

Approved Thomas F. Walker
Date 3/2/87

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION

The meeting was called to order by Representative Thomas F. Walker at
Chairperson

9:00 a.m./p.m. on February 26, 1987 in room 522-S of the Capitol.

All members were present except:

Representative Barr
Representative Sprague
Representative Peterson

Committee staff present:

Avis Swartzman - Revisor
Mary Galligan - Legislative Research Dept.
Jackie Breymeyer - Secretary

Conferees appearing before the committee:

Representative Marvin Smith - Sponsor of HB 2284
Walter Myers - Consumer
Mildred Ostrander - Consumer
Francis Tut - Consumer
Orville Lundgren - Consumer
Tom Gleason - Attorney - Independent Telephone Company Group
Jeff Chanay - Kansas Independent Oil & Gas Association

The meeting was called to order by Chairman Walker. The minutes of the previous meeting will stand approved at the end of the meeting if there are no corrections. The Chairman called on Representative Marvin Smith, bill sponsor to begin the testimony on HB 2284.

Representative Smith referred to his attachment with exhibits to point out the vast difference in telephone charges or rates between consumers of the different areas. Extended service to Topeka has been denied. He pointed out that some out-of-state calls are less costly than to cities within the state. He would like to see Corporation Commission members elected so as to show accountability to the consumer. Representative Smith answered several questions from committee members. Some members questioned whether equal area access was the issue or the Corporation Commission. (See Attachment 1) Brian Moline, KCC, stated the KCC had no position on the bill.

Walter Myers, consumer, said the consumers remarks and pleas have fallen on deaf ears. Appointed people do not respond as would elected officials. If officials were elected, more fair hearings would result and the consumers comments would be listened to.

Mildred Ostrander, consumer, told of having to make toll calls in order to call her neighbors. She also told of disruptive service in some areas that seems to take a long time to get fixed. (See Attachment 2) & 2a

Francis Tut, consumer, said the Corporation Commission is influenced by the big companies. She has tried to get a private line for 16 years, but is still on a 4-party line. The only way to get more consumer feedback is through the commission to be elected from districts. (See Attachment 3)

Orville Lundgren, consumer, said the Corporation Commission doesn't listen to the consumer because it doesn't have to. Elected commissioners would be responsible to the people and more understanding. (See Attachment 4)

As there were no other proponents to speak to HB 2284, the Chairman called on Tom Gleason, Attorney for the Independent Telephone Group. Mr. Gleason spoke as an opponent of HB 2284, saying that politically elected commissioners would be less responsive to the wishes of the legislature. Mr. Gleason's attachment detailed the how and why of the public utilities existence. (See Attachment 5)

Jeff Chaney, Kansas Independent Oil & Gas Association gave five areas of concern, stating the bill serves no valid service and would only result in the proliferation of one-issue candidates. The Governor does a good job of appointing members to the Kansas Corporation Commission and these members carry out their duties in a fair and reasonable manner.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION,
room 522-S, Statehouse, at 9:00 a.m./p.m. on February 26, 1987.

This bill would create pressure on companies to contribute to campaigns. The fiscal note cost would include two more commissioners with staff. There is a good balance between the consumer and the industry with its various victories and losses.

Several questions were asked each of the conferees. Many expressed sympathy with the problem, but said this bill would not take care of it. The question was asked if it would be appropriate to ask the KCC to come before the committee and speak in regard to equal area access. Staff will look into this.

Other testimony distributed to the committee and entered into the record was testimony by Richard D. Kready, KPL Gas Service, opposing the bill, and Joe Ellzey and Bill Reppart, Jr., Kansas Telephone Association, opposing the bill. (Attachments 6 & 7).

The Chairman asked if there was anyone else present to speak to HB 2284. As there was no other conferees wishing to testify, the Chairman closed the hearing on HB 2284, subject to any presentation by the KCC.

The Chairman went over next week's agenda and adjourned the meeting.

MARVIN E. SMITH
REPRESENTATIVE, FIFTIETH DISTRICT
SHAWNEE AND JACKSON COUNTIES
123 N E 82ND STREET
TOPEKA, KANSAS 66617-2209



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER EDUCATION
TAXATION
TRANSPORTATION

FEBRUARY 26, 1987

HB 2284
HOUSE GOVERNMENTAL ORGANIZATION

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

OVER THE YEARS PEOPLE HAVE INDICATED THEIR CONCERNS ABOUT RULINGS OF THE CORPORATION COMMISSION.

LAST YEAR ONE OF THE QUESTIONS ON MY OPINIONAIRE POSED THE QUESTION, "WOULD YOU FAVOR ELECTING THE CORPORATION COMMISSION, ONE FROM EACH CONGRESSIONAL DISTRICT?" THE RESPONSE WAS 84% AFFIRMATIVE.

APPROXIMATELY TWENTY YEARS AGO PHONE PATRONS IN NORTHERN SHAWNEE COUNTY PETITIONED THE CORPORATION COMMISSION FOR EXTENDED SERVICE FROM TOPEKA. THE HEARINGS WERE WELL ATTENDED. THE SILVER LAKE AREA, 582-0000, WAS GRANTED ACCESS, BUT MERIDEN, 484-0000, AREA WAS DENIED!

IN FEBRUARY, 1973 A PETITION TO THE STATE CORPORATION SEEKING ACCESS TO THE SOUTHWESTERN BELL TELEPHONE SYSTEM IN THE GREATER TOPEKA AREA WAS INITIATED WITH LETTERS THAT WERE CO-SIGNED BY MARLIN E. IJAMS AND ORVILLE LUNDGREN. THE LETTER AND PETITIONS SHOULD HAVE CAUSED THE CORPORATION COMMISSION TO BRING TOGETHER THE TWO TELEPHONE COMPANIES AND THE PETITIONERS, BUT THAT DID NOT HAPPEN. IN FACT, THE LETTER DATED FEBRUARY 26, 1973 ON PAGE 2, THE LAST PARAGRAPH ASKED FOR A HEARING BEFORE THE CORPORATION COMMISSION. AGAIN ON JULY 20th, A LETTER TO THE

ATTACHMENT 1

G.O. COMM.

2/26/87

COMMISSION SIGNED BY MARLIN IJAMS IN THE LAST PARAGRAPH ASKED THE COMMISSION TO RECONSIDER THE PETITION.

EXHIBIT A SHOWS THE MAP OF THE AREAS THAT HAVE BEEN SUBJECT OF THE SERVICE AREAS. WHAT IS DIFFICULT TO RATIONALIZE IS THAT THE TOPEKA AREA PROVIDES TOLL FREE SERVICE TO PERRY IN JEFFERSON COUNTY, CARBONDALE IN OSAGE COUNTY, LECOMPTON IN DOUGLAS COUNTY, MAPLE HILL IN WABAUNSEE COUNTY, BUT NOT ROSSVILLE AND NORTHEAST PART OF SHAWNEE COUNTY.

OVER THE YEARS EFFORTS FOR EXTENDED SERVICE TO TOPEKA HAVE BEEN DENIED.

LAST DECEMBER, 1986 THE CORPORATION COMMISSION HELD HEARINGS IN OLATHE, TOPEKA AND WICHITA CONCERNING EXTENDED SERVICE. I UNDERSTAND OVER 300 PEOPLE ATTENDED THE OLATHE HEARING. HERE IN TOPEKA THE CROWD OVERFLOWED INTO THE SOUTH HEARING ROOM. MANY PEOPLE ATTENDED AND PRESENTED THE PROBLEMS IN AREAS OF NORTHEAST, EAST CENTRAL AND CENTRAL KANSAS.

