

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES

The meeting was called to order by Sen. Bill Morris at
Chairperson

9:00 a.m. ~~pm~~ on March 18, 1985 in room 254-E of the Capitol.

All members were present ~~except~~.

Committee staff present:

Hank Avila, Research Department
Fred Carman, Revisor
Louise Cunningham, Secretary

Conferees appearing before the committee:

Bill Ewing, Public Affairs Manager, Southwestern Bell Telephone Company
Marvin Schulties, Southwestern Bell Telephone Company
Tom Gleason, Independent Telephone Group
Floyd Krehbiel, Moundridge Telephone Company

On the Minutes of February 28, 1985 there was a correction under the opponents. Roger McCollister should be described as a "rider" instead of a "writer". A motion was made by Sen. Norvell and seconded by Sen. Hayden to approve the Minutes of February 28 as corrected, March 5, 6, 7 and 8, 1985. Motion carried.

HEARING ON S.B. 226 - Protection of rate base for basic telephone service.

PROPOSERS:

Bill Ewing, Southwestern Bell Telephone Company, said this was a very serious issue in the telephone industry. It is a matter of public policy and needs to be addressed by the legislature. Also, he had an amendment to exclude radio common carriers from the bill. A copy of this amendment is attached. (Attachment 1). He said the next conferee had the background in revenue requirements and ratemaking to explain the problem to the committee.

Marvin Schulties, Southwestern Bell, had prepared graphs and explained them to the committee. A copy of these graphs is attached. (Attachment 2). He explained that the first graph shows a shared tenant provider's switch which is commonly known as a PBX. They are really computers and used generally by large companies. The second graph showed the trunk lines going into the tenant provider's switch, non-partitioned. This is what they were opposing. It would be re-sale of the telephone company services and they would lose a great deal of revenue. They would have "idled investment" as their lines would be idled and this cost could amount to \$100 million if this would be allowed to exist. The loss of revenue would force the balance to rural customers and those customers remaining. Also, a blockage of service could occur to customers.

The third chart showed the telephone's solution to the problem. This was a shared tenant provider's switch, partitioned. This would guarantee that the telephone company would still have their own service. This is the direction they have suggested and it is being implemented in Dallas and Georgia. It is workable in Kansas. Under this system the providers are doing well and the telephone companies are not having the problems that have been mentioned here today.

Mr. Schulties was asked about whether KCC could be asked about a different rate for these providers. He said this could come under measured service but it would not solve the problem of "idled investment".

Tom Gleason, Independent Telephone Group, said their problem was the same as Southwestern Bell's but they represent the small companies. He said there was no question in anyone's mind that we would not have the telephone communication system in Kansas today in rural areas if it had not been for legislators making sure that the service was to be provided for everyone. This is

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES,
 room 254-E, Statehouse, at 9:00 ~~a.m.~~ ^{p.m.} on March 18, 1985.

the universal concept. The legislature has granted KCC broad powers to determine the cost of utility service and to prorate the cost among customers. The present trend toward competition in utility services is going to be very disruptive. It is more costly to provide service to a rural farmer than it is to provide service for a large banking facility. There would be a great disruption in the ratemaking concept if we are to continue moving in this direction. The small telephone companies do not have a large number of corporations in their areas but if they did it would shift additional costs to farm families in Kansas.

Mr. Floyd Krehbiel, Moundridge Telephone Company, said this was not a Bell bill but a bill for all telephone companies in Kansas. He said profitable customers would be skimmed off by the competition. Telephone service is not an industry where competition is necessarily good. This has been shown by the recent breakup of the telephone company. Telephone companies should remain fully regulated and resellers should also play by the same rules. Right now the small companies are operating with less than 3% return on their investment. He urged the legislators to consider the welfare of the people of Kansas. A summary of his statement is attached. (Attachment 3).

Meeting was adjourned at 9:50 a.m.

SENATE LABOR, INDUSTRY & TOURISM COMMITTEE

Date 3-18-85 Place 254-E Time 900

GUEST LIST

NAME

ADDRESS

ORGANIZATION

<u>NAME</u>	<u>ADDRESS</u>	<u>ORGANIZATION</u>
Charles Wilson	Topeka	AT&T
Erin Nolan	Topeka	KCC
JEFF RUSSELL	TOPEKA	UNITED Table of KS
Manning Schuttus	Topeka	SW Bell
Don Boesman	Topeka	SW Bell
BILL EDWING	TOPEKA	S.W. BELL
Tom Griggs	Ottawa	Interstate Tele
Alfred H. Krebber	Moundridge	Moundridge Tel. Co.
Mrs. Floyd H. Krebber	Moundridge	" " "
DON HOFFMAN	TOPEKA	CWA LOCAL 6401
My Hauer	"	CWA Local 6401
Art Griggs	"	Ks. Dept. of Adm.

