aylward reported that Representative Rolfs had told her they were considering the telephone system at the Youth Center at Beloit in Ways and Means and would like to have a recommendation from CCT Committee by tomorrow.

Scott Rothe gave a brief rundown on the bill stating that the 1984 legislature approved the purchase of a new phone system for the Youth Center at Beloit subject to approval of the State Finance Council subsequent to purchase and installation of a similar system at the Youth Center at Atchison. The State Office of Telecommunications has indicated it can begin work on the system in March of 1985.

Susan Schroeder explained that the Beloit system was at least 20 years old and there is a security problem if the phone system isn't working. The only man who really knew about the system has been transferred away, and replacement parts are very hard to obtain. Atchison's system was completed in October at a cost of about \$57,000. The Governor in an emergency supplemental has put this in so they can get started. They removed the Finance Council proviso because the Finance Council cannot meet during the session. If Telecommunications begins work March 29, they'll be done June 21. The money has already been appropriated, and the estimated cost is \$52,000.

Representative Chronister asked if Atchison came in above, near, or under bid specs. Susan Schroeder said they estimated high because it was a first time project so they came in under. They then figured \$70,000 for Beloit so there should be sufficient funds in the Institutional Major Maintenance Account.

Dr. Getter introduced Jerry Jennings. Mr. Jennings said they have been concerned with Beloit for several years and passed out some letters (Attachment 3). He stated that because of the remoteness of Beloit, there is not the competitive atmosphere there and bids may be fewer. They hope to get an adequate system for \$52,000 but would like to leave it open a little.

Representative Chronister asked if the system was working well in Atchison. Mr. Jennings said they love it. Representative Chronister asked if there were special security features for the Youth Centers. Mr. Jennings replied they hadn't been requested to put in any.

Chairman Aylward asked what other places they foresee in the near future where there will be problems. Mr. Jennings mentioned Emporia, Larned, and some of the agencies in Wichita and Kansas City.

Representative Roper asked how much leeway over \$52,000 they might need. Mr. Jennings said they might need as much as \$60,000.

Representative Friedeman asked about the two KANS-A-N lines. Mr. Jennings said when Telpak goes out of business, they probably wouldn't be able to afford the KANS-A-N lines. Representative Friedeman asked if there was any way to cut some costs now by eliminating these and was told there wasn't.

Representative Friedeman moved that CCT Committee approve for our purposes the installation of this new phone system at Beloit and he did so in relationship to the fact that the Building Committee has already passed on this, it has already been approved by appropriations, and Representative Chronister will be the one to relay this information to the appropriate parties. Representative Campbell seconded the motion. The motion carried.

The meeting was adjourned at 4:10 p.m.

The next meeting of the committee will be held at 3:30 p.m. on Monday, February 11, 1985.

PRESENTATION OF THE
STATE CORPORATION COMMISSION
ON RESALE OF LOCAL TELEPHONE SERVICE

THE QUESTION OF WHETHER TO AUTHORIZE RESALE OF LOCAL TELEPHONE SERVICE WAS BROUGHT TO THE COMMISSION'S ATTENTION LAST SUMMER. IN RESPONSE TO A COMPLAINT BY SOUTHWESTERN BELL CONCERNING THE WICHITA AIRPORT AUTHORITY'S ATTEMPT TO SERVE TENANTS AT THE AIRPORT THROUGH A PBX OPERATED BY THE AUTHORITY, THE COMMISSION INITIATED A GENERAL INVESTIGATION INTO RESALE. HEARINGS ON THE ISSUE, INCLUDING QUESTIONS ABOUT CUSTOMER OWNED COIN TELEPHONE SETS WERE HELD LAST SUMMER. AS A RESULT OF THOSE HEARINGS, THE COMMISSION ORDERED FURTHER HEARINGS CONCERNING POTENTIAL RATES AND RATE STRUCTURES FOR RESALE SITUATIONS. ATTACHED IS A COPY OF THAT ORDER. HEARINGS WERE HELD TWO WEEKS AGO ON THE RATES AND CONDITIONS FOR USE OF PRIVATELY OWNED COIN PHONES WHILE HEARINGS ARE SCHEDULED FOR MARCH 12TH ON THE OTHER ASPECTS OF RESALE. SINCE IT IS MY UNDERSTANDING THAT THE COMMITTEE'S INTEREST IS PRIMARILY IN THE RESALE AREA, I WILL NOT DISCUSS COIN PHONES. RESALE OF LOCAL SERVICE IS CURRENTLY A REGULATORY ISSUE ACROSS THE COUNTRY. SOUTHWESTERN BELL APPEARS TO BE THE MOST ADAMANT OF THE BOC'S IN OPPOSING RESALE. IN EACH OF THE FIVE SOUTHWESTERN BELL STATES, THE COMPANY HAS ASKED FOR DETERMINATIONS PROHIBITING RESALE OF LOCAL SERVICE.

RESALE OF LOCAL TELEPHONE SERVICE COULD THEORETICALLY TAKE PLACE IN ANY NUMBER OF WAYS. THE MOST LIKELY, HOWEVER, INVOLVE LANDLORD-TENANT SITUATIONS IN AN OFFICE BUILDING OR IN A RELATIVELY CONCENTRATED DISCRETE AREA SUCH AS AN INDUSTRIAL PARK,

(Attachment 1)
2/6/85

OFFICE COMPLEX, OR UNIVERSITY DORMITORY. IN OKLAHOMA AND TEXAS, THE RESALE CONTROVERSY AROSE FROM SITUATIONS INVOLVING THE UNIVERSITIES. RESALE BASICALLY INVOLVES USE OF A COMMON PBX WHICH CONCENTRATES TRAFFIC CALLS TO ALLOW A REDUCTION IN THE NUMBER OF EXCHANGE ACCESS FACILITIES WHICH THE INDIVIDUAL CUSTOMERS REQUIRE. THUS THE TENANTS IN AN OFFICE BUILDING, RATHER THAN EACH LEASING INDIVIDUAL LINES FROM THE TELEPHONE COMPANY, CAN BENEFIT FROM THE EFFICIENCIES AND ECONOMIES OF SCALE THAT ARISE FROM CONSOLIDATION OF THEIR TELECOMMUNICATIONS NEEDS THROUGH THE PBX SWITCH. SINCE THE TOTAL RATES FOR THE CONSOLIDATED FACILITIES MAY BE LESS THAN THE AGGREGATE CHARGES FOR THE PREVIOUS NUMBER OF INDIVIDUAL LINES, THE LANDLORD THEORITICALLY CAN CHARGE THE TENANTS LESS THAN THEY PREVIOUSLY PAID BUT MORE THAN THE NEW CHARGES FROM THE TELEPHONE COMPANY. EVEN IF THE LANDLORD-RESELLER CAN'T "ARBITRAGE" THE RATE DIFFERENTIALS FOR THE ACCESS LINES THEMSELVES, THE RESELLER MIGHT PROMOTE THE "ENHANCED" SERVICES THAT CAN BE PROVIDED THROUGH THE "SMART" SWITCH. THESE "VALUE ADDED" SERVICES, INCLUDING ENVIRONMENTAL AND SECURITY FUNCTIONS, WORD AND DATA PROCESSING AND TRANSMISSION, AND MESSAGE ATTENDANT SERVICES, PROBABLY WOULD NOT BE ECONOMICALLY AVAILABLE TO THE INDIVIDUAL TENANTS OTHERWISE. THE MAIN THRUST OF THE POTENTIAL RESALERS, HOWEVER,

APPEARS TO BE TO PROVIDE A TOTAL COMMUNICATIONS PACKAGE, INCLUDING ACCESS TO LONG DISTANCE PROVIDERS.

SOUTHWESTERN BELL ARGUED IN THE HEARINGS THAT RESALE OF LOCAL TELEPHONE SERVICE SHOULD NOT BE PERMITTED AND THAT, IN FACT, THE SHARING OF LOCAL SERVICE FACILITIES WHICH IS NOW PERMITTED UNDER BELLS' "JOINT USE" TARIFF SHOULD NO LONGER BE PERMITTED. SOUTHWESTERN BELL RECOGNIZES THAT THE COMMISSION AND THE TELEPHONE COMPANY CANNOT INTERFERE WITH THE USE OF THE PBX ITSELF SINCE CUSTOMER PREMISES EQUIPMENT HAS BEEN DEREGULATED. BELL ARGUES, HOWEVER, THAT UNLESS THE SWITCH IS "PARTITIONED" SO EACH USER IS A SUBSCRIBER TO LOCAL EXCHANGE TELEPHONE SERVICE, RESALE AND SHARING WOULD LEAD TO THE FOLLOWING ADVERSE CONSEQUENCES:

1. REDUCTION IN THE USE OF EXISTING FACILITIES. SINCE THE CONSOLIDATION OF CUSTOMERS BEHIND THE PBX ALLOWS ECONOMIES OF SCALE, SOME FACILITIES WOULD BECOME IDLED AND NOT REUSED IN THE IMMEDIATE FUTURE. SINCE THE COSTS OF THOSE FACILITIES REMAINS, ADDITIONAL REVENUES WOULD BE REQUIRED. THIS IS, OF COURSE, LESS LIKELY TO HAPPEN IN NEW OFFICE BUILDINGS OR COMPLEXES.

2. REDUCTION IN REVENUES, IN ADDITION TO THE DECREASE IN REVENUES FROM LEASING OF FEWER LINES, THE CONCENTRATION OF CUSTOMERS PERMITTED BY RESALE AND SHARING COULD PROMOTE "BYPASS" OF THE LOCAL EXCHANGE NETWORK FOR ACCESS TO LONG DISTANCE

CARRIERS. THIS "BYPASS" THREAT, WHICH IS THE DRIVING FORCE BEHIND THE END USER ACCESS CHARGES IMPOSED BY THE FCC, IS SEEN AS EXACERBATED BY RESALE SITUATIONS.