I LIVE 15 MILES FROM THE COUNTY COURTHOUSE, 7 MILES FROM THE TOWNSHIP FIRE STATION, 6 MILES FROM OUR SCHOOLS, AND WE HAVE TO PAY LONG DISTANCE FOR ALL LOCAL GOVERNMENT CALLS. WE PAY TOLL TO EVERYONE WEST AND SOUTH OF OUR RESIDENCE AND 1½ MILES NORTH WE PAY TOLL. EIGHT MILES NORTH AND 2 MILES EAST NEIGHBORS JUST A QUARTER MILE APART HAVE TO CALL LONG DISTANCE AND ARE SERVED BY THE SAME TELEPHONE COMPANY.

WE HAVE UNBELIEVABLE SERVICE CHARGES IN OUR AREA. EXHIBIT B COMPARES TELEPHONE CHARGES THAT ARE TRULY UNBELIEVABLE. DOESN'T IT SEEM UNREALISTIC THAT A CALL TO AXTELL, KANSAS (60 miles)

FOR 21 MINUTES IS \$5.40 COMPARED TO 23 MINUTES TO NEW YORK CITY FOR \$4.77, EQUALS 2 MINUTES LESS AND \$.63 MORE.

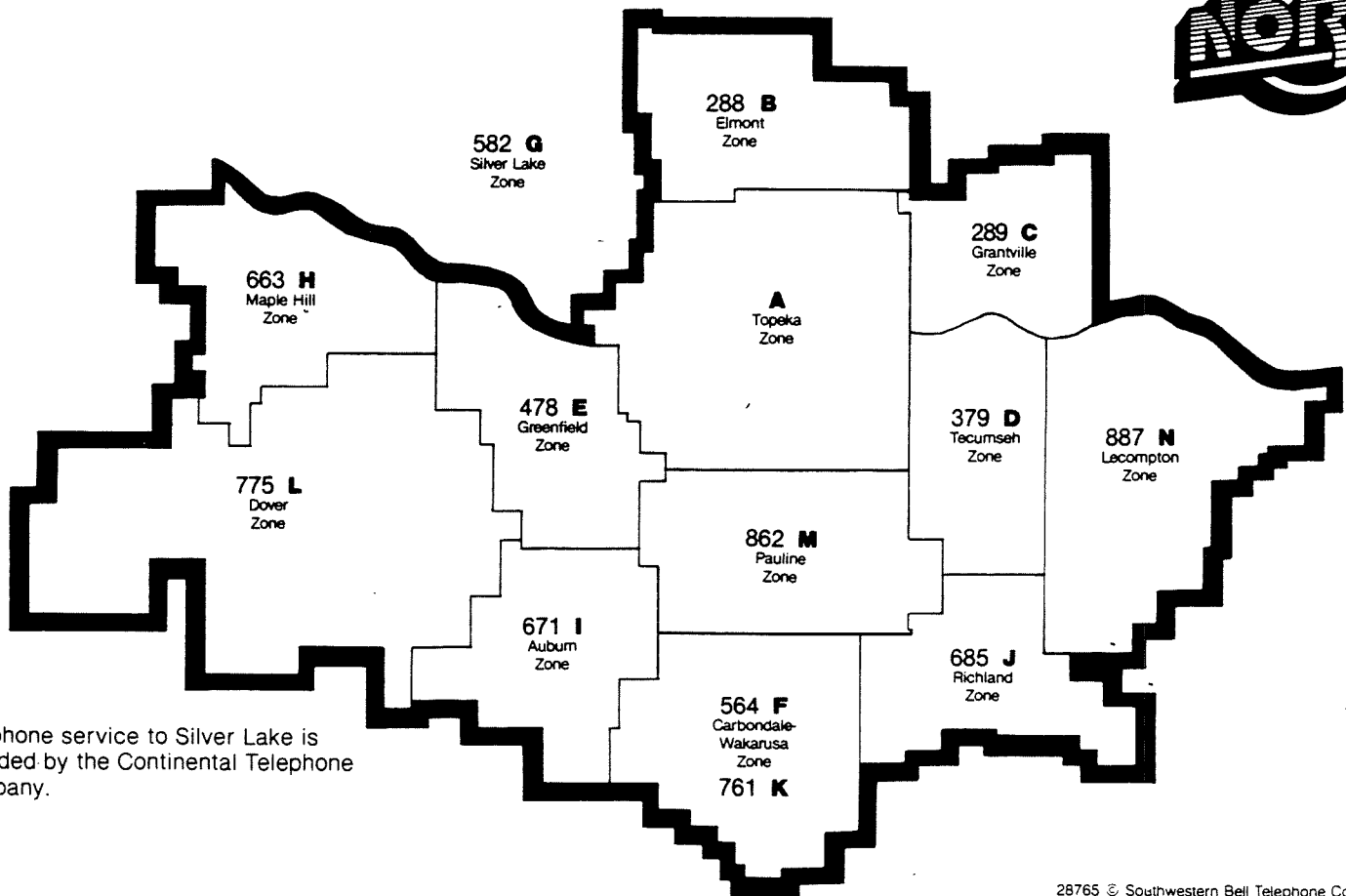
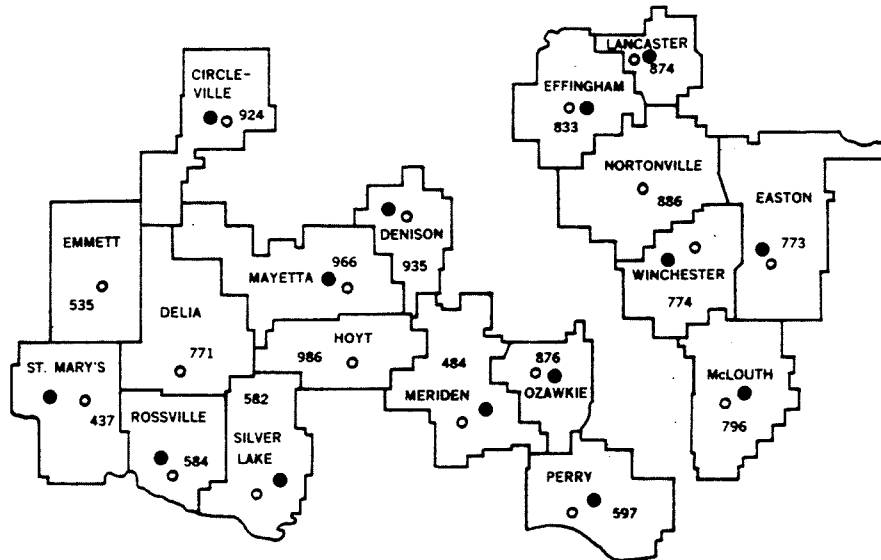
THE SECOND EXAMPLE WHICH IS REALLY DISTRESSFUL, ON SEPTEMBER 16, 1986 COMPARES A CALL TO MANHATTAN, KANSAS (60 miles) FOR 18 MINUTES FOR \$4.30 AND PENSOLA, FLORIDA (1800 miles) FOR \$3.64, COST \$.66 MORE TO CALL MANHATTAN, KANSAS THAN PENSOLA, FLORIDA. THE THIRD EXAMPLE IS HOLTON, KANSAS AND NEW YORK CITY.

COMMITTEE MEMBERS, HAVE YOU CHECKED YOUR PHONE BILLS LATELY?

IT WAS NO SURPRISE THAT PEOPLE STRONGLY FAVOR ELECTING THE CORPORATION COMMISSION BECAUSE OF THE FRUSTRATIONS. SOME HOLTON CONSTITUENTS HAVE CONTACTED ME REGARDING SERVICE CHARGES EACH MONTH FOR GAS AND TELEPHONE SERVICE.

RELATIVES IN OKLAHOMA INDICATE THEIR COMMISSIONERS ARE ELECTED. POSSIBLY, IF COMMISSIONERS HAD TO SEEK PEOPLE'S VOTES THEY WOULD HEAR UTILITY USERS CONCERNS OR MORE IMPORTANTLY, BECOME MORE EFFECTIVE. THE PRESENT PROCESS NEEDS IMPROVEMENT.