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PROPOSED AMENDMENT TO S.B. 226

§ 3, p. 8, line 278--(1) change the period after "service" to a comma; (2) add: "and shall not apply to provision by radio common carriers, as defined by K.S.A. 66-1,143, of services described in K.S.A. 66-1,143."

ATT. ①
3/18/25

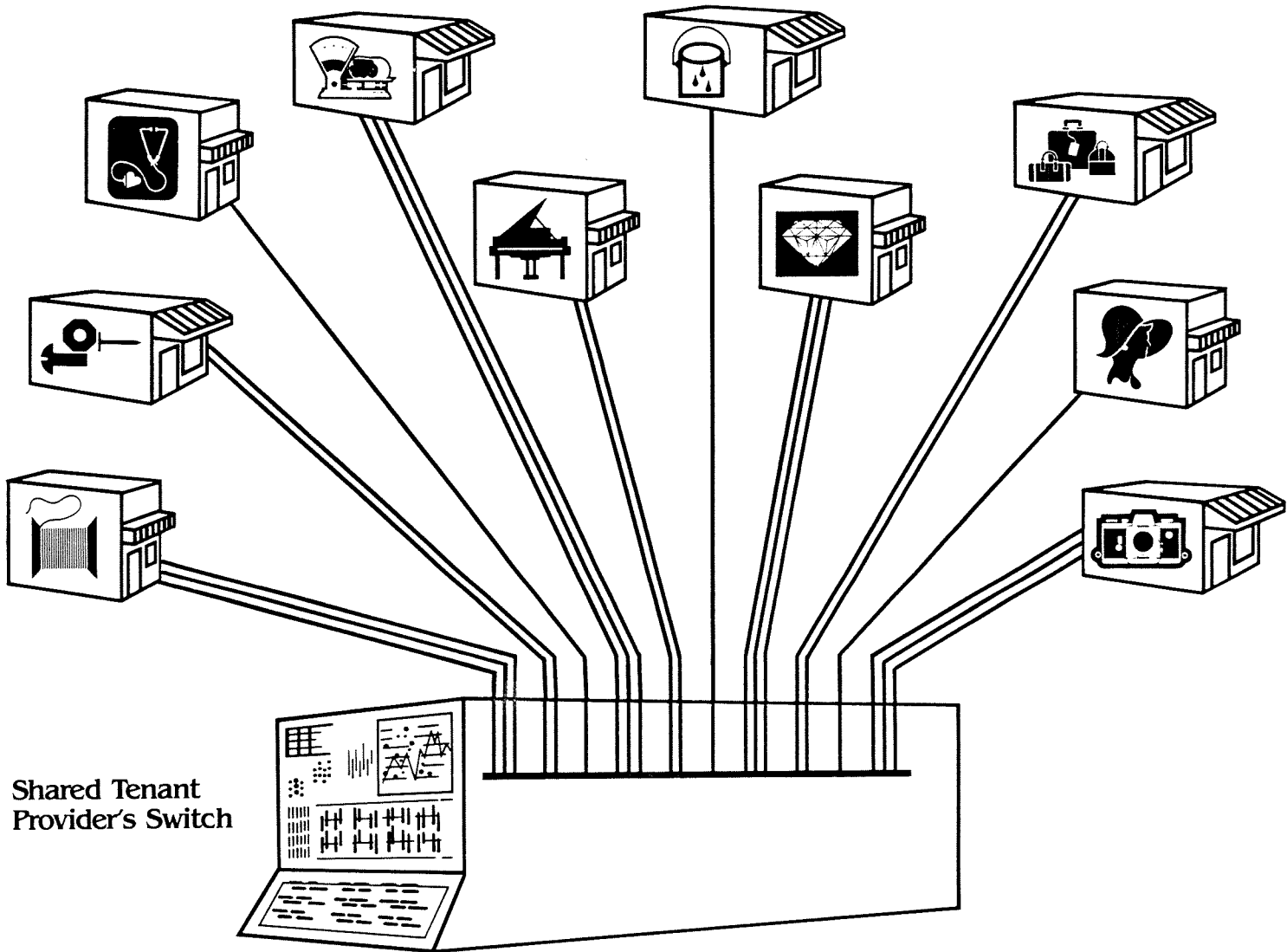
0268 *date of the proposed service, a certificate by the corporation*
 0269 *commission, unless and until: (1) the proposed provider applies*
 0270 *to the commission for a certificate pursuant to this section; (2)*
 0271 *the commission finds that the public utility already certificated*
 0272 *is not providing reasonably efficient and sufficient service and*
 0273 *that customer needs are not being met; and (3) the commission*
 0274 *grants the certificate. Any application pursuant to this subsec-*
 0275 *tion shall be set for hearing, at which the previously certificated*
 0276 *public utility shall be permitted to participate fully. This sub-*
 0277 *section shall not apply to service determined by the commission*
 0278 *to be transient reseller service.*