3. DISRUPTION OF FACILITIES PLANNING. BELL SUGGESTS THAT RESALE WOULD MAKE FORECASTING OF CUSTOMERS NEEDS MUCH MORE DIFFICULT. SINCE TENANTS MAY OR MAY NOT DECIDE TO USE RESOLD SERVICES OR MAY WANT INDIVIDUAL SERVICE AFTER HAVING USED THE RESOLD SERVICE, THE COMPANY COULD END UP PROVIDING INSUFFICIENT FACILITIES OR COSTLY "STANDBY" FACILITIES.

4. DEGRADATION OF SERVICE STANDARDS, SINCE RESELLERS MAY ENGINEER THEIR SERVICES DIFFERENTLY AND REDUCE THE NUMBER OF ACCESS CONNECTIONS, THE TENANTS AND OTHER CUSTOMERS ON THE NETWORK MAY FACE LOWER SERVICE STANDARDS SUCH AS HIGHER PROBABILITY OF BUSY CONDITIONS.

IN SUMMARY BELL ARGUED THAT ALLOWING RESALE INTERFERES WITH A TELEPHONE COMPANY'S EXCLUSIVE RIGHT TO PROVIDE SERVICE WHICH IS INTENDED TO PROVIDE THE MOST EFFICIENT PROVISION OF SERVICE TO ALL CUSTOMERS RATHER BENEFITING JUST A FEW.

THE PROPONENTS OF RESALE, OF COURSE, CONTENDED THAT RESALE WOULD BENEFIT THE PUBLIC BY ALLOWING MORE CUSTOMER LOWER COSTS AND MORE SERVICES AND WOULD NOT CAUSE THE DETRIMENTS FORESEEN BY BELL.

AS I NOTED AT THE BEGINNING, THE COMMISSION CALLED FOR FURTHER EVIDENCE ON SOME ISSUES. IT DID DETERMINE THAT GENERAL RESALE WOULD CAUSE UNNECESSARY DUPLICATION OF FACILITIES AND AN INCREASED RISK OF STRANDED INVESTMENT. IT ALSO FOUND THAT "TRANSIENT" RESALE BY HOTELS AND HOSPITALS SHOULD CONTINUE TO BE PERMITTED. THE FURTHER EVIDENCE TO BE HEARD IN MARCH IS THEREFORE DIRECTED AT LANDLORD-TENANT AND OTHER SITUATIONS WHERE RESALE WOULD BE INCIDENT TO ANOTHER LEGAL RELATIONSHIP AND TO SHARING. WITHOUT INDICATING ITS FINAL POSITION ON RESALE, THE COMMISSION IS ASKING FOR MORE INFORMATION.

THE QUESTIONS ON WHICH THE COMMISSION HAS ASKED FOR ADDITIONAL EVIDENCE ARE ON PAGES 12 AND 13 OF THE ORDER.

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

BEFORE COMMISSIONERS: MICHAEL LENNEN, CHAIRMAN
R. C. (PETE) LOUX
KEITH R. HENLEY

IN THE MATTER OF A GENERAL INVESTIGATION) DOCKET No.
INTO THE RESALE OF LOCAL TELEPHONE SERVICE.) 141,975-U

ORDER

THE ABOVE-CAPTIONED MATTER COMES ON FOR CONSIDERATION BY THE STATE CORPORATION COMMISSION OF THE STATE OF KANSAS ON ITS OWN MOTION. HAVING HEARD THE EVIDENCE, BEING FAMILIAR WITH ITS FILES AND RECORDS, AND BEING DULY ADVISED IN THE PREMISES, THE COMMISSION FINDS AND CONCLUDES AS FOLLOWS:

1. THE COMMISSION OPENED THIS INVESTIGATION INTO THE RESALE OF LOCAL EXCHANGE SERVICE, INCLUDING THE ISSUE OF WHETHER OR NOT THE CONNECTION OF CUSTOMER-OWNED COIN TELEPHONES TO THE NETWORK SHOULD BE PERMITTED, BY ORDER OF MAY 11, 1984. THE HEARING WAS DULY HELD ON JULY 18 AND 19, 1984.

2. APPEARANCES OF COUNSEL WERE AS FOLLOWS:

LAWRENCE A. DIMMITT AND MICHAEL C. CAVELL, APPEARING ON BEHALF OF SOUTHWESTERN BELL TELEPHONE COMPANY;

THOMAS E. GLEASON, OTTAWA, KANSAS, APPEARING ON BEHALF OF CONTINENTAL TELEPHONE COMPANY OF KANSAS AND 18 INDEPENDENT TELEPHONE COMPANIES;

DENTON ROBERTS, APPEARING ON BEHALF OF UNITED TELEPHONE COMPANY OF KANSAS;

STEVEN DAVIS, APPEARING ON BEHALF OF AT&T COMMUNICATIONS.

TERRY SMITH AND VICTOR TOTH, APPEARING ON BEHALF OF COIN COMMUNICATIONS, INC.;

JIM ROTH, APPEARING ON BEHALF OF REPUBLIC TELCOM.

GEORGE E. ERICKSON, JR., CHARLES GRAVES, AND WALTER KORCHUN, APPEARING ON BEHALF OF AT&T INFORMATION SYSTEMS.

EVA POWERS, ASSISTANT GENERAL COUNSEL, APPEARING ON BEHALF OF THE COMMISSION STAFF AND THE PUBLIC GENERALLY.

JAMES M. CAPLINGER, TOPEKA, KANSAS, APPEARING ON BEHALF OF 14 INDEPENDENT TELEPHONE COMPANIES.

3. NOTICE OF THIS PROCEEDING WAS PROVIDED BY ISSUANCE OF A COMMISSION ORDER TO ALL PARTIES OF RECORD AS WELL AS TO PERSONS WHICH HAVE INDICATED AN INTEREST IN TELECOMMUNICATIONS ISSUES GENERALLY. IN ADDITION, NOTICE WAS PROVIDED THROUGH A COMMISSION NEWS RELEASE. THE COMMISSION FINDS THAT NOTICE WAS PROPER AND THAT IT HAS JURISDICTION OVER THE PARTIES AND THE SUBJECT MATTER.

4. IN THIS HEARING, WE DEALT WITH THE ISSUE OF RESALE OF LOCAL SERVICE. CONNECTING A CUSTOMER-OWNED COIN PHONE TO THE NETWORK AND PROVIDING COIN PHONE SERVICE TO THE PUBLIC IS A FORM OF LOCAL SERVICE RESALE. WE, THEREFORE, DETERMINED IN OUR MAY 11TH ORDER THAT IT WOULD BE APPROPRIATE TO INCLUDE THAT ISSUE IN THIS PROCEEDING. AFTER HAVING HEARD THE EVIDENCE, WE FIND THAT THE ISSUES ARE SUFFICIENTLY DISTINCT, AND IN THE INTEREST OF SIMPLIFYING MATTERS FOR ALL PARTIES WE WILL ISSUE TWO SEPARATE ORDERS.

5. THIS ORDER WILL ADDRESS ONLY RESALE OF LOCAL SERVICE. CONNECTION OF CUSTOMER-OWNED COIN PHONES WILL BE ADDRESSED IN A SEPARATE ORDER.

6. THE ISSUE PRESENTED TO THE COMMISSION IS WHETHER LOCAL TELEPHONE SERVICE SHOULD BE ALLOWED TO BE RESOLD. RESALE WILL BE DEEMED TO INCLUDE SHARING, SINCE IT WAS SO ADDRESSED BY NUMEROUS PARTIES AT THE HEARING. LOCAL TELEPHONE SERVICE HAS, UNTIL RATHER RECENTLY, BEEN THE EXCLUSIVE PROVINCE OF LOCAL TELEPHONE COMPANIES. THE FEW EXCEPTIONS WHICH HAVE BEEN ALLOWED HAVE BEEN THE SHARING OF SERVICE PERMITTED BY SOUTHWESTERN BELL TELEPHONE COMPANY'S (SWB) JOINT USER TARIFF AND THE "TRANSIENT RESELLER" SERVICE PROVIDED BY HOTELS, MOTELS, AND HOSPITALS TO THEIR GUESTS AND PATIENTS. AT THE HEARING, THE TELEPHONE COMPANIES WHICH PROVIDE LOCAL TELEPHONE SERVICE TESTIFIED THAT SINCE THEY WERE CERTIFICATED TO SERVE THEIR PARTICULAR SERVICE TERRITORY AND WERE DOING SO EFFICIENTLY AND SUFFICIENTLY, THAT COMPETITION IN THIS MARKET MAY NOT BE ALLOWED. THE COMPANIES CITE THE KANSAS PUBLIC UTILITY ACT, K.S.A. 66-101 ET SEQ., AND SPECIFICALLY K.S.A. 66-131 AS REQUIRING CERTIFICATED UTILITIES TO SERVE ALL

CUSTOMERS IN THEIR SERVICE TERRITORY AND, IN RETURN, ALLOWING THE CERTIFICATED COMPANY TO SERVE ALL CUSTOMERS FREE FROM COMPETITION UNLESS THE COMPANY FAILS TO PROVIDE ADEQUATE SERVICE TO ALL CUSTOMERS. THEY ALSO ASSERT THAT THE GRANTING OF AN EXCLUSIVE RIGHT TO SERVE A PARTICULAR AREA IS ALSO INTENDED TO PREVENT WASTEFUL DUPLICATION OF FACILITIES. NUMEROUS CASES WERE CITED FOR THESE PROPOSITIONS. THE COMPANIES FURTHER ASSERT THAT PERMITTING RESALE OF LOCAL SERVICE WILL MAKE FACILITIES PLANNING MORE DIFFICULT BY INTRODUCING AN ADDITIONAL FACTOR IN THE PLANNING EQUATION WHICH COULD HAVE AN IMPACT ON THE AVAILABILITY OF SERVICE AND ON THE COST TO PROVIDE SERVICE. THE COMPANY WITNESSES RESPONDED ON CROSS-EXAMINATION THAT THEIR PLANNERS WERE PROFICIENT AT THEIR WORK AND WOULD WORK WITH RESELLERS TO OPTIMIZE PLANNING, BUT THAT DIFFICULTIES WOULD NEVERTHELESS REMAIN. AN ADDITIONAL PROBLEM WHICH THE COMPANIES ALLEGED COULD BE CAUSED BY LOCAL SERVICE RESALE WAS THAT OF IDLED FACILITIES, IF FACILITIES HAD BEEN PUT IN PLACE PRIOR TO THE ADVENT OF A RESELLER, OR IF EXISTING FACILITIES WERE ABANDONED IN FAVOR OF A RESALE INSTALLATION.

