

Approved 4-2-91
Date

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES

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

9:02 a.m./~~p.m.~~ on March 27, 1991 in room 254-E of the Capitol.

~~All members were present.~~ Members present:

Senators Morris, Doyen, Brady, Hayden, F. Kerr, Martin, Rock, Sallee and Thiessen.

Committee staff present:

Ben Barrett, Legislative Research Department
Hank Avila, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Louise Cunningham, Committee Secretary

Conferees appearing before the committee:

Lt. Bill Jacobs, Kansas Highway Patrol
John Moore, Vice-President, Cessna Aircraft Corporation
Jeremiah D. Finnegan, Attorney, Kansas City, Missouri
Mayor James A. Beadle, DeSoto
Mayor Carol Lehman, Gardner
Denny Koch, Southwestern Bell Telephone Company
Paul D. Shaffer, Southwestern Bell Telephone Company
Donald J. Edwards, United Telephone Companies of Kansas
Rob Hodges, Kansas Telecommunications Association
Jim Caplinger, State Independent Telephone Association of Kansas
Karen Matson, Managing Communications Analyst, KCC

Hearing and Action on HB 2406 - Spot inspections, notice of defects.

Lt. Bill Jacobs said this was a clean-up bill. Language suggested for removal applied to Motor Vehicle Inspection program that was abolished in 1984 and does not apply to spot inspections that are now performed by the Patrol. A copy of his statement is attached. (Attachment 1).

A motion was made by Sen. Hayden to recommend HB 2406 favorably for passage and recommend it be placed on the Consent Calendar. Motion was seconded by Sen. Sallee. Motion carried.

Hearing and Action on HB 2518 - Designating a portion of state highway K-2/K-42 as Cessna Boulevard.

John Moore spoke of Cessna's involvement with the community and requested favorable consideration of this bill.

A motion was made by Sen. Martin to recommend HB 2518 favorably for passage and recommend it be placed on the Consent Calendar. Motion was seconded by Sen. F. Kerr. Motion carried.

Hearing on SB 374 - Telecommunications service between exchanges; regulations.

Jeremiah D. Finnegan said he was representing the cities of Gardner and DeSoto to end discrimination in the availability of Extended Area Service (EAS). He said there was a growing number of communities in the state who do not enjoy the advantages of two-way, toll-free calling throughout their expanded local community because no new EAS routes have been established in over a decade. A copy of his letter to Sen. Jim Allen dated March 20, 1991 is attached. Along with this is his recommended Extended Area Service (EAS) Legislation (Attachment 1 and 2).

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES,

room 254-E Statehouse, at 9:02 a.m./~~p.m.~~ on March 27, 1991

Mr. Finnegan also passed out a list of Exchanges Automatically Qualifying for Optional EAS under Section 6 of SB 374. A copy is attached. (Attachment 3).

Mayor James A. Beadle said DeSoto has purposely been left out of the Kansas City calling area so that Southwestern Bell could generate extra revenues to help subsidize the Kansas City calling area at their expense. He said this was an injustice. A copy of his statement is attached. (Attachment 4).

Mayor Carol Lehman said Gardner has been discriminated against by not receiving telephone service rates that are available in neighboring communities. A copy of her statement is attached. (Attachment 5).

A letter was submitted to the committee from Gary R. George, Superintendent, USD 231, Gardner dated March 25, 1991 in support of SB 374. A copy is attached. (Attachment 6).

Denny Koch introduced Paul D. Shaffer who said he has been with Southwestern Bell for 25 years and has worked closely with KCC to develop rate plans for telephone service in Kansas. These issues are not new ones. In 1986 after divestiture an Industry Task Force was formed representing all 41 telephone companies in Kansas. Extensive and technical hearings were held at that time and the industry and KCC agreed upon a service called Optional Community Calling Service (OCCS). He said the proper way to handle local calling issues is case-by-case through the KCC hearing process. A copy of his statement is attached. (Attachment 7).