CONTINENTAL TELEPHONE AREAS LISTED IN THIS DIRECTORY



Telephone service to Silver Lake is provided by the Continental Telephone Company.

ITEMIZED LONG-DISTANCE CALLS



| NO | DATE | TIME | MIN | TO PLACE | AREA NUMBER | P T C | AMOUNT | D |
|-------|-------|---------|-----|---------------|--------------|--------|--------|---|
| 0019 | 11-27 | 10.41AM | 23 | NEW YORK NY | 212 496-2588 | E 1 01 | 4.77 | |
| #0020 | 11-27 | 03.44PM | 1 | TOPEKA KS | 913 354-6369 | E 1 | .14 | |
| #0021 | 11-27 | 03.51PM | 2 | TOPEKA KS | 913 354-6000 | E 1 | .22 | |
| #0022 | 11-27 | 03.53PM | 1 | TOPEKA KS | 913 354-6000 | E 1 | .14 | |
| #0023 | 11-27 | 03.55PM | 1 | TOPEKA KS | 913 354-6212 | E 1 | .14 | |
| #0024 | 11-27 | 09.33PM | 1 | TOPEKA KS | 913 267-6459 | E 1 | .14 | |
| 0025 | 11-30 | 07.35PM | 19 | PENSACOLA FL | 904 944-6570 | E 1 01 | 3.84 | |
| #0026 | 12-01 | 09.14PM | 21 | AXTELL KS | 913 736-2835 | E 1 | 5.40 | |
| #0027 | 12-02 | 08.48AM | 1 | TOPEKA KS | 913 295-2757 | D 1 | .23 | |
| #0028 | 12-03 | 07.51AM | 4 | TOPEKA KS | 913 232-4451 | N 1 | .22 | |
| #0029 | 12-05 | 01.25PM | 1 | ELMONT KS | 913 288-0417 | D 1 | .23 | |
| #0030 | 12-05 | 06.09PM | 9 | HOLTEN KS | 913 364-3615 | E 1 | 1.55 | |
| #0031 | 12-05 | 06.56PM | 8 | GRANTVILLE KS | 913 289-3112 | E 1 | .65 | |
| #0032 | 12-05 | 07.05PM | 3 | EFFINGHAM KS | 913 833-2345 | E 1 01 | .51 | |
| #0033 | 12-06 | 09.35AM | 8 | MAYETTA KS | 913 966-2438 | N 1 | .56 | |
| #0034 | 12-06 | 10.29AM | 4 | ELMONT KS | 913 288-1150 | N 1 | .22 | |
| #0035 | 12-06 | 11.33AM | 1 | ELMONT KS | 913 288-0224 | N 1 | .09 | |
| #0036 | 12-06 | 05.43PM | 1 | ELMONT KS | 913 288-1400 | N 1 | .09 | |

DATE OF BILL 12-25-86 EXCH 2 1153 BILLING NO. 484-3417 CONTROL DATE 060166 1



ITEMIZED LONG-DISTANCE CALLS

| NO | DATE | TIME | MIN | TO PLACE | AREA NUMBER | P T C | AMOUNT | D |
|-------|-------|---------|-----|---------------|--------------|--------|--------|---|
| #0001 | 09-16 | 02.31PM | 4 | TOPEKA KS | 913 286-0137 | D 1 | .56 | |
| #0002 | 09-16 | 02.40PM | 1 | TOPEKA KS | 913 354-4508 | D 1 | .23 | |
| #0003 | 09-16 | 05.36PM | 18 | MANHATTAN KS | 913 537-9464 | E 1 | 4.30 | |
| 0004 | 09-16 | 08.44PM | 18 | PENSACOLA FL | 904 944-6570 | E 1 01 | 3.64 | |
| #0005 | 09-17 | 08.54AM | 1 | TOPEKA KS | 913 234-2644 | D 1 | .23 | |
| #0006 | 09-17 | 09.37AM | 1 | TOPEKA KS | 913 295-6645 | D 1 | .23 | |
| #0007 | 09-17 | 04.11PM | 3 | TOPEKA KS | 913 235-3000 | D 1 | .45 | |
| #0008 | 09-17 | 04.19PM | 1 | TOPEKA KS | 913 234-2644 | D 1 | .23 | |
| #0009 | 09-17 | 08.09PM | 22 | TOPEKA KS | 913 235-6472 | E 1 | 1.65 | |
| #0010 | 09-17 | 08.54PM | 10 | BALDWIN KS | 913 594-3312 | E 1 | 2.22 | |
| #0011 | 09-18 | 10.57AM | 2 | TOPEKA KS | 913 286-0137 | D 1 | .34 | |
| 0012 | 09-18 | 04.20PM | 5 | MINERAL PT WI | 608 987-2317 | D 1 01 | 1.73 | |
| #0013 | 09-19 | 07.53AM | 4 | BALDWIN KS | 913 594-3617 | N 1 | .58 | |
| #0014 | 09-19 | 07.58AM | 4 | LECOMPTON KS | 913 887-6041 | C 1 | .49 | |
| #0015 | 09-19 | 08.04AM | 2 | BALDWIN KS | 913 594-3312 | D 1 | .79 | |
| #0016 | 09-19 | 08.07AM | 4 | LYNDON KS | 913 828-4596 | D 1 | 1.58 | |
| #0017 | 09-19 | 08.13AM | 6 | OSAGE CITY KS | 913 528-3674 | D 1 | 2.11 | |
| #0018 | 09-19 | 08.32AM | 1 | OSAGE CITY KS | 913 528-3276 | D 1 | .46 | |

DATE OF BILL 10-25-86 EXCH 1 1153 BILLING NO. 484-3417 CONTROL DATE 060166 1



ITEMIZED LONG-DISTANCE CALLS

| NO | DATE | TIME | MIN | TO PLACE | AREA NUMBER | P T C | AMOUNT | D |
|-------|-------|---------|-----|-------------|--------------|--------|--------|---|
| #0001 | 06-17 | 12.05PM | 10 | HOLTEN KS | 913 364-4309 | D 1 | 2.64 | |
| #0002 | 06-17 | 07.05PM | 4 | ELMONT KS | 913 288-0267 | E 1 | .36 | |
| #0003 | 06-18 | 08.39AM | 1 | ELMONT KS | 913 288-1414 | D 1 | .23 | |
| #0004 | 06-18 | 01.29PM | 1 | TOPEKA KS | 913 233-9556 | D 1 | .23 | |
| #0005 | 06-18 | 02.13PM | 6 | TOPEKA KS | 913 233-9556 | D 1 | .78 | |
| 0006 | 06-18 | 09.56PM | 12 | NEW YORK NY | 212 496-2588 | E 1 01 | 2.53 | |
| #0007 | 06-19 | 08.03AM | 1 | TOPEKA KS | 913 296-3461 | D 1 | .23 | |
| #0008 | 06-19 | 10.03AM | 7 | ELMONT KS | 913 288-0267 | D 1 | .89 | |
| #0009 | 06-19 | 05.00PM | 1 | TOPEKA KS | 913 357-7292 | E 1 | .14 | |
| #0010 | 06-19 | 06.03PM | 19 | ELMONT KS | 913 288-0267 | E 1 | 1.43 | |
| #0011 | 06-20 | 07.13AM | 1 | TOPEKA KS | 913 273-6941 | N 1 | .09 | |
| #0012 | 06-20 | 07.17AM | 5 | TOPEKA KS | 913 267-3850 | N 1 | .26 | |
| #0013 | 06-20 | 08.47AM | 1 | TOPEKA KS | 913 272-2413 | D 1 | .23 | |
| #0014 | 06-20 | 01.05PM | 1 | TOPEKA KS | 913 296-3461 | D 1 | .23 | |
| #0015 | 06-21 | 10.31AM | 4 | TOPEKA KS | 913 286-2577 | N 1 | .22 | |
| #0016 | 06-21 | 10.35AM | 7 | ELMONT KS | 913 288-0267 | N 1 | .35 | |
| #0017 | 06-21 | 10.43AM | 3 | ELMONT KS | 913 288-0772 | N 1 | .18 | |
| #0018 | 06-21 | 11.00AM | 2 | ELMONT KS | 913 288-0267 | N 1 | .13 | |