6. THE TELEPHONE COMPANIES DO NOT OBJECT TO THE RESALE AND/OR SHARING OF CUSTOMER PREMISES EQUIPMENT, SUCH AS A "SMART" SWITCH. THEY AGREE THAT SUCH EQUIPMENT CAN PROVIDE MANY BENEFITS TO THE INDIVIDUALS SHARING THAT EQUIPMENT. THEY DO OBJECT STRONGLY TO THE PROVISION OF LOCAL TELEPHONE SERVICE THROUGH THAT SWITCH AND TO THE RESULTING RESALE OR SHARING OF LOCAL EXCHANGE SERVICES. THEY ALSO ASSERT THAT ALLOWING LOCAL SERVICE RESALE MAY HAVE AN UNFAVORABLE IMPACT ON THE STANDARD OF SERVICE FOR ALL CUSTOMERS: FIRST, FOR CUSTOMERS OF RESELLERS WHO MAY EXPERIENCE MORE BLOCKING OF CALLS DUE TO THE ACCESS CONNECTIONS CHOSEN BY THE RESELLERS; SECOND, OTHER CUSTOMERS MAY BE BLOCKED DUE TO CHANGES IN TRAFFIC CONCENTRATION IN THE CENTRAL OFFICE FACILITIES.

7. FINALLY, THE TELEPHONE COMPANIES ASSERT THAT LOCAL SERVICE RESALE WILL BE TARGETED TO LARGE VOLUME CUSTOMERS,

PRIMARILY BUSINESS CUSTOMERS WHICH USUALLY HAVE THE LOWEST COSTS OF SERVICE. THEY ARGUE THAT SINCE BUSINESS CUSTOMERS PAY A HIGHER FLAT RATE CHARGE THAN RESIDENTIAL CUSTOMERS, THEY CONTRIBUTE MORE TO THE COSTS OF LOCAL EXCHANGE SERVICE, WHICH HELPS KEEP RESIDENTIAL RATES DOWN AND FOSTERS UNIVERSAL SERVICE. THE LOSS OF THESE BUSINESS CUSTOMERS, THEY ASSERT, HAS THE POTENTIAL FOR INCREASING RATES FOR CUSTOMERS WHO REMAIN ON THE NETWORK WHICH, IF COSTS BECOME TOO HIGH, COULD LEAD TO CUSTOMERS FOREGOING TELEPHONE SERVICE. SWB FURTHER ARGUES THAT LOCAL SERVICE IS PRICED BELOW COST AND SHOULD NOT BE AVAILABLE TO OTHERS FOR RESALE PROFIT. FOR ALL THE REASONS CITED ABOVE, THEY CONCLUDE THAT RESALE OF LOCAL SERVICE IS NOT IN THE PUBLIC INTEREST.

8. THE PROPONENTS OF RESALE OF LOCAL SERVICE ARE AT&T INFORMATION SYSTEMS (ATTIS) AND REPUBLIC TELCOM. THESE PARTIES ASSERT THAT RESALE AND SHARING OF A SMART SWITCH MAKES NEW TECHNOLOGY AVAILABLE TO SMALL CUSTOMERS WHO CANNOT SINGLY JUSTIFY PURCHASING SUCH A SWITCH. NO PARTY TO THIS PROCEEDING DISPUTES THAT THOSE CUSTOMERS WHO CAN AVAIL THEMSELVES OF A SMART SWITCH THROUGH A SHARING OR RESALE ARRANGEMENT CAN BENEFIT. THE PROPONENTS ALSO ASSERT, HOWEVER, THAT NOT ONLY CUSTOMERS WHO ARE ABLE TO USE THE SMART SWITCH, BUT ALL TELEPHONE CUSTOMERS CAN BENEFIT. SUCH BENEFIT, THEY CLAIM, COMES ABOUT THROUGH THE ABILITY OF THE SUBSCRIBING CUSTOMERS TO TAKE ADVANTAGE OF ADVANCED TELECOMMUNICATIONS SERVICES AT A REASONABLE COST WHICH WILL BENEFIT THE ECONOMY GENERALLY. IN RESPONSE TO THE ARGUMENT OF THE TELEPHONE COMPANIES THAT CPE CAN BENEFICIALLY BE SHARED OR RESOLD WITHOUT PROVIDING LOCAL EXCHANGE SERVICE, THEY ASSERT THAT SUCH A USE OF A SMART SWITCH IS NOT ECONOMICALLY FEASIBLE. THEY ALSO ARGUE THAT RESALE AND SHARING OF LOCAL SERVICE WILL BE BENEFICIAL TO LOCAL EXCHANGE COMPANIES AND THEIR CUSTOMERS BECAUSE IT WILL DECREASE THE AMOUNT OF NEW INVESTMENT REQUIRED. IN ADDITION, THEY ASSERT THAT THERE WILL BE NO LONG-TERM STRANDED INVESTMENT BECAUSE THE COMPANIES WILL BE ABLE TO REUSE

TEMPORARILY IDLED FACILITIES. AS TO THE PLANNING DIFFICULTIES ASSERTED BY THE TELEPHONE COMPANIES, THE RESALE AND SHARING PROPONENTS PROFESS GREAT FAITH IN THE ABILITY OF TELEPHONE COMPANY FORECASTERS TO INCLUDE THE CONSEQUENCES OF RESALE AND SHARING IN THEIR FORECASTS. THEY ALSO ASSERT THAT ANY QUALITY OF SERVICE PROBLEMS WHICH THE TELEPHONE COMPANIES CLAIM COULD RESULT CAN BE NULLIFIED BY THE SETTING OF STANDARDS BY THE COMMISSION.

9. THE PROPONENTS OF ALLOWING RESALE AND LOCAL SERVICE TESTIFIED AT LENGTH AS TO THE BENEFITS OF COMPETITION. IN THEIR BRIEFS THEY ALSO ASSERT TELECOMMUNICATIONS POLICY REQUIRES THAT COMPETITION SHALL BE PROMOTED WHEREVER POSSIBLE, CITING DECISIONS BY JUDGE GREENE PURSUANT TO THE MODIFIED FINAL JUDGMENT (MFJ), AND DECISIONS BY THE FCC. THEY POINT OUT THAT CPE IS DETARIFFED AND THAT THIS COMMISSION NO LONGER HAS ANY AUTHORITY WITH RESPECT THERETO. THE FCC DECISIONS WHICH PERMIT THE CONNECTION OF CPE TO THE NETWORK, AS LONG AS SUCH CONNECTION IS PRIVATELY BENEFICIAL WITHOUT BEING PUBLICLY DETRIMENTAL, ARE CITED FOR THE PROPOSITION THAT THIS COMMISSION IS PREEMPTED FROM PROHIBITING SHARING OR RESALE OF ANY CPE, INCLUDING, OF COURSE, A SMART SWITCH. SUCH PREEMPTION, THEY ASSERT, EXTENDS TO THE APPROVAL OF ANY TARIFF WHICH WOULD BE SO STRUCTURED AS TO EFFECTIVELY PROHIBIT THE CONNECTION OF SUCH FCC REGISTERED CPE. (MATTER OF COM SERVICES, INC. V. THE MURRAYSVILLE TELEPHONE COMPANY, FCC FILE NO. E 80-20 (1980), HEREINAFTER REFERRED TO AS MURRAYSVILLE).

10. FINALLY, THEY ARGUE THAT SHARERS OR RESELLERS WOULD NOT BE PUBLIC UTILITIES, SUBJECT TO COMMISSION REGULATION BECAUSE THEY DO NOT HOLD THEMSELVES OUT AS PROVIDING SERVICES TO THE PUBLIC, BUT ONLY TO A SELECT GROUP. (REPUBLIC TELCOM, IN ITS BRIEF, CITED NUMEROUS CASES IN SUPPORT OF THIS ARGUMENT). IT FURTHER ARGUED THAT RESALE OF TELEPHONE SERVICE TO TENANTS OF A BUILDING IS IDENTICAL TO THE "TRANSIENT RESALE" WHICH EXISTS IN HOTEL/MOTEL, HOSPITAL SITUATIONS AND WHICH HAS BEEN PERMITTED FOR A LONG PERIOD OF TIME. IN BOTH INSTANCES, ACCORDING TO REPUBLIC

TELCOM, THE TRUE BASIS FOR THE TRADITIONAL EXEMPTION IS PRIVATE USE. FOR ALL THESE REASONS, THE PROPONENTS ASSERT THAT RESALE AND SHARING OF LOCAL SERVICE IS IN THE PUBLIC INTEREST AND EXEMPT FROM THE COMMISSION'S JURISDICTION.

11. THE ISSUES PRESENTED TO THE COMMISSION FOR DECISION ARISE AS A RESULT OF TECHNOLOGICAL INNOVATION AND THE INTRODUCTION OF COMPETITION INTO TELECOMMUNICATIONS SERVICE FOSTERED BY THE FCC AND THE FEDERAL COURTS OVER A PERIOD OF YEARS, AND GIVEN INCREASED IMPETUS BY THE DIVESTITURE OF AT&T. THIS COMMISSION IS NOT OPPOSED TO COMPETITION AND DOES NOT WANT TO DEPRIVE KANSAS TELEPHONE CUSTOMERS OF ANY BENEFITS OF TECHNOLOGICAL INNOVATION. EVENTS HAVE MOVED VERY RAPIDLY IN THIS FIELD IN THE LAST FEW YEARS, AND THERE APPEARS TO BE NO STABILIZATION IN SIGHT. IN EXAMINING THE MANY ISSUES WHICH COME BEFORE US, WE MUST AT ALL TIMES DETERMINE WHAT MATTERS ARE WITHIN THE SCOPE OF OUR AUTHORITY AND KEEP THE PUBLIC INTEREST IN MIND. WHILE A SERVICE MAY CLEARLY BE BENEFICIAL TO ONE CUSTOMER GROUP, WE MUST ASCERTAIN WHETHER IT IS BENEFICIAL TO ALL CUSTOMERS OR WHETHER, AT A MINIMUM, ITS INTRODUCTION WILL NOT BE DETRIMENTAL TO SOME CUSTOMERS. IN EXAMINING THE ISSUES BEFORE US IN ORDER TO MAKE SUCH A DETERMINATION, WE FIND IT HELPFUL TO SEPARATE LOCAL SERVICE RESALE AND SHARING INTO FOUR CATEGORIES. THEY ARE:

- A. RESALE OF LOCAL SERVICE TO THE PUBLIC GENERALLY;
- B. TRANSIENT RESALE;
- C. RESALE IN A SITUATION WHETHER ANOTHER OVERRIDING LEGAL RELATIONSHIP EXISTS BETWEEN THE PARTIES; AND
- D. SHARING OF LOCAL SERVICE.