Don Edwards said this bill attempts to limit the authority of KCC. KCC's optional calling service program has served Kansas well. If this bill were adopted, significant amounts of toll and access revenue would be lost and local telephone service rates would be increased. These revenues are keeping telephone service affordable for all Kansans. They oppose the bill. A copy of his statement is attached. (Attachment 8).

Rob Hodges said the costs for providing a mandated service in one corner of a company's service area would be spread over the entire service area. KCC currently has the responsibility to oversee all aspects of a telephone company's business. This bill would remove a portion of that oversight authority. Changes in this bill are so wide ranging that many of his members have not yet been able to analyze the impact. They oppose this bill. A copy of his statement is attached. (Attachment 9).

Jim Caplinger said this situation has been an issue always. He said KCC has had many hearings on this and 10% of the people would benefit and 90% would pay more for local rates. He felt there was no justification for the rates set out in the bill. They are trying to take over the duties of KCC. Missouri last year adopted such a calling plan and surcharges have been excessive. The majority should control, not the minority. They can participate in the Optional Community Calling Service (OCCS) if they wish. He opposes the bill.

Karen Matson, said she has dealt with this issue extensively. She testified at the hearings in 1986 and they examined many suggestions. They have concerns about this bill. It would cause an industry-wide shift. Local telephone rates would be affected. Another concern is that KCC staff would have to be increased substantially. Their current staff would be inadequate. They are putting together a fiscal impact statement. She said it is a difficult task to balance the rates.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES,
room 254-E, Statehouse, at 9:02 a.m./p.m. on March 27, 1991.

The optional calling plan is not perfect but she said this new plan is similar to one that Missouri enacted in 1990 and there were problems immediately because of the impact of rates on Missouri customers. If Southwestern Bell were to be drawn into a rate case, there could be an increase in local rates. (Attachment 10).

Mr. Finnegan was asked whether he sought out the cities of Gardner and DeSoto or whether they sought him out since he had been involved in the Missouri case. He said it came about as a mutual situation.

Meeting was adjourned at 10:00 a.m. Next meeting on April 2, 1991.

SENATE TRANSPORTATION AND UTILITIES COMMITTEE

Date 3-27-91 Place 254-E Time 9:02

GUEST LIST

NAME

ADDRESS

ORGANIZATION

CAROL LEHMAN 120 E Main City of Gardner

Don Lehman Box 67 Gardner

GIVI LIVELEY 227 W WASHINGTON GARDNER KS 66030 ^{GARDNER} CHAMBER OF COMMERCE

Kala Lavin 120 E Main City of Gardner

Larry Pyle 8305 Peoria DeSoto USD #232

Roger O. Shanks 219 W 5th Halstead Halstead Chamber of C.

LARRY MURRAY 403 W. 4 HALSTEAD 67056 MAYOR OF HALSTEAD

Dick Nierman 4 Adams Place Halstead 67056 Halstead Hospital

STEVE KEANEY TOPEKA SITA

Jim CAPLINGER TOPEKA SITA

Don Edwards OVP KS UNITED Telephone

MARK CAPLINGER TOPEKA SITA

Ann Mah 220 E 6th Rm 330 Topeka SWBT

PAUL D SHAFFER 220 E 6TH, Rm 330 TOPEKA SOUTHWESTERN BELL

Steve Boyd Topeka KCC

SENATE TRANSPORTATION AND UTILITIES COMMITTEE

Date 3-27 Place _____ Time _____

GUEST LIST

NAME	ADDRESS	ORGANIZATION
Denny Koch	Topeka	SW Bell
Larry Dimmitt	Topeka	SW Bell
Gary R. George	Gardner	USD 231
John D. Bower	GARDNER	GARDNER
ROBERT E. PAGE	GARDNER	CITY-COUNCIL
Mike Precht	Topeka	AT+T
Jim Moore	Wechster	Cosmo
Bill Adams	"	"
JEFF RUSSELL	TOPEKA	UNITED TEL.
Rob Hodges	Topeka	Ks Telecom Assn.
Lt. BILL JACOBS	TOPEKA	KS HIGHWAY PATROL
Kem Stodoll	Topeka	KDOT
VEREMIAN FINNEGAN	KC	DESOTO + GARDNER
Ed PATRISON	Dwight Dale	DeSoto - Gardner
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March 20, 1991