DATE OF BILL 07-25-86 EXCH 1 1153 BILLING NO. 484-3417 CONTROL DATE 060166 1

February 26, 1987

House Government Organization Committee: State Capitol
Re: Electing The State Corporation Commission HB 2284
Mr. Chairman and Members of the Committee:

My name is Mildred Ostrander. I live 2 miles north and $\frac{1}{2}$ mile east of Hoyt. I'm here to support HB 2284 for the following reasons: I feel the 3 member Corporation Commission that is appointed by the Governor tends to forget the Consumer and is influenced more by the Representatives from the big utility companies who are more organized and influential in presenting their side of the issues. The consumer needs to be heard also in an organized manner and a good democratic way to do this is to be able to elect a representative from each district so that the input from the consumer or customer can be presented in like manner of the big companies. The need for the elected officials have been brought to focus recently because of the realization that one had after a meeting that was held in the evening of December 3, 1986 to express views as to the E.A.S. and Discount Toll Call plans. You felt, that even though you had a chance to voice your concern at the evening meeting, the decision had already been made at the meeting held earlier in the day between the K.C.C. and the representative from the telephone companies. This was not only indicated by the Fact sheets that were distributed at the meeting but by the comments made by the K.C.C. preceding the customer input. The K.C.C. sided with the companies that E.A.S. encouraged unlimited calling because the customer felt that it was "free calling" and it ended up costing the telephone companies more money for

ATTACHMENT 2
G.O. OCMM.

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equipment to handle the calls. E.A.S. is mandatory where as the Discount Toll Call plan could be on an optional basis. This was brought out in a very organized manner but what about the customers and their concerns. I felt that, I for one just reiterated everyone else's complaints--that I had just a neighborhood phone and that I rarely made a call that wasn't a toll call. There was a good number there at the meeting but not the number there should have been for the amount of concern one hears expressed at the mere mention of the telephone bill. There needs to be an elected representative that hears the concerns of the people.

On January 28, 1987, I wrote a letter to K.C.C. regarding my concerns and voicing my opinion regarding the "E.A.S." and "Discount Toll Call" plans and sent copies of the letter to each official and board member of the Continental Telephone Company. I did receive a letter back from the K.C.C. on Feb. 6, 1987. acknowledging my letter along with informational material on these issues but as of date nary a word from the telephone company.

There needs to be an elected representative by the people so that our concerns can be presented in a more effective way and then maybe concerns such as a toll call to call a neighbor a half mile away, (territories as such), every call being a toll call and disruptive service in some areas that seems to take a long time to be fixed. This could be all worked out with elected officials working with the big telephone companies and pressuring them in the right way to cooperate with each other so everyone could benefit, including them.

I hope the Committee will take favorable action on HF2284.

Mildred Ostrander
RR#1, B ox 146
Hoyt, Kansas 66440 Telephone 1-9866260

Hoyt, Kansas

January 23, 1937

Kansas Corporation Commission
4th Floor, State Office Bldg.
Topeka, Kansas 66612

RE: Docket No. 127,140-U-EAS

To whom it may concern:

My husband and I, along with a group of other people from different telephone exchanges, attended a meeting last Dec. 3, 1936 at 7:00 P.M.. The technical hearings were held so that customers could air their feelings as well as representatives from the different telephone exchanges gave their side of the issue. Some of us wrote to the Editor in our local paper, "The Holton Recorder" urging people to write the K.C.C. and let them know how they felt about the present exchange they were in. We feel that there should be a certain amount of calls for a flat fee each month so that we could call into other exchanges, because there are some calls that have to be made for business reasons during the day when the toll charge is the highest. E.A.S. sounded as if it was the answer but when I called the Contel Office they said that E.A.S. had to be mandatory but, that there could be a plan called "Discount toll Plan", that was optional.

My sister at Netawaka is on the J.B.M. Exchange. They are quite satisfied. Not only are they on a private line, but their base rate starts at \$4.30, where ours is \$13.85. We're not complaining about the service or even about the base rate, but we do feel that there should be a way to call into other telephone exchanges without every call being a high toll charge. Just being able to call Hoyt and Mayetta is not enough for our money.

Sincerely,

Mildred Catron

ATTACHMENT 2a
G.O. COMM.
2/26/87

State of Kansas



MIKE HAYDEN
MICHAEL LENNEN
MARGALEE WRIGHT
KEITH R. HENLEY
JUDITH A. McCONNELL
BRIAN J. MOLINE

Governor
Chairman
~~Commissioner~~
Commissioner
Executive Director
General Counsel

State Corporation Commission

Fourth Floor, Docking State Office Bldg.

Ph. 913/296-3355

TOPEKA, KANSAS 66612-1571

February 6, 1987

Mildred Ostrander
RR 1 Box 146
Topeka, KS 66660

Dear Mrs. Ostrander:

Thank you for writing to express your views about Extended Area Service (EAS). As you point out in your letter, there should be a way to call into other exchanges without high toll charges. The problem is how to come up with a method that is fair to all customers, not just those who make many long distance calls.

Since you attended the public hearing you probably know that our staff has recommended Discounted Toll instead of EAS. The enclosed material explains why they have taken this position. I wish I could provide more information but the Commission hasn't taken any further action on this issue. When they do, our Public Information Office will issue a press release to all the media in Kansas. Hopefully you will see a story in your local paper.

Thank you again for writing. The Commission welcomes and appreciates your comments.

Sincerely,

A handwritten signature in cursive script that reads "SBoyd".

Steve Boyd
Public Information Office

Enclosures

February 23, 1987

Chairman
House Government Organization Committee

Re: HB 2284

Mr. Chairman and Members of the Committee:

My name is Frances Tutt and I live 6 miles south of Denison. I'm here today in support of HB 2284 for the following reasons: First, I believe the state corporation commission has not been fair in dealing with the utility consumers. But, rather, the commission seems to me to be more consistently influenced by the big companies who are well organized in presenting their side to maintain their status quo.

For 16 years I've tried to get private line telephone service from Contel. I am still on a 4-party line and still have to go through the operator to make all of my calls in Jackson County. There are at least four telephone companies serving the county.

For basic service of my 4-party line, I am charged \$9.65 a month. Basic service includes calls to Denison and Mayetta, but I rarely have reason to call either place. The JBN Telephone Company, also serving Jackson County, charges their customers \$4.30 a month for private line service. This is a vast difference in the amount I pay for a lesser service. Many times it is necessary to make calls during business day hours at the high toll rate. The telephone companies need to get together and iron out territories and technicalities and upgrade the service in Jackson County at an equitable rate to their customers.

The KCC scheduled technical hearings to address whether they would allow telephone companies to offer extended area service at a flat monthly charge or discounted toll plans. A meeting was scheduled December 3, 1986 ^{in Topeka} /to receive input from customers on this issue. I attended the meeting. The KCC had already met with the telephone companies earlier in the day before their evening meeting for customer input. That evening the KCC made available at the hearing their Fact Sheet on these two possible services. In my opinion, their Fact Sheet indicated that they had already sided with the telephone companies. KCC agreed with the telephone companies by saying that many customers would perceive EAS as "free" calls and make unlimited calls and cost the telephone companies more money. KCC has already recommended against EAS service at a flat charge.

ATTACHMENT 3
G.O. COMM.
2/26/87

For several months I have had a problem with static on my telephone line and have had interrupted service for as long as all day. The telephone company is aware of this, but they need the permission of a landowner to dig on his land to repair the line. They have no recorded easement on the property which would have enabled them to fix the line sooner.