THESE FOUR CATEGORIES WILL BE ADDRESSED SEPARATELY.

12. THE TELEPHONE COMPANIES HAVE ASSERTED THAT THEY HAVE A RIGHT TO BE THE SOLE PROVIDER OF SERVICE IN THEIR CERTIFICATED TERRITORIES. THE COMMISSION AGREES THAT THE GRANTING OF A CERTIFICATE TO PROVIDE PUBLIC UTILITY SERVICE HAS GENERALLY BEEN INTERPRETED AS GRANTING A MONOPOLY ON SERVICE IN THAT TERRITORY.

HOWEVER, K.S.A. 66-131 DOES NOT STATE THAT A CERTIFICATE GRANTS SUCH MONOPOLY STATUS. IN FACT, THE LEGISLATURE PASSED THE RETAIL ELECTRIC SUPPLIERS ACT, K.S.A. 66-1,170 ET SEQ., IN 1976, TO DIVIDE THE STATE INTO EXCLUSIVE ELECTRIC SERVICE TERRITORIES. NO SUCH STATUTE HAS BEEN ENACTED FOR OTHER UTILITIES. THE FACT THAT THE LEGISLATURE SAW A NEED TO PROVIDE FOR SUCH EXCLUSIVE SERVICE TERRITORIES WITH RESPECT TO ELECTRIC UTILITIES IS A CLEAR INDICATION THAT ALTHOUGH PUBLIC UTILITIES MUST BE CERTIFICATED, THEY ARE NOT IPSO FACTO THE SOLE SUPPLIER OF SERVICES IN THEIR TERRITORY. COURT CASES WHICH HAVE ADDRESSED THIS ISSUE INDICATE THAT IT IS WITHIN THE COMMISSION'S POWER TO DETERMINE WHETHER PERMISSION TO MORE THAN ONE UTILITY TO PROVIDE SERVICE WOULD LEAD TO NEEDLESS ECONOMIC WASTE AND HOLD THAT UTILITIES SHOULD BE PROTECTED FROM WASTEFUL AND RUINOUS DUPLICATION AND COMPETITION. SEE GENERAL COMMUNICATIONS, INC. v. STATE CORPORATION COMMISSION, 216 KAN. 410 (1975); CENTRAL KANSAS POWER CO. v. STATE CORP. COMM'N., 206 KAN. 670 (1971); KANSAS GAS & ELECTRIC CO. v. PUBLIC SERVICE COMMISSION, 124 KAN. 690 (1927); AND STATE EX REL. v. TELEPHONE COMPANY, 112 KAN. 701, 705 (1923).

THUS, THE GRANTING OF A CERTIFICATE PURSUANT TO K.S.A. 66-131 DOES NOT, IN AND OF ITSELF, PROTECT A UTILITY FROM COMPETITION. THE COMMISSION COULD AUTHORIZE SERVICE BY MORE THAN ONE UTILITY ESPECIALLY IF IT FOUND THAT SUCH AUTHORIZATION WOULD NOT CAUSE WASTEFUL DUPLICATION AND HAVE AN UNDUE FINANCIAL IMPACT ON THE UTILITY AND ULTIMATELY, ITS CUSTOMERS. GIVEN THE STATUTORY LANGUAGE IT DOES NOT SEEM CLEAR, HOWEVER, THAT SUCH A FINDING IS REQUIRED IN ORDER TO PERMIT MORE THAN ONE ENTITY TO PROVIDE SERVICE.

13. IN THE ORDER OF APRIL 30, 1984 ADDRESSING RESALE AND SHARING OF MTS AND WATS (DOCKET No. 127,140-U), THE COMMISSION FOUND THAT RESELLERS WERE PUBLIC UTILITIES PURSUANT TO K.S.A. 66-104, BECAUSE THEY OWNED EQUIPMENT FOR THE TRANSMISSION OF TELEPHONE MESSAGES AND THEY OFFERED THEIR SERVICES TO THE PUBLIC WITH THE INTENT OF MAKING PROFIT. OUR DEFINITION PARALLELS THE ONE ADOPTED BY THE FCC. WE FIND THAT THIS

DEFINITION IS EQUALLY APPROPRIATE FOR THE PURPOSE OF ADDRESSING LOCAL SERVICE RESALE.

14. THE COMMISSION FINDS THAT AN ENTITY ENGAGING IN RESALE OF LOCAL SERVICE TO THE PUBLIC GENERALLY IS A PUBLIC UTILITY AND, THEREFORE, SUBJECT TO OUR JURISDICTION. SUCH AN ENTITY WOULD NOT BE SIGNIFICANTLY DIFFERENT FROM A LOCAL TELEPHONE COMPANY, ALTHOUGH IT MIGHT PROVIDE A MORE NARROW RANGE OF SERVICES. THERE WAS LITTLE EVIDENCE PRESENTED AT THE HEARING CONCERNING THE POTENTIAL FOR UNLIMITED RESALE OF LOCAL SERVICE. THE TESTIMONY FOCUSED PRIMARILY ON RESALE IN A LANDLORD-TENANT OR SHARING SITUATION. HOWEVER, IT IS CLEAR TO THE COMMISSION, BASED ON ITS GENERAL KNOWLEDGE OF THE INDUSTRY AND THE EVIDENCE PRESENTED AT THE HEARING, THAT IT IS CONTRARY TO THE PUBLIC INTEREST TO PERMIT RESALE OF LOCAL TELEPHONE SERVICE TO THE PUBLIC GENERALLY. IT IS EVIDENT THAT SUCH RESALE WOULD LEAD TO UNNECESSARY DUPLICATION OF FACILITIES AND AN INCREASED RISK OF STRANDED INVESTMENT, AS WELL AS INCREASED PLANNING PROBLEMS FOR THE TELEPHONE COMPANIES. SUCH COMPETING SERVICE IS ALSO LIKELY TO HAVE A DETRIMENTAL FINANCIAL IMPACT ON THE CERTIFICATED UTILITY. THERE HAS BEEN NO SHOWING THAT THERE IS A NEED FOR RESALE TO THE GENERAL PUBLIC, NOR DO WE BELIEVE THAT CUSTOMERS WOULD BE DEPRIVED OF BENEFICIAL SERVICES IF THIS FORM OF RESALE IS NOT PERMITTED.

15. BEFORE ADDRESSING OTHER FORMS OF RESALE, WE WILL ADDRESS THE QUESTION OF PRIVATE USE. K.S.A. 66-104, WHICH DEFINES A PUBLIC UTILITY, PROVIDES AN EXEMPTION FROM REGULATION AS A PUBLIC UTILITY WHEN THE PUBLIC UTILITY SERVICE IS PROVIDED ONLY FOR PRIVATE USE. WHAT CONSTITUTES PRIVATE USE OF A UTILITY SERVICE IS NOT DEFINED BUT HAS BEEN CONSTRUED ONCE BY THE KANSAS SUPREME COURT. IN STATE EX REL V. SINCLAIR PIPELINE Co., 180 KAN. 425 (1956), THE COURT DETERMINED THAT THE TRANSPORT OF OIL BY A PIPELINE COMPANY IN ITS OWN PIPELINE FROM ITS LEASES TO HUMBOLDT, WHERE IT WAS SOLD, WAS A PRIVATE USE. THE COURT STATED:

CLEARLY, THE LEGISLATURE INTENDED REGULATION BY THE COMMISSION TO APPLY ONLY TO SUCH ACTIVITIES AS PIPE LINES, WHEN THEY WERE OPERATED FOR PUBLIC USE IN INTRA-STATE COMMERCE. TO CONSTITUTE ONE A COMMON CARRIER, THERE MUST BE A HOLDING OUT TO THE PUBLIC GENERALLY. (P. 439).

THE ISSUE HAS ALSO BEEN ADDRESSED IN SEVERAL OTHER JURISDICTIONS WITH RESPECT TO GAS, ELECTRIC, WATER, AND BUS SERVICE. NO CASE APPEARS TO HAVE ADDRESSED THE PRIVATE USE ISSUE WITH RESPECT TO TELEPHONE SERVICE. GENERALLY, THESE CASES HAVE HELD AS THE KANSAS CASE, THAT WHETHER OR NOT A PARTICULAR ENTITY IS A PUBLIC UTILITY AND SUBJECT TO REGULATION DEPENDS ON WHETHER OR NOT IT HOLDS ITSELF OUT TO SERVE THE PUBLIC AT LARGE IN A PARTICULAR AREA. DREXELBROOK ASSOCIATES V. PENNSYLVANIA PUBLIC UTILITY COM. (1965), 418 PA. 430, 212 A.2D 237; ARONIMINK TRANSP. CO. V. PUBLIC SERVICE COM. (1934), 111 PA. SUPER 414, 170 A.375; CAWKER V. MEYER (1911), 147 WIS. 320, 133 NW 157; SUN PRAIRIE V. PUBLIC SERVICE COM. (1967), 37 WIS. 2D 96, 154 NW 2D 360. IN ADDITION, SOME COURTS HAVE FOUND THAT THE UTILITY SERVICE MUST BE INCIDENTAL TO SOME DOMINANT RELATIONSHIP BETWEEN THE PROVIDER AND RECIPIENT OF THE SERVICE TO TAKE IT OUT OF THE PUBLIC USE CATEGORY. ARIZONA CORP. COM. V. NICHOLSON (1972), 108 ARIZ. 317, 497 P.2D 815; SANDPOINT WATER AND LIGHT CO. V. HUMBIRD LUMBER CO. (1918, IDAHO), PUR 1918B, 535.