Honorable Jim Allen
Senator - District 11
State Capitol
Topeka, Kansas 66612

RE: Senate Bill No. 374
Extended Area Service (EAS) Legislation

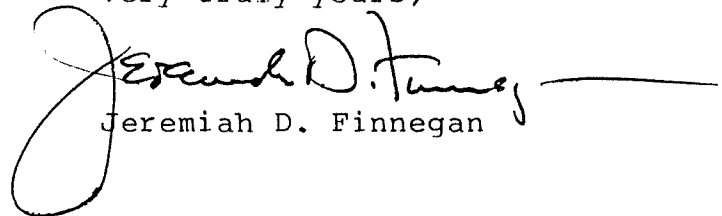
Dear Senator Allen:

I have been requested by Mayor Carol Lehman of Gardner and Mayor James Beadle of DeSoto to send you the enclosed analysis I have prepared discussing the need for legislation to end the discrimination in the availability of Extended Area Service (EAS) and the manner in which Senate Bill No. 374 would accomplish such purpose.

If you have any questions concerning the proposed legislation or the need therefor, please do not hesitate to call me.

It is my understanding that a hearing has been scheduled on Senate Bill No. 374 before the Senate Transportation and Utilities Committee on Wednesday, March 27, 1991, at 9:02 a.m., in Room 254 East of the State Capitol in Topeka. I plan to be there to testify in favor of such legislation on behalf of the Cities of DeSoto and Gardner.

Very truly yours,


Jeremiah D. Finnegan

JDF/cc
Enclosure

cc: Senator Bill Morris
Senator Ross Doyen
Senator Bill Brady
Senator Leroy Hayden
Senator B.D. Kanan
Senator Fred Kerr
Senator Phil Martin
Senator Richard Rock
Senator Dan Sallee

Senator Dan Thiessen
Senator Ben Vidricksen
Senator Bud Burke
Senator August Bogina, Jr.
Representative Judith K. Macy
Representative Stevi Stephens
Hon. James Beadle
Hon. Carol Lehman

ATT. 1
T&U
3-27-91

SENATE BILL NO. 374

EXTENDED AREA SERVICE (EAS) LEGISLATION

A LEGISLATIVE SOLUTION
TO THE PROBLEM OF DISCRIMINATION
BY TELEPHONE MONOPOLIES AGAINST NUMEROUS
TELEPHONE EXCHANGES THROUGHOUT THE STATE OF
KANSAS IN THE AVAILABILITY OF EXTENDED AREA SERVICE (EAS)

By: Jeremiah D. Finnegan*
with C. Edward Peterson**

* Former General Counsel,
Missouri Public Service Commission

** Former Assistant General Counsel,
Kansas Corporation Commission

ATT. 2
T+U.
3-27-91

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- I. The existing law prohibiting unreasonable discrimination by telephone monopolies has been ineffective for over a decade in stopping the blatant discrimination in the availability of Extended Area Service (EAS), i.e., toll-free calling between exchanges within a local community of interest.
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 - 1. Optional EAS vs. CCS (Basehor and DeSoto).
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 - F. CCS does not end the unreasonable discrimination against exchanges without EAS.

- II. Since the KCC has failed for over 10 years to interpret existing law as prohibiting discrimination in the provision of EAS, a comprehensive EAS statute such as Senate Bill No. 374 is necessary.
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 - 2. Discontinuance of EAS.

- I. The existing law prohibiting unreasonable discrimination by telephone monopolies has been ineffective for over a decade in stopping the blatant discrimination in the availability of Extended Area Service (EAS), i.e., toll-free calling between exchanges within a local community of interest.