0279 Sec. 4. K.S.A. 66-133 is hereby amended to read as follows:
 0280 66-133. Every municipal council or commission shall have the
 0281 power and authority, subject to any law in force at the time and to
 0282 the provisions of K.S.A. 66-131 and 66-131a, and amendments
 0283 thereto, to contract with any public utility or common carrier,
 0284 situated and operated wholly or principally within any city or
 0285 principally operated for the benefit of such city or its people, by
 0286 ordinance or resolution, duly considered and regularly adopted:
 0287 (1) As to the quality and character of each kind of product or
 0288 service to be furnished or rendered by any public utility or
 0289 common carrier, and the maximum rates and charges to be paid
 0290 therefor to the public utility or common carrier furnishing such
 0291 product or service within ~~said~~ the municipality, and the terms
 0292 and conditions, not inconsistent with this act or any law in force
 0293 at the time under which such public utility or common carrier
 0294 may be permitted to occupy the streets, highways or other public
 0295 property within such municipality.

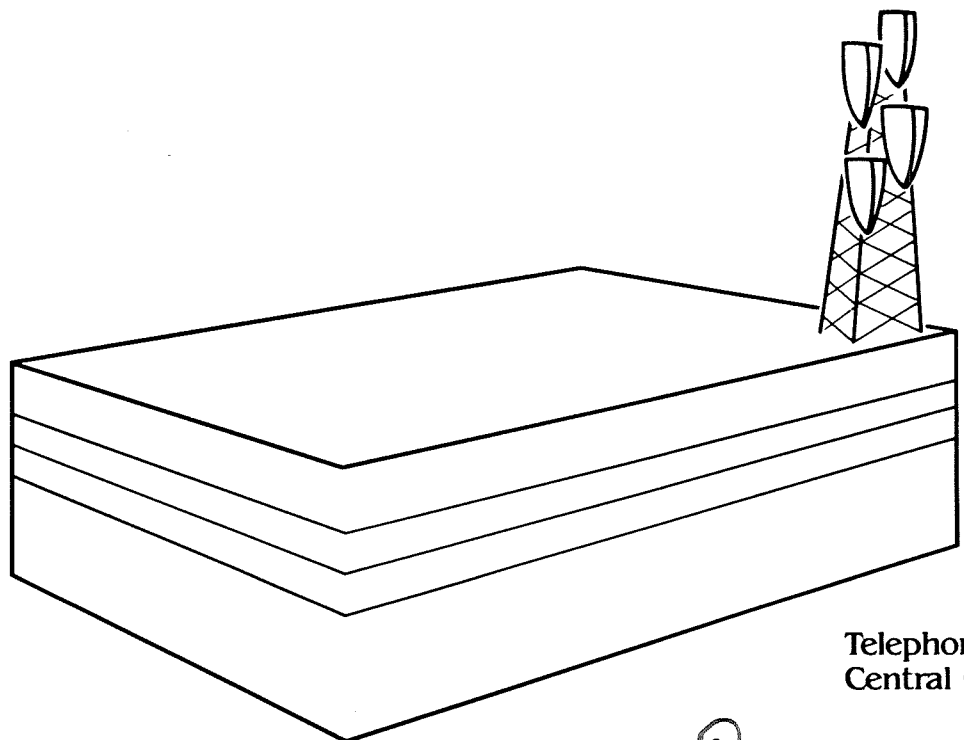
0296 (2) To require and permit any public utility or common
 0297 carrier to make such additions or extensions to its physical plant
 0298 as may be reasonable and necessary for the benefit of the public,
 0299 and may designate the location and nature of such additions and
 0300 extensions at the time within which such shall be completed,
 0301 and the terms and conditions under which the same shall be
 0302 constructed.

0303 (3) To provide a reasonable and lawful penalty for the non-
 0304 compliance with the provisions of any ordinance or resolution

to be transient reseller service, and shall not apply to
 provision by radio common carriers, as defined by K.S.A.
 66-1,143, of services described in K.S.A. 66-1,143.