COURTS HAVE ALSO REJECTED THE NEED FOR CONSUMER PROTECTION AS A JUSTIFICATION OF REGULATION IN THESE CASES. ARIZONA CORP. COM. V. NICHOLSON, DREXELBROOK ASSOCIATES V. PENNSYLVANIA PUBLIC UTILITY COM.

A DETERMINATION OF "PRIVATE USE" ONLY GOES TO THE ISSUE OF WHETHER AN ENTITY IS SUBJECT TO REGULATION AS A PUBLIC UTILITY. IT DOES NOT RESOLVE WHETHER CERTIFICATED UTILITIES ARE REQUIRED TO ALLOW THEIR SERVICES TO BE RESOLD OR SHARED.

16. WE WILL NEXT ADDRESS SO-CALLED TRANSIENT RESALE. TRANSIENT RESALE OCCURS PRIMARILY AT HOTELS, MOTELS, AND HOSPITALS. IT IS A USAGE WHICH HAS BEEN PERMITTED OVER A PERIOD OF TIME FOR PURELY PRACTICAL REASONS. TRANSIENT RESELLERS ARE NOT REGULATED BY THE COMMISSION, BUT THEY ARE SUBJECT TO CERTAIN TARIFF RESTRICTIONS. THEY ONLY OFFER SERVICE TO THEIR GUESTS AND PATIENTS, NOT TO THE GENERAL PUBLIC. THUS, THEY COULD BE DEEMED TO FALL WITHIN THE PRIVATE USE EXEMPTION. TELEPHONE SERVICE IS AN ESSENTIAL SERVICE WHICH PEOPLE CANNOT OR DO NOT WANT TO DO

WITHOUT WHEN THEY TRAVEL OR ARE CONFINED TO A HOSPITAL. IT WOULD, HOWEVER, BE IMPOSSIBLE IN THESE TEMPORARY SITUATIONS TO REQUIRE THESE INDIVIDUALS TO ESTABLISH TELEPHONE SERVICE THROUGH THE LOCAL TELEPHONE COMPANY. THE BURDEN, BOTH ON THE INDIVIDUAL AND THE TELEPHONE COMPANY, WOULD BE INTOLERABLE. IN ADDITION, THERE IS AN OVERRIDING CONTRACTUAL RELATIONSHIP BETWEEN HOTELS/MOTELS AND THEIR GUESTS ON ONE HAND, AND HOSPITALS AND THEIR PATIENTS ON THE OTHER, TO WHICH THE PROVISION OF TELEPHONE SERVICE IS MERELY INCIDENTAL. IT IS CLEARLY IN THE PUBLIC INTEREST TO PERMIT TRANSIENT RESELLERS TO CONTINUE TO PROVIDE SERVICE IN THIS MANNER. ANY OTHER MANNER WOULD BE UNWIELDY AND IMPOSE UNNECESSARY COSTS ON ALL PARTIES.

17. RESALE OF LOCAL SERVICE IN A SITUATION WHERE ANOTHER OVERRIDING LEGAL RELATIONSHIP EXISTS BETWEEN THE PARTIES PRESENTS THE COMMISSION WITH A DIFFICULT QUESTION. THE SERVICE WOULD BE OFFERED ONLY TO A SELECT GROUP, NOT TO THE PUBLIC GENERALLY. THE MOST COMMON SITUATION WOULD BE A LANDLORD PROVIDING LOCAL TELEPHONE SERVICE TO HIS TENANTS THROUGH A SWITCH. CONSEQUENTLY, THE SWITCH WOULD BE PROVIDED FOR PRIVATE USE. ALL PARTIES HAVE STATED THAT THEY DO NOT OPPOSE RESALE OR SHARING OF CPE. THIS COMMISSION ALSO HAS NO AUTHORITY OVER MOST OF THE CPE IN THIS STATE. AS NOTED ABOVE, THE FACT THAT THE CPE IS PROVIDED FOR PRIVATE USE ONLY DETERMINES THAT THE LANDLORD WHO PROVIDES THE USE OF SUCH CPE TO HIS TENANTS IS NOT SUBJECT TO REGULATION AS A PUBLIC UTILITY. THE CRITICAL QUESTION IS WHETHER LOCAL SERVICE PROVIDED BY THE CERTIFICATED TELEPHONE COMPANY SHOULD BE PERMITTED TO BE RESOLD, AND IF SO, ON WHAT TERMS. NUMEROUS FCC DECISIONS HAVE ESTABLISHED THAT CUSTOMERS HAVE A RIGHT TO USE THEIR TELEPHONE EQUIPMENT IN WAYS WHICH ARE PRIVATELY BENEFICIAL WITHOUT BEING PUBLICLY DETRIMENTAL. THE CONCERN IN THESE CASES HAS GENERALLY BEEN WHETHER OR NOT THE CPE WAS TECHNICALLY COMPATIBLE WITH THE NETWORK. THE FCC ESTABLISHED ITS REGISTRATION PROGRAM TO OBTAIN CONCERN AS TO THIS ISSUE. IN THE MURRAYSVILLE CASE, CITED BY ATTIS AND REPUBLIC TELCOM, THE FCC FOUND THAT:

TARIFFS RESTRICTING THE USE OF CUSTOMER-PROVIDED TERMINAL EQUIPMENT HAVE BEEN HELD UNLAWFUL TO THE EXTENT THEY INFRINGE UPON THE CUSTOMER'S RIGHT TO USE ITS TELEPHONE IN WAYS THAT ARE PRIVATELY BENEFICIAL, WITHOUT BEING PUBLICLY DETRIMENTAL." (PP. 3-4).

IN THAT CASE, TWO COMPANIES IN SEPARATE BUILDINGS OWNED BY ONE OF THE COMPANIES SOUGHT TO SHARE A PBX. EACH COMPANY, HOWEVER, CONTRACTED INDEPENDENTLY WITH THE TELEPHONE COMPANY FOR SERVICE, AND EACH WAS BILLED SEPARATELY. THERE WAS, THUS, NO RESALE OR SHARING OF TELEPHONE COMPANY SERVICE INVOLVED, AS THE COURT FOUND. IN THE PROCEEDING BEFORE THIS COMMISSION, THE SITUATIONS PRESENTED WERE QUITE DIFFERENT IN THAT ONE ENTITY, SERVING AS AN INTERMEDIARY BETWEEN THE TELEPHONE COMPANY AND THE TENANTS, WOULD OBTAIN SERVICE FROM THE TELEPHONE COMPANY, GENERALLY BULK SERVICES, INCLUDING DID NUMBERS, ASSIGN THESE TELEPHONE NUMBERS TO ALL ITS "CUSTOMERS," AND ALSO BILL THOSE CUSTOMERS. IN SUCH A SITUATION THERE IS CLEARLY RESALE OR SHARING OF TELEPHONE COMPANY PROVIDED LOCAL SERVICE, AND THIS COMMISSION CLEARLY HAS JURISDICTION OVER SUCH SERVICE AND THE USE TO WHICH IT IS PUT. THE FCC HAS NOT PURPORTED TO PREEMPT STATE COMMISSIONS ON THE QUESTION OF RESALE OR SHARING OF LOCAL SERVICE AND CASES IN THIS AREA SHOULD BE CONFINED TO THEIR FACTS. NEVERTHELESS, THE MURRAYSVILLE CASE AND MANY OTHERS SEEM TO STAND FOR THE PROPOSITION THAT LOCAL SERVICE TARIFFS CANNOT BE SO STRUCTURED AS TO PROHIBIT THE BENEFICIAL USE OF CPE, ABSENT A FINDING OF PUBLIC DETRIMENT. IN ITS DECISION, THE FCC FURTHER STATED:

" . . . IF MURRAYSVILLE'S LOCAL TARIFF PRECLUDES THE SHARING OF A PBX IN AN ARRANGEMENT LIKE THE ONE PROPOSED . . . IT SHOULD BE REVISED ACCORDINGLY." (P. 4).

IN THAT CASE THERE WAS NO ALLEGATION THAT ALLOWING THE PROPOSED ARRANGEMENT WOULD BE DETRIMENTAL TO THE PUBLIC. IN THE HEARING BEFORE THIS COMMISSION THERE WERE NUMEROUS ALLEGATIONS BY THE TELEPHONE COMPANIES THAT PERMITTING RESALE OR SHARING OF LOCAL SERVICE WOULD RESULT IN HARM TO THE COMPANIES AND THEIR CUSTOMERS. THE PROPONENTS, ON THE OTHER HAND, ARGUED THAT RESALE AND SHARING WOULD BENEFIT ALL.

THE COMMISSION IS UNABLE TO REACH A CONCLUSION BASED ON THE EVIDENCE PRESENTED THUS FAR. IN PARTICULAR, WE HAVE NUMEROUS CONCERNS ABOUT THE RATES WHICH WOULD BE APPROPRIATE TO CHARGE RESELLERS IF RESALE WERE ALLOWED. THE TELEPHONE COMPANIES SUGGEST THAT IN ADDITION TO LOST REVENUES, THEY WOULD INCUR POTENTIAL STRANDED INVESTMENT COSTS AND ADDITIONAL COSTS FOR BEING THE PROVIDER OF LAST RESORT. THE COMMISSION TENTATIVELY BELIEVES THAT IF RESALE IS ALLOWED, ADDITIONAL COSTS CAUSED BY SUCH ARRANGEMENTS SHOULD NOT BE LEFT FOR RECOVERY BY OTHER RATEPAYERS. IN ADDITION, IT WOULD SEEM APPROPRIATE THAT RATES TO RESELLERS BE FULLY COMPENSATORY.