Senate Bill No. 374 has been introduced because the existing law, K.S.A. 66-1,189,¹ prohibiting unreasonable discrimination by telephone monopolies has been ineffective in ending the blatant discrimination which has existed throughout the state for over a decade in the availability of Extended Area Service (EAS), a local telephone service, which allows toll-free calling between telephone exchanges within a local community of interest.

The great majority of Kansans enjoy the advantages of two-way, toll-free calling throughout the greater part of their community because they were provided EAS sometime between the late 1930s and the late 1970s. There are, however, a substantial and growing number of similarly situated and equally deserving Kansans, in telephone exchanges that have become a part of a local community since the late 1970s, who do not enjoy the advantages of two-way, toll-free calling throughout such expanded local community, merely because no new EAS routes have been established in over a decade. Furthermore, in all likelihood they never will enjoy the advantages of such two-way, toll-free calling unless EAS legislation, such as Senate Bill No. 374, is

¹ K.S.A. 66-1,189, relating to telecommunications public utilities provides: "Every unjust or unreasonably discriminatory or unduly preferential rule, regulation, classification, rate, joint rate, toll charge or exaction is prohibited, unlawful and void."

enacted to counteract the 1988 decision of the Kansas Corporation Commission (KCC) limiting EAS to existing routes.²

Prior to such decision, Kansans could still hope that the KCC might lift its moratorium on the establishment of new EAS routes, which it had imposed in 1982, and order the telephone monopolies to recommence establishing new EAS routes. However, since such decision, the most that customers in an exchange needing two-way, toll-free calling with the rest of their community can expect to obtain is an inferior, expensive service known as Community Calling Service (CCS), which the KCC authorized in such docket to be provided between exchanges demonstrating a local community of interest in lieu of new EAS service. As shall be demonstrated hereinafter, the availability of CCS, while better than nothing, does not end the unreasonable discrimination against exchanges without necessary community-wide EAS, when other exchanges throughout the state continue to be provided EAS, especially when such other exchanges are in the same community as the exchanges without EAS.

A. What is EAS?

EAS is an exception to the rule that all calling between telephone exchanges is on a toll basis, while only calling within an exchange is local or toll-free. Where EAS is established between exchanges, such calling becomes local, i.e., for a flat rate, customers in such exchanges are permitted to make and

² See the Order in KCC Docket No. 127,140-U (Phase V), October 27, 1988.

receive an unlimited number of calls and speak for as long as desired.³

Until about a year ago, no telephone company made a separate charge for nonoptional EAS. It was included ("bundled") in the monthly flat rate charge for local exchange service. However, as a result of recent rate cases, United Telephone Company and JBN Telephone Company have now been authorized to add a separate EAS charge of \$.50 and \$.20, respectively, to the monthly charge for access lines of their customers in exchanges with EAS.

In the one exchange, Basehor, where two-way EAS is provided on an optional basis to the Kansas City Metropolitan Exchange to customers in the Basehor exchange subscribing to such service, the extra charge for such optional EAS is \$6.95 per month for one-party residential customers and \$13.80 per month for one-party business customers. There is no extra charge in the zones of the Kansas City Metropolitan Exchange for the ability to call the Basehor optional customers toll-free.

B. Why was EAS devised?

As local communities of interest began to expand beyond the boundaries of a single telephone exchange, a demand developed for expanded local (toll-free) calling areas. Inasmuch as exchange boundaries are limited by the physical telephone plant utilized to provide telephone service to such area, such boundaries could not be disregarded and merely redrawn to include the expanded

³ With a single exception, all EAS routes in Kansas are two-way. Section 4 of Senate Bill No. 374 would eliminate this aberration by requiring this one-way EAS route to be changed into a two-way route.

area. Such area was already being served by other physical telephone plant from the central office of the exchange in such other area. The solution was to continue with existing exchanges but to make the calling between exchanges demonstrating a local community of interest toll-free. Such expanded local telephone service was called Extended Area Service or EAS for short.