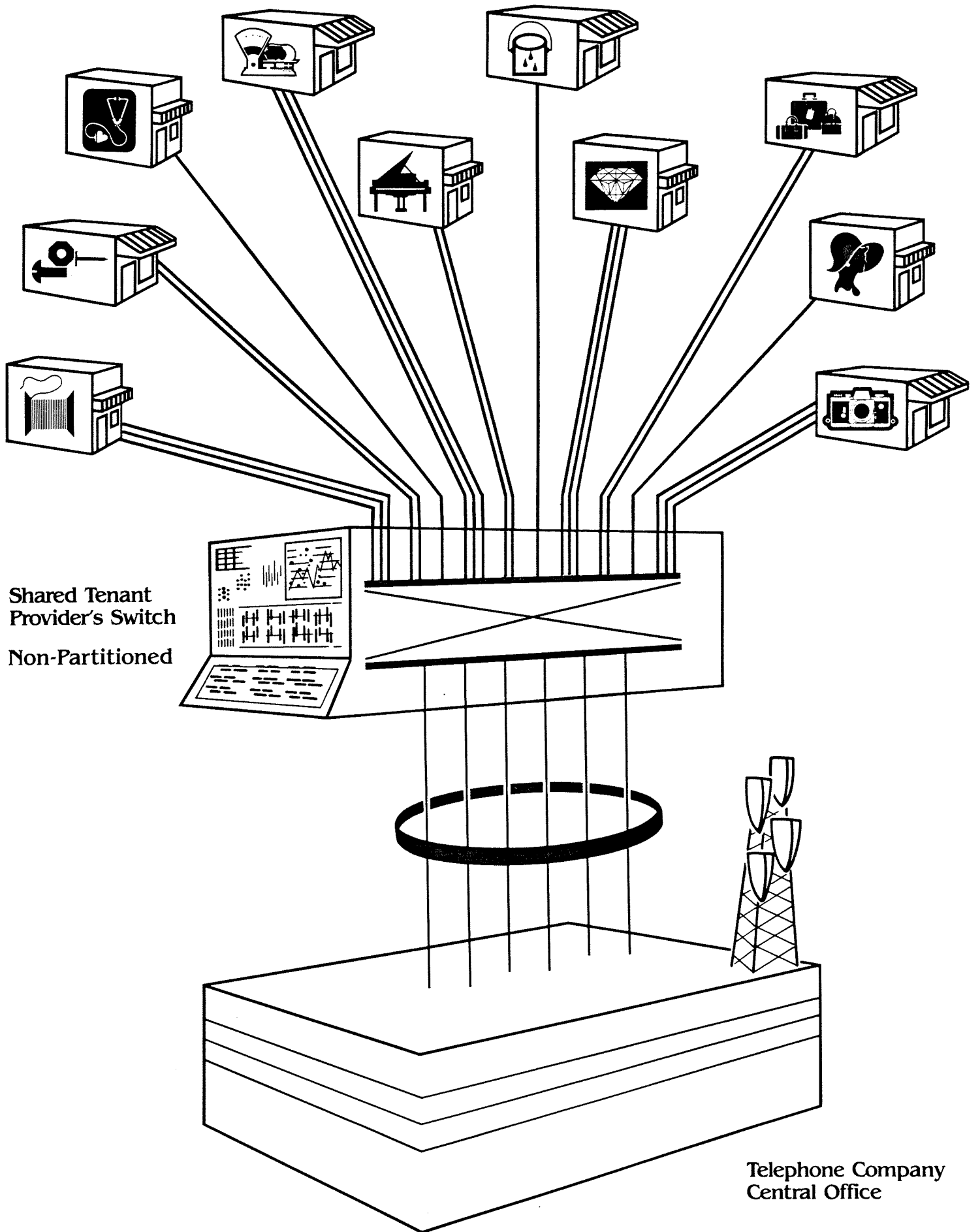


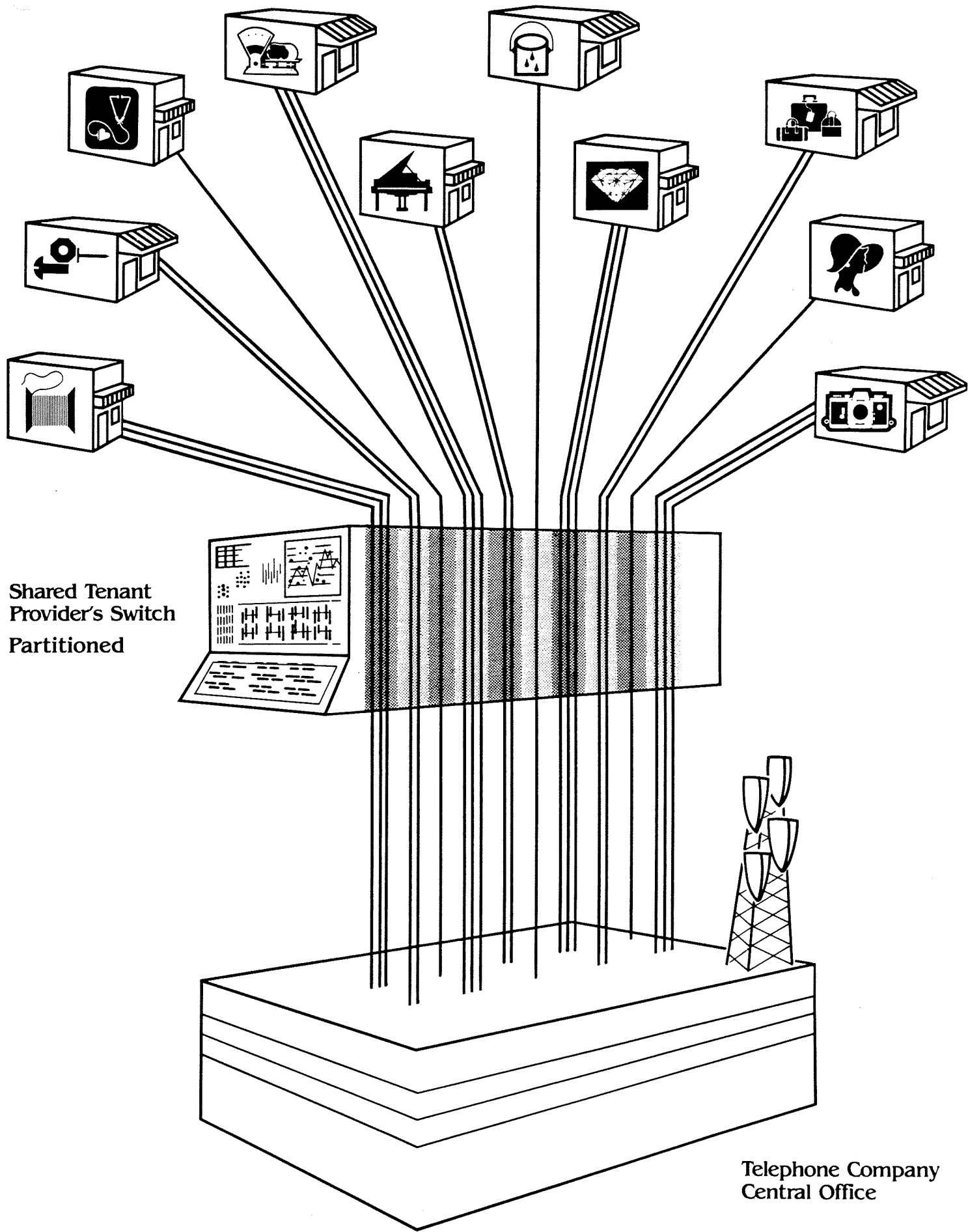
Shared Tenant
Provider's Switch



Telephone Company
Central Office

ATT. ②
3/18/85

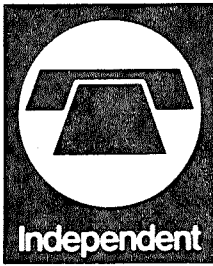




Shared Tenant
Provider's Switch
Partitioned

Telephone Company
Central Office

3



MOUNDRIDGE TELEPHONE COMPANY

MOUNDRIDGE, KANSAS 67107

(316) 345-2831

MARCH 18, 1985

SUMMARY OF REMARKS WITH REFERENCE TO SENATE BILL #226
BY FLOYD H. KREHBIEL, OWNER & MANAGER, MOUNDRIDGE
TELEPHONE COMPANY, MOUNDRIDGE, KANSAS.

1. SB # 226 IS NOT A "BELL BILL" BUT IS IN THE VITAL INTEREST OF EVERY TELEPHONE UTILITY IN KANSAS, AND, THEREFORE, IN THE INTEREST OF ALL RURAL SUBSCRIBERS.
2. SB #226 IN NO WAY STIFLES COMPETITION. IT ASSURES ONLY THAT ALL PLAYERS - UTILITIES AND RESELLERS - WILL PLAY THE GAME BY THE SAME RULES.
3. SB #226 IS AN IMPORTANT AND SIGNIFICANT EFFORT TO ASSURE CONTINUATION OF HIGH QUALITY, AFFORDABLE AND UNIVERSAL SERVICE TO YOUR CONSTITUENTS.

ATT. 3
3/18/85