CONSEQUENTLY, BEFORE DECIDING WHETHER RESALE IS REASONABLE AND APPROPRIATE, THE COMMISSION BELIEVES IT IS NECESSARY TO DETERMINE WHETHER RATES COULD BE DESIGNED AND IMPLEMENTED WHICH WOULD MEET THE OBJECTIVE OF MINIMIZING FINANCIAL DETRIMENTS TO REMAINING RATEPAYERS. A FURTHER HEARING IS, THEREFORE, NECESSARY FOR PRESENTATION OF ADDITIONAL EVIDENCE ON THE MATTER OF FEASIBLE RATES TO BE CHARGED RESELLERS. IT IS ESSENTIAL THAT TESTIMONY PRESENTED AT THIS HEARING NOT CONSIST OF GENERAL ASSERTIONS AS TO CONDITIONS FOR AND CONSEQUENCES OF LOCAL RESALE. SPECIFIC EVIDENCE WHICH EXPLORES COST AND REVENUE IMPACT FOR LOCAL EXCHANGE COMPANIES AND THEIR CUSTOMERS, INCLUDING COSTS ASSOCIATED WITH STRANDED INVESTMENT, AND BEING THE PROVIDER OF LAST RESORT MUST BE PRESENTED. ALTHOUGH THE COMMISSION DOES NOT DETERMINE IN THIS ORDER THAT RESALE OF LOCAL SERVICE OTHER THAN TRANSIENT RESALE SHOULD BE PERMITTED, THE FOLLOWING QUESTIONS SHOULD BE ADDRESSED, ASSUMING THAT IT WILL BE ALLOWED IN ORDER TO PROVIDE THE COMMISSION WITH SUFFICIENT INFORMATION TO ASSESS IN WHAT MANNER RESALE OF LOCAL SERVICE MAY BE COMPATIBLE WITH TELEPHONE COMPANY PROVIDED LOCAL SERVICE.

- A. SHOULD BASIC RATES TO RESELLERS BE DESIGNED TO GENERATE REVENUES EQUIVALENT TO A NON-RESALE SITUATION? IF SO, WILL CUSTOMERS OF RESELLERS STILL REALIZE SIGNIFICANT BENEFITS? IF EQUIVALENCY IS NOT THE ONLY OBJECTIVE, WHAT TYPE OF RATE IS APPROPRIATE AND WHAT IS THE REVENUE IMPACT? ARE MEASURED RATES APPROPRIATE IN THIS INSTANCE?

- B. WHAT KIND OF RATES OR CHARGES WOULD BE MOST APPROPRIATE TO ALLOW RECOVERY OF ANY POTENTIAL STRANDED INVESTMENT? WOULD SUCH RATES OR CHARGES HAVE TO BE DETERMINED ON A CASE-BY-CASE BASIS, OR IS SOME UNIFORM SURROGATE POSSIBLE? WOULD ANY SUCH RATE OR CHARGE ONLY BE APPROPRIATE FOR SITUATIONS WHERE EXISTING FACILITIES ALREADY IN PLACE ARE ABANDONED?
- C. IF THE TELEPHONE COMPANY IS TO BE THE PROVIDER OF LAST RESORT, WHAT ADDITIONAL COSTS ARE INCURRED AND HOW SHOULD THEY BE RECOVERED? SHOULD SUCH A "STAND-BY CHARGE" ONLY APPLY IF THE TELEPHONE COMPANY IS ACTUALLY REQUIRED TO PROVIDE SERVICE IN LIEU OF THE RESELLER, AND IF SO, TO WHOM SHOULD THE CHARGE APPLY?
- D. IF THE TELEPHONE COMPANY CAN BE PUT IN A REVENUE NEUTRAL POSITION WITH RESALE IN PLACE ^{ARE} ~~AND~~ THERE COMPELLING REASONS WHICH HAVE NOT PREVIOUSLY BEEN PRESENTED, WHY IT SHOULD NEVERTHELESS NOT BE ALLOWED?

THE COMMISSION BELIEVES, AT MOST, THAT RESALE MIGHT BE BENEFICIAL IF IT IS INCIDENT TO SOME OTHER RELATIONSHIP BETWEEN THE RESELLER AND ITS CUSTOMERS. IF SUCH RESALE IS PERMITTED, TARIFF PROVISIONS OBVIOUSLY SHOULD BE DEVELOPED WHICH ARE CAPABLE OF READY APPLICATION. WE REQUEST SUGGESTED LANGUAGE FROM ALL PARTIES TO BE PRESENTED AT THE HEARING.

18. THE FINAL CATEGORY WITHIN THIS TOPIC WHICH WE HAVE IDENTIFIED IS SHARING OF LOCAL SERVICE. WE REITERATE THAT THERE IS NO OPPOSITION TO THE SHARING OF CPE. THE TELEPHONE COMPANIES DO, HOWEVER, STRONGLY OPPOSE SHARING OF LOCAL TELEPHONE SERVICE. WE AGREE WITH THEIR ARGUMENT THAT THE IMPACT ON THE TELEPHONE COMPANY FROM SHARING IS NO DIFFERENT FROM THE IMPACT OF RESALE. IN THE MURRAYSVILLE CASE, THE FCC FOUND THAT:

"THE ABILITY OF HAMILL AND CARNEGIE-MELLON TO COMMUNICATE WITH EACH OTHER USING COMMON EQUIPMENT, WITHOUT ACCESSING MURRAYSVILLE'S LOCAL EXCHANGE SERVICE, DOES NOT CONSTITUTE RESALE OR SHARED USE OF MTS. IN THE

PROPOSED ARRANGEMENT, MURRAYSVILLE WOULD STILL SUPPLY THE TRANSMISSION FACILITIES TO HAMILL BUT IS BEING ASKED TO TERMINATE HAMILL'S SERVICE AT CARNEGIE-MELLON'S PREMISES." (P. 5).

THE COMMUNICATION BETWEEN THE COMPANIES IS APPARENTLY CONSIDERED A PRIVATE USE BY THE FCC. THIS REASONING APPEARS SOUND ALTHOUGH THE CASE DOES NOT PURPORT TO BE OF GENERAL APPLICABILITY. IT WOULD SEEM THEN THAT COMMUNICATIONS WHICH DO NOT USE TELEPHONE COMPANY FACILITIES BUT ONLY THE COMMON EQUIPMENT AND INTRA-SYSTEM WIRING IS PRIVATE USE, AND AS SUCH, NOT SUBJECT TO OUR JURISDICTION. THE TELEPHONE COMPANY FACILITIES WHICH CONNECT THE TELEPHONE EQUIPMENT TO THE NETWORK AND ALLOW FOR LOCAL SERVICE TO THE "OUTSIDE WORLD" IS, HOWEVER, SUBJECT TO OUR JURISDICTION FOR SHARING, IN THE SAME MANNER AS FOR RESALE. WE FIND THAT THE EFFECTS OF SHARING ON THE TELEPHONE COMPANIES MUST ALSO BE FURTHER EXPLORED TO DETERMINE WHETHER ALLOWING SUCH SHARING WOULD BE PUBLICLY DETRIMENTAL. IN ADDITION, THE COMMISSION FINDS THAT SWB'S JOINT USER TARIFF, SECTION 20, ORIGINAL SHEET 6, REQUIRES FURTHER EXPLORATION. THE LANGUAGE OF THAT TARIFF CLEARLY PERMITS SHARING OF LOCAL TELEPHONE SERVICE AS SWB'S WITNESS, SCHULTEIS, TESTIFIED. SINCE SHARING IS PERMITTED, IT WOULD SEEM THAT THE BURDEN OF SHOWING WHY THE STATUS QUO SHOULD BE ALTERED SHOULD BE ON THOSE SEEKING SUCH A CHANGE. IN ORDER TO ASSESS THE PURPOSE OF THIS TARIFF AND ITS IMPACT, THE COMMISSION WOULD, AT MINIMUM, LIKE ANSWERS TO THE FOLLOWING QUESTIONS:

WHEN THIS TARIFF WAS PUT IN PLACE, WHAT WAS ITS OBJECTIVE? WHAT HAS CHANGED TO MAKE SUCH ARRANGEMENTS UNDESIRABLE AT THIS TIME? WHAT ECONOMIES HAVE CUSTOMERS BEEN ABLE TO REALIZE? WHAT IMPACT HAS IT HAD ON SWB'S COSTS AND REVENUES? IF IT IS DISCONTINUED, HOW WILL EXISTING CUSTOMERS BE TREATED?

TENTATIVELY, THE COMMISSION BELIEVES, AT THE VERY LEAST, THAT THE TARIFF LANGUAGE NEEDS REVISION TO MORE PRECISELY DEFINE WHEN SHARING OR JOINT USE IS PERMITTED AND WHEN IT IS NOT. ON THE OTHER HAND, IF THE COMMISSION DETERMINES THAT RESALE IN

LANDLORD-TENANT SITUATIONS IS APPROPRIATE, THIS TARIFF PROVISION WOULD NEED TO BE CHANGED SUBSTANTIALLY. WE WANT SUGGESTIONS ON APPROPRIATE TARIFF LANGUAGE TO PERMIT BENEFICIAL SHARING AND WHETHER IT SHOULD BE TREATED DISTINCTLY FROM RESALE FOR TARIFF PURPOSES.

IN ADDITION, WE BELIEVE THAT MANY OF THE SAME QUESTIONS CONCERNING POSSIBLE RATES TO RESELLERS ARE APPLICABLE TO SHARING SITUATIONS. CONSEQUENTLY, WE WANT FURTHER EVIDENCE ON FEASIBLE RATES IF SHARING IS PERMITTED.

19. THE COMMISSION FINDS THAT A HEARING SHALL BE HELD MARCH 12, 1985, AT 10:00 A.M., TO EXPLORE ALL NECESSARY ISSUES INCIDENT TO RESALE IN A LANDLORD-TENANT SITUATION AND SHARING OF LOCAL TELEPHONE SERVICE, AS SET OUT ABOVE.