On January 28, 1987 I wrote to the KCC regarding my concerns about telephone service in Jackson County. I sent copies to each officer and board member of the Contel Co. I have had a reply from KCC dated February 17, 1987 addressing most of my concerns, not all. I have not had a written acknowledgement from Contel, to date.

I think the consumer needs a commission member representative from his or her district to whom he or she can present the consumer side so that when utility determinations are made affecting the consumer public, we will feel that we've at least been able to express our views to someone who cares what they are. The state corporation commission needs more consumer feedback and the only way to get this is for them to be elected from districts. I believe then the commission will be ^abetter informed commission and can make decisions concerning utility companies and consumers in a more knowledgeable and fair manner.

I hope this committee will report HB 2284 favorably to the full House.
Thank you.

Frances Tutt

Frances Tutt
RR 1 Box 106
Hoyt, KS 66440



MIKE HAYDEN
MICHAEL LENNEN
MARGALEE WRIGHT
KEITH R. HENLEY
JUDITH A. McCONNELL
BRIAN J. MOLINE

Governor
Chairman
Commissioner
Commissioner
Executive Director
General Counsel

State Corporation Commission

Fourth Floor, Docking State Office Bldg.
Ph. 913/296-3355
TOPEKA, KANSAS 66612-1571

February 17, 1987

Frances Tutt
RR 1 Box 106
Hoyt, KS 66440

Dear Ms. Tutt:

This is in regard to your letter about Continental Telephone and Extended Area Service (EAS). This issue has not been decided yet, but I can tell you what has happened since the public hearing on December 3.

Since you attended the hearing on December 3, you probably know that our staff recommended a discount toll system instead of EAS. The primary reason is that EAS is not voluntary, and therefore people who seldom make toll calls would end up supporting individuals who place many toll calls. Other reasons are outlined in the enclosed material.

Recently the Commission decided to leave the moratorium on EAS proposals in place for another year. During that time the phone companies were asked to implement discount toll plans in designated areas so that our staff could study these plans. Although your area may not benefit from these plans for another year, the Commission feels that the further analysis of discount toll will be beneficial to Kansans in the future.

You also asked about the possibility of single party service in your area. Several years ago, Contel submitted an ambitious plan to upgrade service in much of its territory. At that time the Commissioners told Contel that the new facilities and construction needed to upgrade would give them excess capacity (more equipment than would be necessary to serve these areas). The excess would not be included in the rate base. Contel decided that it would eventually upgrade, but at a slower pace. Therefore, it is a combination of factors which has prevented Contel from upgrading. The Commission is partially responsible for this action.

You can have your service upgraded now, however, if construction is required (it almost always is) you would be billed at a rate of \$1,000.00 per mile, excluding the first half mile. Since you are 1½ miles from the nearest one party cable pair, you would face a significant charge in order to obtain one party service. Once you have this service you would have to pay mileage charges from the nearest central office. This would add up to \$14.00 per month to your bill.

Service problems, such as outages and static, should be reported to Contel. If they don't provide satisfactory service after you report the trouble then you should call the Commission's complaint staff.

Thank you again for writing. The Commission welcomes and appreciates your comments.

Sincerely,

A handwritten signature in black ink that reads "SBoyd". The "S" is large and loops around the "B", and "Boyd" is written in a cursive style.

Steve Boyd
Public Information Office

Enclosures

January 28, 1987

Kansas Corporation Commission
4th Fl State Office Bldg
Topeka, KS 66612

Re: Docket No. 127,140-U-EAS

I attended the meeting on December 3rd, but wish to make some comments about recent happenings.

One Saturday in December, 1986 we were without telephone service for about seven hours. Starting early in the morning on January 23, 1987, we were again without service for about five hours. When we do have service there is static on the line. As I understand from the telephone company in order to repair the service they need to gain access permission from the landowner. Interrupted service is much too common with Continental Telephone Company. Why didn't the company have the forethought to obtain easements? With all of the interrupted service endured, we have never received a reduction in price on our telephone bill for service not received.

I have tried for 16 years to get a private telephone line. First I was told that this area needed more homes to warrant single party lines. Throughout the years, it has built up. Now I am told that because of the 30-year depreciation on lines installed in the 60s that I can't expect to get a private line for five or six more years. Direct dial on a party line system involves dialing one and your number and then the SW Bell operator requests your telephone number and puts the call through. If the line is busy, you have to start all over again with the third party, that is of course, if one of the other three on the party line doesn't intervene.

This year I've paid Continental \$745 for telephone service including taxes. Five hundred forty eight of this money was for long distance calls; \$378.00 was for out of county and out of state calls; \$170.00 for long distance calls in Jackson County; \$158.00 was for basic local service on a 4-party line service and equipment. And for this \$158.00 I can only call Denison or Mayetta exchanges. I rarely make calls to Denison or Mayetta. Every one of these long distance calls had to be made through the nuisance of the operator, many times more than once to complete the call. JBN Telephone Co in Jackson County basic service for private lines is only \$4.30. I pay \$9.65 a month for 4-party line service. Why is there such a vast difference in the price and quality of service?

Whose ruling says that the 30-year depreciation needs to be completed before new lines can be installed to upgrade the telephone service? Is this a KCC ruling or is this a Continental Tel Co. policy? I would appreciate some clarification from KCC on this question.

I am in favor of a flat monthly fee for extended area service in Jackson County. At present, I feel I'm paying a basic local service that I'm not receiving. My State Representative lives in Topeka and has Contel service. A telephone call to him is a long distance call. I can't even call him from a pay phone in Topeka without making a long distance call.

I am also in favor of an option for discounted toll service to Topeka. There are at least four telephone companies in Jackson County. Each telephone call in the county is a long distance call. I think it's about time that the telephone companies cooperated with each other and developed a compatible system to benefit all their customers. After all, they are four monopolies. So far, customers have had to take or leave their kind of telephone service.

Sincerely,

Frances Tutt

Frances Tutt
RR 1 Box 106
Hoyt, KS 66440

935-2353



KCC NEWS

KANSAS CORPORATION COMMISSION

4th Floor--State Office Bldg.

Topeka, Kansas 66612

MEDIA CONTACT:

Steve Menaugh

Office

Home

Public Information Director

913/296-3432

913/843-9233

November 26, 1986 (for immediate release)

KCC STAFF RECOMMENDS SHIFT FROM EAS TO DISCOUNTED TOLL PLANS

TOPEKA -- The Kansas Corporation Commission staff has suggested that discounted toll plans rather than Extended Area Service (EAS) offerings would be fairer to Kansas local exchange company customers and that discounted toll plans should be substituted for future EAS requests.

In testimony prefiled Nov. 21, staff said that discounted toll plans would provide savings in long distance charges and would be fairer than traditional EAS arrangements, in which all ratepayers pay the same EAS monthly charge regardless of their usage levels.

The KCC staff prefiled the testimony for the EAS-discounted toll technical hearing, which will be held Dec. 3-5 in the KCC's main office in Topeka. Several local exchange companies, including Southwestern Bell Telephone Co., also prefiled testimony.

EAS plans permit a caller in one exchange to call into another exchange for a flat fee included in the monthly basic local service charge, instead of the customer having to pay per-call long distance (toll) charges. Most EAS offerings allow customers to make unlimited calls to a neighboring exchange, and most are nonoptional, meaning that each local exchange company customer served by the EAS exchange must pay the same flat monthly fee regardless of his usage level.

Currently there are about 125 EAS routes in Kansas.

The KCC staff cited several problems with existing EAS plans, including:

1) Nonoptional EAS plans require each subscriber in the exchange to pay the additional monthly charge for EAS into a specified exchange, regardless of the customer's usage. Staff cited an industry statistic that about 25 percent of the total number of subscribers generate most of the calls. The result is that low-volume callers are subsidizing high-volume callers;

2) Because the flat monthly rate for EAS is included in the basic local service charge, subscribers often perceive EAS as being "free calling," which results in usage above what it would have been had per-call toll charges applied. This causes the

4) for the local exchange company to install additional equipment to handle the additional calls, thus increasing the company's costs;

3) Local exchange companies face a potential for lost toll revenue as metropolitan areas become more populous and calling increases due to the "free calling" perception of EAS. Lost revenue might have to be recovered from other ratepayers, according to staff.

Staff said that "discounted toll is a reasonable alternative to traditional EAS and can help satisfy subscribers' desire for relief from regular MTS [toll] rates, without harmful consequences of EAS."

Discounted toll plans allow a customer to make specified long distance calls for a discounted rate, generally either for certain periods of the day, for a set number of calls per month or for a certain block of time per month. Staff cited several advantages of discounted toll plans, including 1) that customers pay only for the calls they make, and 2) that they help give customers the reduced rates they prefer without encouraging unlimited calling.

Staff recommended that the commission consider adopting one of two approaches to discounted toll options.

One approach would be the offering of statewide intraLATA discounted toll plans, which would be available to all Kansans. LATAs (Local Access and Transport Areas) are similar to area codes: Kansas has a 316, a 913 and an 816 LATA. IntraLATA calls (calls within a LATA) are handled by the local telephone companies, while interLATA calls (calls from one LATA into another) are handled by long distance companies such as AT&T and MCI. A statewide intraLATA discounted toll plan might be similar to AT&T's "Pro Kansas" and "Reach out Kansas," which are discounted toll plans for interLATA calls in Kansas.

The second approach to discounted toll options would be route specific discounted toll plans. Route specific discounted toll would be developed on a case-by-case basis and would offer a discount on toll between two specific adjacent exchanges. Staff suggested that subscribers in an exchange be allowed to petition for discounted toll into a nearby exchange.

Staff specifically recommended that the commission require local telephone companies to separate the EAS charge from the basic local service charge on each customer's monthly bill as an interim measure toward moving existing EAS routes to applicable intraLATA toll schedules. Staff said these existing routes should be evaluated when the involved local telephone company filed for a rate case. At that time, the routes, whenever possible, should be moved to applicable toll schedules after appropriate time for public notice and comment. Staff also recommended that customers in existing EAS exchanges be allowed to petition to remove the EAS plan and implement regular service or a discounted toll plan.

No EAS routes have been implemented since 1978, and in 1982 the commission placed temporary moratorium on proceedings for establishment of further EAS, discounted toll or similar arrangements because of the uncertainties associated with the impending divestiture of AT&T.

The December 3-5 technical hearing will address many EAS-discounted toll issues, including a discussion of the benefits and detriments of EAS and discounted toll, whether the former EAS guidelines are still appropriate, and whether there are any other options which might accomplish the goals of EAS but might be more appropriate in today's telecommunications industry.

In addition to the technical hearing, the commission will conduct public hearings in Olathe (7 p.m. Dec. 2, Johnson County Courthouse, Commission Chambers, Eighth Floor), Topeka (7 p.m. Dec. 3, State Office Building, Hearing Room B, Fourth Floor), and Wichita (7 p.m. Dec. 4, City Hall, City Commission Meeting Room). The public hearings are designed to allow the public an opportunity to testify before the commission about EAS and discounted toll.

The commission has received comments from about 600 Kansans concerning EAS. Nearly half of those persons objected to nonoptional EAS because low-volume users paid the same monthly charge as high-volume users.

Four local telephone companies -- Continental Telephone, Kansas State Telephone, United Telephone and Southwestern Bell Telephone -- have prefiled testimony. While the companies differ on solutions and alternatives to EAS, they do agree that traditional EAS is no longer a cost-effective means of providing service.



JOHN CARLIN
MICHAEL LENNEN
MARGALEE WRIGHT
KEITH R. HENLEY
JUDITH A. MCCONNELL
BRIAN J. MOLINE

Governor
Chairman
Commissioner
Commissioner
Executive Secretary
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State Corporation Commission

Fourth Floor, State Office Bldg.
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TOPEKA, KANSAS 66612-1571

FACT SHEET: EXTENDED AREA SERVICE AND DISCOUNTED TOLL CALLING

Docket No. 127,140-U
(Phase V)

What is Extended Area Service (EAS)?

EAS is a service that permits a customer in one telephone exchange to call into another exchange for a flat monthly fee included in the basic local service charge instead of paying long distance toll charges for each call.

How does EAS differ from discounted toll calling?

Discounted toll calling offers reduced long distance rates for specific long distance calls. Some examples of discounted toll plans are: a discount on all calls into a specified area, discounts on calls made during certain times of the day and the purchase of discounted blocks of time.

How can telephone customers benefit from such plans?

Those customers who make numerous calls into a neighboring exchange could end up paying less under EAS or a discounted toll plan than they previously paid in regular long distance toll.

What are the disadvantages of such plans?

The disadvantage is that EAS is generally not an optional service. All residents in an exchange pay the EAS charge regardless of whether or not they use the service. Because the EAS charge is included in the rate for basic local service, many residents feel that they are making "free calls" and make unlimited calls which cost the company more. Low volume callers subsidize the high volume callers.

Do any EAS or discounted toll plans currently exist in Kansas?

Yes. EAS currently exists in several areas of the state and dates back to the early 1960s. Discounted toll plans were put in place in only one or two cases.

In 1981, the KCC established new guidelines and procedures for addressing EAS and discounted toll requests. Then, in September of 1982, the KCC issued a moratorium on the establishment of any further EAS and discounted toll plan arrangements until the impact of divestiture and the implications of access charges became more clear. Because the moratorium came soon after the new guidelines, no new EAS or discounted toll plans were established under the 1981 guidelines.

Why are hearings needed on EAS and discounted toll plans?

Because of the changes that have occurred in the telephone industry since the moratorium went into effect and because of continuing changes, it is impossible to simply lift the moratorium and revert to previous procedures for establishment of new arrangements. The KCC is now ready to thoroughly examine the future of EAS and related plans as part of a general investigation into telephone rates, tariffs, policies and practices.

What issues will be addressed in the technical hearing?

At the technical hearing, testimony and exhibits will be presented by KCC staff and the local exchange companies. The KCC solicited testimony from all the local exchange companies in the state. The most basic issue is whether local exchange companies should be permitted, or even ordered, to offer new EAS or discounted toll, and if so, on what terms and conditions.

The local exchange companies and commission staff will also discuss pricing of the service if it is allowed.

It must also be decided through the hearing whether the guidelines established in 1981 for the implementation of EAS and discounted toll plans are still appropriate or if they should be modified. It must be determined if the same guidelines can be used for EAS as for discounted toll plans.

The technical hearing will be held in the KCC's Topeka offices beginning Dec. 3.

Will the commission address requests for specific EAS or discounted toll plans for individual companies in the technical hearing?

No. The purpose of this hearing is to establish a statewide policy applicable to new EAS and discounted toll arrangements. Specific requests for such plans will be dealt with individually once a policy is in place.

Will decisions made as the result of this hearing affect existing EAS arrangements?

There would not be an immediate effect upon existing EAS without further commission action and an appropriate time for public notice and comment. If it is decided that EAS is not an appropriate offering, the commission could, in a future company specific rate case, decide to leave existing EAS intact, or to modify the existing arrangements following customer notice and comment. But there will be no adjustments made to current EAS as result of this hearing.

How can telephone customers participate in this decision-making process?

The local exchange companies were required by the KCC to inform their customers of the hearings being held on EAS and discounted toll plans. Customers were encouraged to submit written comment to the commission before Dec. 2.

Letters and comments received by telephone from the public are included in the official docket file on the case and are reviewed by the commissioners in their deliberations.