THE HEARING SHALL BE HELD AT THE COMMISSION'S OFFICES ON THE 4TH FLOOR OF THE STATE OFFICE BUILDING, TOPEKA, KANSAS. ALL PARTIES EXCEPT STAFF SHALL PREFILE TESTIMONY ON OR BEFORE FEBRUARY 11, 1985. STAFF SHALL PREFILE TESTIMONY TEN DAYS PRIOR TO THE HEARING.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

RESALE OF LOCAL SERVICE TO THE PUBLIC GENERALLY IS NOT PERMITTED; TRANSIENT RESALE SHALL CONTINUE ON THE SAME BASIS AS PRESENTLY EXISTS; AND A HEARING SHALL BE HELD FOR THE PRESENTATION OF EVIDENCE TO PERMIT A DETERMINATION WHETHER LOCAL SERVICE RESALE IN A LANDLORD-TENANT SITUATION AND SHARING ARE PUBLICLY DETRIMENTAL, AS SET OUT ABOVE.

THE COMMISSION RETAINS JURISDICTION OVER THE PARTIES AND THE SUBJECT MATTER FOR THE PURPOSE OF ISSUING SUCH FURTHER ORDER OR ORDERS AS IT MAY DEEM NECESSARY.

DATED: DECEMBER 11, 1984.

LENNEN, CHMN.; LOUX, COM.; HENLEY, COM.



JUDITH McCONNELL
EXECUTIVE SECRETARY

S E A L

E.P.

JLM

BILL NO. _____

AN ACT concerning telecommunications services; relating to the regulation of radio communications by the state corporation commission; amending K.S.A. 66-104a, 66-1,143 and 66-1,145 and K.S.A. 1984 Supp. 66-101 and repealing the existing sections; also repealing K.S.A. 66-1,144.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 1984 Supp. 66-101 is hereby amended to read as follows: 66-101. (a) The state corporation commission is given full power, authority and jurisdiction to supervise and control the public utilities, ~~including radio common carriers,~~ and all common carriers, as defined doing business in the state of Kansas, and is empowered to do all things necessary and convenient for the exercise of such power, authority and jurisdiction.

~~(b) Notwithstanding any order of the state corporation commission, an association of cooperatives organized for the purpose of generating and transmitting electricity shall be authorized to: (1) Contract for, and any Kansas jurisdictional utility shall be authorized to sell, participation or ownership, or both, in base load nuclear electric generation facilities under construction as of the date of this act, on such terms and conditions as such association and jurisdictional utility deem appropriate and proper, and (2) execute power supply agreements with its member cooperatives to the extent necessary to secure financing for the above purpose, as determined by the administrator of the rural electrification administration.~~

~~(c) The provisions of subsection (b) shall expire on December 31, 1981.~~

Sec. 2. K.S.A. 66-104a is hereby amended to read as follows:

(Attachment 2)
2/6/85

66-104a. (a) Except as otherwise provided in subsection (b), no telephone public utility shall be subject to the jurisdiction, regulation, supervision and control of the state corporation commission if it meets the following conditions: (1) The original cost of its telephone public utility facilities located in this state constitutes less than ~~one--percent--(1%)~~ 1% of the total original cost of all its telephone public utility facilities located everywhere, and (2) the telephone public utility does not have a central office in this state, and (3) the telephone public utility is subject to the jurisdiction, regulation, supervision and control of a regulatory agency existing under the laws of any state bordering upon this state, and (4) the telephone public utility certifies to the state corporation commission that a regulatory commission of a bordering state has asserted jurisdiction, regulation, supervision and control over its telephonic operations, and (5) customers of the telephone public utility in this state are charged the same rates and are provided service under the same terms and conditions as are its customers located in similar areas in a bordering state.

(b) The state corporation commission shall retain such jurisdiction and control over any such telephone public utility necessary to insure compliance with the condition that customers of the telephone public utility in this state are provided service under the same terms and conditions as are its customers located in similar areas of a bordering state and may, in its discretion, require any such utility to furnish copies of documents filed with the appropriate regulatory agency of the appropriate bordering state which demonstrate its compliance with ~~said~~ such condition. Also, any such telephone public utility shall be subject to such orders on industry practices and quality of service as ~~said~~ the state corporation commission may from time to time promulgate.

(c) The service of a telephone public utility, otherwise authorized to transact business pursuant to K.S.A. 66-131 and amendments thereto, relating to the provision of radio

communication, including cellular radio, which is one-way, two-way or multiple, between mobile or base stations, between mobile and land stations, including land line telephones, between mobile stations or between land stations, shall not be subject to the jurisdiction, regulation, supervision and control of the state corporation commission.

Sec. 3. K.S.A. 66-1,143 is hereby amended to read as follows: 66-1,143. ~~The term "radio common carriers"~~ (a) As used in this ~~act~~ section and K.S.A. 66-1,145 and amendments thereto, "radio" shall include all persons and associations of persons, whether incorporated or not, operating a public "for hire" radio service engaged in the business of providing a service of radio communication, including cellular radio, which is one-way, two-way or multiple, between mobile and base stations, between mobile and land stations, including land line telephones, between mobile stations or between land stations, but not engaged in the business of providing a public land line message telephone service or a public message telegraph service within this state.

(b) Except as provided in this subsection and K.S.A. 66-1,145 and amendments thereto, no radio common carrier shall be subject to the jurisdiction or regulation, supervision and control of the state corporation commission. The state corporation commission shall have the power and authority granted by K.S.A. 66-1,145 and amendments thereto and the power and authority to regulate and control radio common carriers whenever it is necessary to protect the public interest against cross-subsidization of competitive goods or services by monopoly goods and services.

Sec. 4. K.S.A. 66-1,145 is hereby amended to read as follows: 66-1,145. Each radio common carrier ~~holding a certificate from the corporation commission~~ may interconnect its common carrier radio telephone facilities with the telephone facilities of the telephone company serving the area in which the base station of the radio common carrier is located, ~~provided~~ if an agreement can be reached between the radio common carrier and

the serving telephone company providing for such interconnection. ~~Provided, That.~~ When such an agreement cannot be reached between the radio common carrier and the serving telephone company, the radio common carrier may petition the state corporation commission for the right of interconnection and if the commission finds that a necessity exists therefor such interconnection shall be ordered by the commission on such reasonable terms as shall be established and prescribed by the commission.

Sec. 5. K.S.A. 66-104a, 66-1,143, 66-1,144 and 66-1,145 and K.S.A. 1984 Supp. 66-101 are hereby repealed.

Sec. 6. This act shall take effect and be in force from and after July 1, 1985, and its publication in the Kansas register.

YOUTH CENTER AT BELOITIMPLEMENTATION SCHEDULE:

Send RFQ (bid spec.) to Vendors -	March 29, 1985
Pre-Proposal Conference & Site Survey -	April 8, 1985
Quotations Due From Vendors -	April 29, 1985
Vendor Selection -	May 3, 1985
System Cutover -	June 21, 1985

TOTAL SYSTEM IMPLEMENTATION TIME: 12 WEEKS

NEGATIVE POINTS ON OLD SYSTEM:

1. System 20 years old.
2. Difficult to maintain (spare parts availability),
limited trained personnel to work on system.
3. Virtually no features, call-pickup, call forwarding, etc.
4. May be forced into posture of buying present system.

(Attachment 3)

2/6/83



STATE OF KANSAS

JOHN CARLIN, Governor

STATE DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

EMT C. HARDER, Secretary

August 14, 1984

STATE OFFICE BUILDING
TOPEKA, KANSAS 66612

Re: Finance Council Action

Honorable John Carlin
Governor
State of Kansas
State House
2nd Floor
Topeka, Kansas 66612

Attention: Dr. Lynn Muchmore ✓

Dear Governor Carlin:

The Youth Center at Beloit is requesting Finance Council action to proceed with replacing the existing telephone system with a new system. Enclosed is the information requested for Finance Council action.

The 1984 Legislative Session approved the project. However, it could not be started until the new phone system for the Youth Center at Atchison has been installed. A contract has been awarded to AT&T on the Atchison project. The system is to be completed on/or about October 1, 1984.

The current system at the Youth Center at Beloit is very old, obsolete and worn out. Replacement parts for the switching system are no longer manufactured and are virtually impossible to find. Furthermore, there are no known AT&T technicians in the area who can work on the system. When repairs are necessary it is almost impossible to get the system back in working order. Delays in obtaining service result in the cottages being without telephone service making them high security risks. Therefore, it is important we move ahead to update the old and out dated telephone system.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Robert C. Harder".

Robert C. Harder
Secretary

RCH:GRL:eh

cc: Secretary Marvin Harder
Commissioner Robert Barnum
Superintendent Denis Shumate

Enclosure

Agency Name: Youth Center at Beloit

Agency Code: 325

Program Title: Capital Improvement

Program Code: 9900

Date: August 14, 1984

1. (a) Request: State Finance Council action to use existing funds to replace the phone system at the Youth Center at Beloit.

(b) Fund/Account Name: Mental Health and Retardation Services Central Major Maintenance Account

(c) Fund Number: 629-00-8100-5-9000

(d) Fiscal Year: 1985

(e) Existing Expenditure Limitation: \$85,000

(f) Amount of Expenditure Limitation Increase Requested: None

2. Complete Description of Proposed Action:
A Capital Improvement request was made during the 1984 Legislative Session to replace the existing phone system at the Youth Center at Beloit. This request was approved by the Legislature with a proviso, which is as follows:

Institutional major maintenance
Provided, That mental health and retardation services is hereby authorized to transfer moneys from this account to a major maintenance account for any institution under its jurisdiction:
Provided further, That mental health and retardation services is hereby authorized to transfer moneys from this account to a major maintenance account for any facility under the jurisdiction of the commissioner of rehabilitation services: And provided further, That expenditures may be made from this account for the purchase of a telephone system for the Youth Center at Beloit: Provided, however, That no expenditures shall be made from this account for purchase of such telephone system except upon completion of the new phone system at the Youth Center at Atchison and upon approval of the state finance council action on this matter which is hereby characterized as a matter of legislative delegation and subject to the guidelines prescribed in subsection (c) of K.S.A. 75-3711c and amendments thereto.