Members of the public are also encouraged to present testimony at the public hearings. Transcripts from the public hearings are also made part of the docket file. The public hearings will be held as follows:

Dec. 2 -- 7 p.m. Johnson County Courthouse
Commission Chambers, Eighth Floor
Olathe

Dec. 3 -- 7 p.m. State Office Building
Hearing Room "B," Fourth Floor
Topeka

Dec. 4 -- 7 p.m. Wichita City Hall
City Commission Meeting Room
Wichita

When will a decision be issued on EAS and discounted toll plans?

There is no specific deadline for a decision to be made in this case. A decision can be expected sometime in 1987.

For further information on EAS and discounted toll plans, you may write the KCC , Fourth Floor, State Office Building, Topeka, Kan. 66612, or call (913) 296-4482.

February 26, 1987

HB 2284

Mr. Chairman and Members of the Committee;

The Kansas Corporation Commission should be elected by the voters. Then they would be obligated to the voters instead of the Governor. In campaigning for office they would be closer to the people and more understanding.

I live in northeast Shawnee County where addresses, mail service, schools, churches and shopping is Topeka, but our telephone service is Meriden Exchange which is toll to Topeka and forces us to limit our calls instead of being able to use it like other people. In this day and age this is a very poor system.

I am speaking of an area of about 1½ miles wide and 2 miles long which is bordered on two sides by Topeka telephone service. We have tried many times over the years to have this area put on Topeka service, but the Kansas Corporation Commission will not listen to us.

Therefore, I feel that if the Corporation Commission was elected by the people they would do a better job serving the people.

I hope this committee will report HB 2287 favorably to the full House.

Orville L. Lundgren
8721 Indian Creek Rd.
Topeka, Kansas 66617

P.S. Larry Yingling, Soldier Township Trustee, is my neighbor. His phone number is 434-2552. Soldier Township has approximately 3300 households. Over 3200 Soldier Township residents are required to call long distance and pay toll to express their concern to the township trustee.

ATTACHMENT 4
G.O. COMM.
2/26/87

LAW OFFICE OF
THOMAS E. GLEASON, CHARTERED
SUITE #10 PROFESSIONAL BUILDING
OTTAWA, KANSAS 66067
TELEPHONE: A/C 913 - 242-3775

NEW MAILING ADDRESS
POST OFFICE BOX N
OTTAWA, KANSAS 66067

THOMAS E. GLEASON
THOMAS E. GLEASON, JR.

MAILING ADDRESS
POST OFFICE BOX 32
OTTAWA, KANSAS 66067

February 17, 1987

The Honorable Thomas F. Walker, Chairman
House Governmental Organization Committee
State Office Building
Topeka, Kansas 66612

Dear Representative Walker

We want to take this opportunity to acquaint the Independent Telephone Company Group and ourselves as registered lobbyists for them with you and your House Committee on Governmental Organization. For several sessions we have been appearing before several committees on matters dealing with public utility regulation generally and with rural telephone interests in particular.

The independent telephone company group is composed of the following independent telephone public utilities of the State of Kansas:

Assaria Telephone Exchange, Inc., Assaria, Kansas
Columbus Telephone Company, Inc., Columbus, Kansas
Cunningham Telephone Company, Inc., Glen Elder, Kansas
Elkhart Telephone Company, Inc., Elkhart, Kansas
Haviland Telephone Co., Inc., Haviland, Kansas
H & B Communications, Inc., Holyrood, Kansas
Home Telephone Company, Inc., Galva, Kansas
Moundridge Telephone Company, Inc., Moundridge, Kansas
S & T Telephone Co-Op Association, Inc., Brewster, Kansas
South Central Telephone Association, Inc., Medicine Lodge, Kansas
Southern Kansas Telephone Company, Inc., Clearwater, Kansas
Sunflower Telephone Company, Inc., Dodge City, Kansas
Totah Telephone Company, Inc., Ochelata, Oklahoma
Twin Valley Telephone, Inc., Miltonvale, Kansas
United Telephone Association, Inc., Dodge City, Kansas
Wamego Telephone Company, Inc., Wamego, Kansas
Wilson Telephone Company, Wilson, Kansas
Zenda Telephone Company, Inc., Zenda, Kansas

These telephone companies serve in excess of 40,000 customers who reside in more than half of the counties of the State of Kansas. These companies include customer owned cooperative associations and family owned and operated utilities. Nearly all of them have utilized Rural Electrification Administration loan funds in making investments to extend modern telephone service throughout the rural areas of Kansas.

ATTACHMENT 5
G.O. COMM.
2/26/87

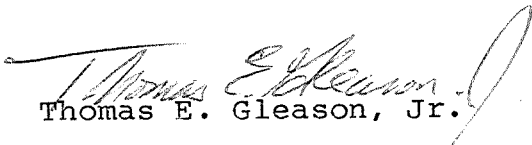
Representative Walker
February 17, 1987
Page 2

The economic future of these telephone utilities is aligned closely to the agricultural economy of the State of Kansas and it is our position that the rural consumers' interest in utility services and regulation coincides very closely with the interests of these utilities.

We will make ourselves available to appear before your committee, or any subcommittees thereof, to furnish information so that the committee may have a clear understanding of the rural telephone consumers' interest in any prospective legislation. We note that House Bill 2284 has been assigned to the committee and we want to make you aware of our interest in that bill and we want to request an opportunity to appear before the committee to give you our views. From time to time we will be noting our interest in matters for consideration before your committee in which we have information which we feel to be of value to your committee.

Feel free to contact either Thomas E. Gleason, Sr. or Thomas E. Gleason, Jr. at any time that we can be of help to you or your committee. I am submitting a supply of copies of this letter for distribution to the members of your committee if you choose.

Yours very truly


Thomas E. Gleason, Jr.

TEGjr:djk
Enc.

BEFORE THE HOUSE GOVERNMENTAL ORGANIZATION COMMITTEE

STATEMENT OF THOMAS E. GLEASON
ON BEHALF OF THE
INDEPENDENT TELEPHONE COMPANY GROUP, ASSARIA, ET AL.
IN OPPOSITION TO HOUSE BILL 2284

Mr. Chairman and Members of the Committee:

We thank you for the opportunity of appearing today in opposition to House Bill 2284. We have previously introduced ourselves to the committee as representing a group of 18 small telephone public utilities who serve throughout much of the rural area of the State of Kansas. Our statement will be brief.

House Bill 2284 proposes to change our public utility regulatory body from a three member Commission appointed by the Governor with the consent of the Senate to a five member Commission one of which would be elected by the general body of voters of the state from each of the congressional districts. We believe that there are several reasons why House Bill 2284 should not be passed. We will mention two.

In order to put the matter in proper perspective we need to remind ourselves as to why we have public utilities and how they have come about.

Public utilities exist because the legislature has determined that they provide essential public services, the availability of which needs to be assured to all citizenry of the state. The creation of public utilities recognizes that without an obligation to serve there are those who would not have needed service available to them.

The legislature further recognizes that there are economically wasteful aspects of permitting duplication of facilities necessary to render certain essential services.

The legislature has provided for the availability of these needed services, the avoidance of wasteful duplication of facilities and the protection of the citizens of the state as against unreasonable or abusive charges for essential services. This legislature has seen fit to accomplish these goals by defining those activities which it considers to be public utilities and by delegating the administration of legislative purposes to the State Corporation Commission. Under the current procedures for appointment of Corporation Commissioners by the Governor and confirmation by the Senate we have the individual members of the Corporation Commission beholden to both the executive and the legislative branches of our state government. We believe that the obligations of public utility regulation and the interest of the public in having assured service availability at reasonable rates is better provided under this structure than to have politically elected commissioners as administrators. We believe that politically elected Commissioners would be less responsive to the wishes and intent of the legislature.