The new telephone system at the Youth Center at Atchison has been bid and a contract has been awarded to AT&T for \$52,786.05. AT&T plans to complete the work by October 1, 1984. Therefore, we are requesting Finance Council action to proceed with the project.

The other bids on the new phone system at Atchison are as follows:

American Telecom	\$67,517.80
Contel	\$71,338.00
Action	\$72,380.00

Description and History of Existing Telephone System:

The telephone system in use at the Youth Center at Beloit is a Bell System Model 740 Private Band Exchange (PBX) made by Western Electric. It was installed in 1952-53 at the time the Administration Building was constructed.

The system involves approximately 45 stations, 60 instruments, 2 trunk lines and 2 Kansan lines. All lines both internal and interconnecting are buried in the ground.

The equipment room is located in the basement of the Administration Building. The room (approximately 12 x 15 ft.) is not temperature, humidity or dust controlled. The switching equipment is the old style mechanical rotary switches.

There are few records remaining to document the age of the system. It appears however that it is safe to assume that it is at least 32 years old with some of the equipment possibly older. There are no records available to indicate how the system was selected. During the past 32 years the system has been modified and repaired many times.

2. Basis for Statutory Funding

The 1984 Legislature provides for State Finance Council approval to use funds from the Mental Health and Retardation Services Central Major Account to replace the phone system. This authority is contained in Senate Bill No. 579, Section 11 Item (c).

The telephone system is the agencies primary means of communication with other state agencies, business and individuals involved with the Youth Center at Beloit fulfilling its juvenile correction mission. The telephone system is the backbone of the agencies security system insuring the physical safety of the residents and staff. Without telephone service the living units (cottages) have no means of communication.

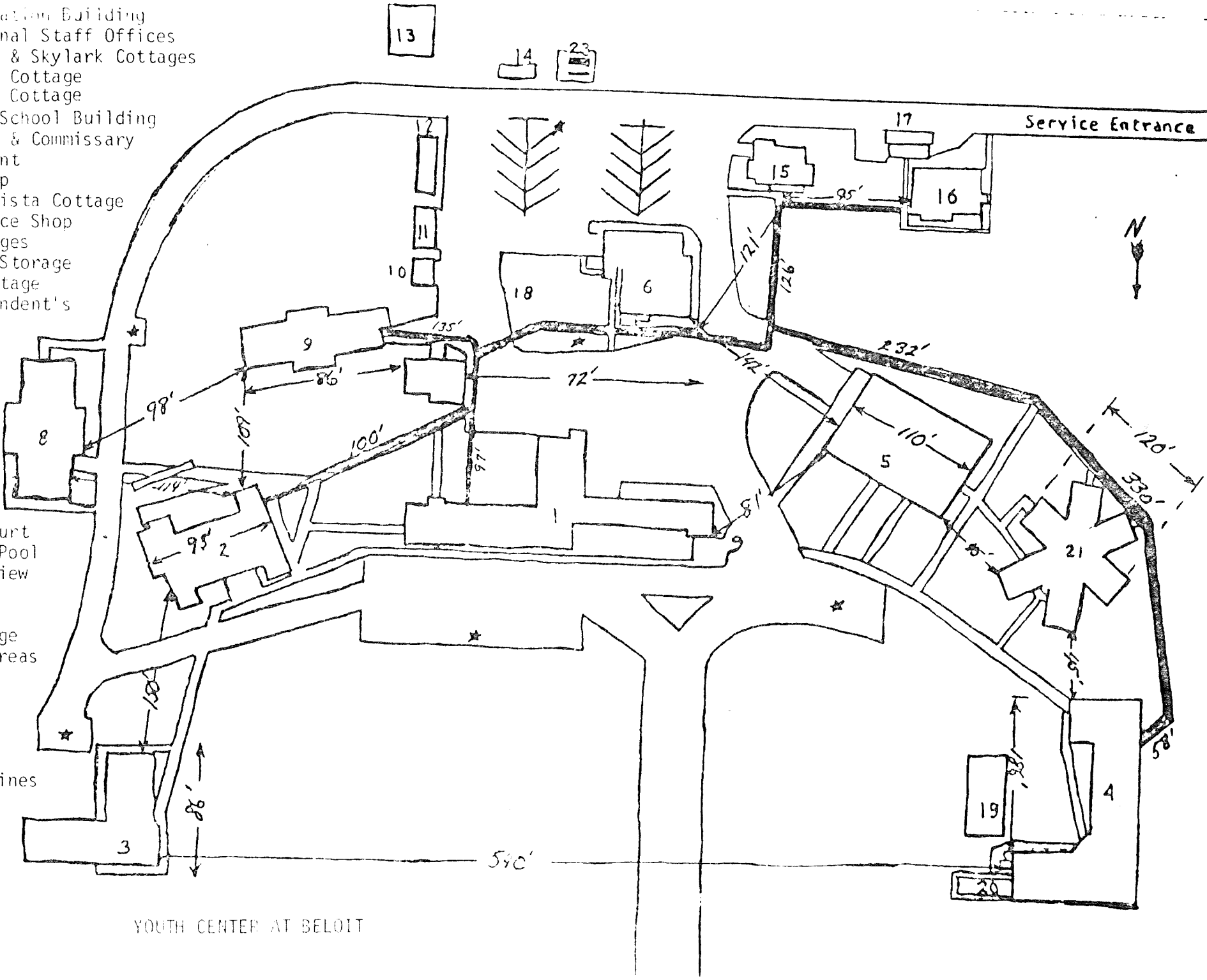
Increasing use of telephone communication is being made to reduce travel costs and in some cases even postal costs. A reliable functioning system is important for this purpose and most importantly for the safety and welfare of residents and staff.

The current system is very old, obsolete and worn out. Replacement parts for the switching system are no longer manufactured and are virtually impossible to find. Furthermore there are no known AT&T technicians in the area who can work on the system. When repairs are necessary it is almost impossible to get the system back in working order. Delays in obtaining service result in the cottage being without telephone service making them high security risks.

Replacement of the current system should have been completed in 1979. Now 5 years later we're in even more jeopardy. We should move forward with no further delay to get the Youth Center at Beloit's telephone communication system updated.

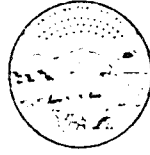
1. Administration Building
Professional Staff Offices
Innyside & Skylark Cottages
 2. Shadyside Cottage
 3. Grandview Cottage
 4. Academic School Building
 5. Cafeteria & Commissary
 6. Power Plant
 7. Paint Shop
 8. Prairie Vista Cottage
 9. Maintenance Shop
 - 10 & 11. Garages
 - 12, 13 & 14. Storage
 15. Staff Cottage
 16. Superintendent's Cottage
 17. Garage
 18. Trash Storage
 19. Tennis Court
 20. Swimming Pool
 21. Morning View Cottage
 23. Oil Storage
- * Parking Areas

Extra heavy lines are tunnels



YOUTH CENTER AT BELOIT

STATE OF KANSAS



JOHN CARLIN
Governor

DEPARTMENT OF ADMINISTRATION

Division of Information Systems
and Communications

DIRECTOR
124-South, State Office Building
Topeka, Kansas 66612-1503
(913) 296-3463

Deputy Director
Information Systems
1152-W, State Office Building
Topeka, KS 66612-1503
(913) 296-3343

Deputy Director
Telecommunications
503 Kansas Avenue, Room 240
Topeka, Kansas 66603-3494
(913) 296-4124

31 January 1985
(1-044-L)

Mr. Denis Shumate
Superintendent
Youth Center at Beloit
1720 North Hersey
Beloit, Kansas 67420

Dear Mr. Shumate:

Our office has received several requests for assistance in obtaining a new telephone system for location 1720 North Hersey, the Youth Center at Beloit.

As a first step in the project I am writing to request some initial information. I plan on making a site visit to the Youth Center at Beloit in the near future. I hope that the listed material will be available at that time. Also, at that time a discussion can take place about other key items.

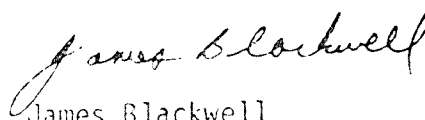
The things that need to be initially accomplished are:

1. If available, an architectural drawing (plot plan) which shows all buildings and the overall general layout of the Youth Center. It would be beneficial if this plot plan had a scale and also showed usable utility tunnels.
2. Phone counts by building.
3. A list of the buildings on campus that need to be served on the new system. Also, please include building numbers, if applicable.
4. Think about projected growth for the next five years, building additions, new buildings, new staff, etc.

5. Think about key answering personnel and their needs for either a station status indicator or proprietary electronic key phones that show conditions (busy, idle, or ringing) of stations that they answer for.
6. Think about features that you need but don't presently have available.
7. Think about special needs you have for speaker phones, conference phones, amplified handsets, etc.
8. An area that can be used to accommodate the new telephone switching equipment, (preferable centrally located). This area should have an unencumbered wall with at least space for a 4' x 8' back-board used to mount station and distribution wire blocks. The room should have, at a minimum, an area of 100 square feet, 10' x 10'. The room should be cool, 80°F maximum temperature, dry, and well lighted. It should have a floor loading capacity of 150 pounds per square foot. It should have a fourplex outlet with one outlet of the fourplex separately fused for 115 VAC 60 Hz, 20 amp service. All interbuilding cable will originate from this room and distribute across the campus.
9. I have enclosed a telephone usage form that I would like to have all staff fill out. This form needs to be kept for one day, preferably the busiest day of the busiest week of your operation. If you have any questions concerning the form, please contact me.
10. Any air returns in any buildings that are used as environmental air handling space (air return plenums) need to be identified.
11. Think about telephone administration; accomplished by an SMDR (station message detail recorder) and processor (I have enclosed some information concerning this area). Think about someone to administrate this also.

As stated, I will contact you in the near future concerning a site visit, and discussion. If you have any questions in the meantime, don't hesitate to contact me.

Sincerely,



James Blackwell
PBX & Telephone Equipment Engineer

JB:mmb

Encl.