We have had opportunities to observe public utility regulation through elected commissioners in several states and it is our experience that elected commissioners evidence substantially less concern for the executive and legislative branches of state government than do appointed and confirmed commissioners.

Speaking for our clients specifically we are proud of the historical accomplishments of the telephone public utility industry in this state. It needs to be recognized that we are a substantial part of the finest telecommunications system in the world and that we have attained our present position by dedication to the meeting of the public need, modern telecommunication facilities made universally available at reasonable and affordable rates. We submit that our present structure of Corporation Commission regulation has functioned well to assure service and to protect the consumers against unreasonable rates.

Secondly, we would note that Kansas is expected to lose one congressional seat in the forthcoming reapportionment of the U.S. House of Representatives. The elected commissioners would be aligned with existing political structures within our present five district alignment and it would be quite disruptive in the near future to affect a realignment from five commissioners to four (which we believe would be an ineffective number of commissioners to serve). It would be equally disruptive to try to retain five commissioners originally elected from five congressional districts to respond politically to the needs of the state structured with four congressional districts.

For these reasons we urge that House Bill 2284 not be passed but that the existing structure of three appointed Corporation Commissioners be retained as the legislature's agent in administering the legislature's determination of public utility needs.

Thank you for the opportunity of appearing to express our views.

Testimony Before
HOUSE GOVERNMENTAL ORGANIZATION COMMITTEE

House Bill 2284
Election of KCC Commissioners

By Richard D. Kready
KPL GAS SERVICE
Director of Governmental Affairs.

February 26, 1987

Mr. Chairman and members of the Subcommittee:

We oppose House Bill 2284, providing for the election of members of the State Corporation Commission.

The Kansas Corporation Commission was established in its present form, with three appointed Commissioners, by Governor Alf Landon in 1933. It has stood the test of time -- more than 50 years -- through Republican and Democrat administrations, through good and bad economic times.

The members take their statutory responsibilities very seriously. They spend a great deal of time studying the issues and make decisions that are generally fair and balanced for consumers as well as the industries of Kansas. Utility rates here compare very favorably with the rest of the country. Natural gas prices, in particular, are among the lowest in the nation. This has been achieved in an atmosphere which is neither overly generous nor overly hostile to utilities, and conscious of the general business climate of the state.

With three members appointed for statewide representation, the Commission is committed to taking a view of what is best

ATTACHMENT 6
G.O. COMM.
2/26/87

for the entire state. Commissioners are not as apt to take parochial views, and suffer the divisions and partisan bickering which could come if each member were elected to represent distinct districts of the state.

There has been no hint of dishonesty or scandal at the KCC. There is no public outcry to change the Commission. In short, the KCC, as created by Governor Landon more more than 50 years ago, has served the state well. It is a strong, independent body, and it is not beholden to any one special interest group, geographic area or industry.

Since the KCC enacts regulation on behalf of the Legislature, the Legislature may always modify or enact new regulatory laws if there are areas of specific concern, such as the Legislature did with the excess capacity law a couple of years ago. But, there is simply no need for sweeping changes in the makeup and organization of the KCC.

One of the arguments for an elected commission is that it supposedly increases public participation. Again, our Kansas Commission is already set up to provide for such participation in its regulatory process through its Consumer Information Board, public hearings throughout the state, a legal and utility staff directed to represent the general public, and intervention in cases by numerous parties, including consumer groups. The Commission even has a mechanism to repay those groups for the costs of hiring witnesses and intervening.

In some cases, public participation can actually decrease under elected commissions. Members of the public can become

less active when they presume elected commissioners will automatically represent their interests.

A Commission needs highly qualified people. Backgrounds in law, accounting, finance, economics or engineering certainly help members to deal with highly complex and technical regulatory issues. The election of Commissioners doesn't guarantee that the best qualified, nor even most consumer-oriented people will end up on the Commission. Nor does an election guarantee that the quality of regulation will be improved. In fact, past experience has shown that election of Commissioners can be an invitation to political manipulation by special interests. In some states, large affluent interest groups have exerted more influence and raised more money for the election campaigns than residential consumers.

It is not uncommon for persons running for a Commission position to promise never to grant a utility rate increase. While that may be a popular position, there are legitimate costs of operating a business that cannot be legally denied in rate cases. What sometimes happens is the Commission ends up playing games. In the year that a commissioner is up for election, that commissioner votes against everything, knowing that the favorable votes of the rest of the Commission will prevail, while the commissioner ends up with what looks like a tough voting record. Then, after the election, the commissioner goes back to deciding each case on the evidence, as it should be, and it becomes someone else's turn to become the "no" voter for the next election.

That's no way to run things. A commission must weigh various conflicting interests in a quasi-judicial manner -- like judges -- and look at all sides of every issue and do what's best overall, rather than just looking at what one or another group of voters will think in the next election. We believe an independent, appointed commission is in the best position to give appropriate and balanced consideration to the interests of all concerned parties.

Most of the prominent national investment houses look with disfavor upon proposals to make regulatory commissions into elective bodies. In many states with elected commissions, the utilities have lower bond ratings. Proponents of elected commissions say this shows such commissions are tougher on utilities. But, the other side is whenever a utility's bond rating is lowered, it costs more for that utility to borrow money, and that higher interest cost is eventually passed along to the consumer. Currently, KPL Gas Service is proposing an electric and natural gas rate reduction, in part because of favorable interest rates. Might the existence of an elected commission raise our interests costs higher than they would otherwise be? Moreover, consumers would likely face rate increases from the mere cost of five rather than three commissioners with associated staff, etc. Admittedly, this is a smaller dollar item than, say, induced changes in interest rates, but, at a time of fiscal restraint and budget cutbacks, this is not a time for government to grow bigger unnecessarily.

Not only could this change be costly, but the trend is away

from elected commissions. There are 13 elected commissions (most of them in the South) and that's down from 19 in the 1950's. There are 37 states with appointed regulatory commissions.

In the final analysis, neither appointed nor elected commissions automatically assure the best solution because neither assures the best qualified or the most representative commissioners. It always comes down to the people serving as commissioners themselves and the competence of the staffs they build. In Kansas, we have a good record of strong, independent regulation that is also fair and responsible. We believe Kansas will be better served by retaining our current system which calls for three appointed Corporation Commissioners.



KANSAS TELEPHONE ASSOCIATION

917 Merchants National Bank Building

Topeka, Kansas 66612

913-234-0307

Rep. Thomas F. Walker
Chairman, House Governmental Organization Committee
State Capitol
Topeka, Kansas 66612

Dear Chairman Walker,

The Kansas Telecommunications Assn. (KTA), representing 29 telephone companies from all over the state, opposes H.B. 2284, providing for the election of members of the state corporation commission.

The current method of the governor appointing corporation commissioners, with the consent of the legislature, is designed to provide a commission which represents the interests of both utilities and their customers. Elected commissioners would tend to mainly represent utility customers, who would also be their constituents. Representing only consumer interests may have short-term benefits for utility customers, but an unhealthy business climate for utilities will cost the consumer in the long run.

Commissioners elected by Congressional district would naturally be more interested in the utility environment in their particular district, rather than measuring the impact of state-wide utility issues, as the current appointed commissioners do. Appointed commissioners have a duty to represent the entire state, rather than a particular region, area, or district.

The KTA feels there will also be increased costs associated with having two additional commissioners. These costs would include additional salaries, support staff, and physical facilities.

There is a current national mood developing toward less regulation, not more. Electing two additional commissioners seems to be a return to an even more stringent regulatory environment.

Once again, Chairman Walker and committee members, the KTA opposes H.B. 2284 and respectfully requests no action be taken on it.

Respectfully submitted,

Joe Ellzey
Joe Ellzey
First Vice President
Kansas Telecommunications Assn.

Bill Reppart
Bill Reppart, Jr.
Second Vice President
Kansas Telecommunications Assn.

ATTACHMENT 7
G.O. COMM.
2/26/87