C. What is the extent of EAS in Kansas?

1. Exchanges with EAS.

The rapid expansion of local communities in the 1950s, 1960s and early 1970s saw a corresponding rapid expansion of EAS to keep pace with the demand for expanded local (toll-free) calling. Thus, even though there have been no new EAS routes since the late 1970s, EAS is very extensive throughout the state, as can be seen from a review of Schedule 1, attached hereto. There are:

- 211 - two-way, nonoptional EAS routes;
- 1 - one-way, nonoptional EAS route;
- 1 - two-way, optional EAS route; and
- 3 - metropolitan exchanges with two-way, nonoptional EAS between all zones in such exchanges:
 - Kansas City (MO/KS) - 19 zones (6 KS, 13 MO)
 - Wichita - 16 zones
 - Topeka - 12 zones

While most exchanges in the state have EAS with at least one other exchange, others have it with two or more exchanges. In several areas throughout the state, including the Kansas City, Wichita and Topeka areas, EAS is provided between many exchanges.

In the Kansas City, Wichita and Topeka areas, Southwestern Bell provides EAS through metropolitan exchanges, which in reality are groups of numerous former exchanges, now called zones, with toll-free EAS calling between all such zones in each

metropolitan exchange. The metropolitan exchanges in the Kansas City and Topeka areas also have EAS with additional exchanges.⁴ For some idea of the expanse of such metropolitan toll-free calling areas see Schedule 2, attached hereto, which consists of maps of the local (toll-free) calling scopes in the Kansas City, Wichita and Topeka Metropolitan Exchanges.

The rates paid for such far-reaching toll-free calling are equally eye-opening because they are so low. As stated hereinabove, Southwestern Bell customers pay no separate charges for nonoptional EAS. EAS is included in their monthly rate for basic local telephone service. The basic monthly bills for one-party, residential service in the three metropolitan exchanges, which includes all zones in the metropolitan exchanges and all other exchanges with nonoptional EAS and optional EAS with such metropolitan exchanges, are as follows:

MONTHLY RATES FOR ONE-PARTY FLAT RATE SERVICE IN
THE METROPOLITAN EXCHANGE INCLUDING EAS SERVICE

	<u>Kansas City</u>	<u>Wichita</u>	<u>Topeka</u>
Center Zone	\$ 12.05	\$ 11.00	\$ 10.70
1st Tier Zone	12.50	11.00	10.70
2nd Tier Zone	13.00	11.80	11.45
Basehor - Optional	17.00	N/A	N/A

2. Exchanges without necessary community-wide EAS.

Due to the fact that no new EAS has been provided in over a decade, there are now many exchanges, which have become a part of

⁴ All the zones in the Topeka Metropolitan Exchange have nonoptional EAS with an exchange of another telephone company. All the zones in the Kansas City (MO/KS) Metropolitan Exchange have nonoptional EAS with an exchange of another telephone company in Missouri and optional EAS with all the subscribers to such service in one Kansas and four Missouri exchanges.

a broader local community since the late 1970s, but do not have EAS throughout such local community. Included in this category are exchanges which have no EAS whatsoever and many others which do have EAS with some exchanges in their respective local communities, but do not have EAS with all the exchanges in such local community of interest as it has been expanded since the late 1970s.

Just how many exchanges there are throughout the state, which do have the EAS needed throughout their respective expanded local communities of interest, cannot be stated with certainty at this time. However, there are over a hundred known exchanges which have expressed a need for the ability to obtain local calling with other exchanges in their respective communities. There were requests for 68 new EAS routes pending at the time the KCC issued its October 1988 Order putting an end to the establishment of new EAS routes. (See Schedule 3, p. 1.) Since the October 1988 Order, there have been 38 requests for CCS. (See Schedule 3, p. 2.)

It is quite obvious that the 30 exchanges qualifying for CCS under the very stringent criteria proposed by the telephone industry and adopted by the KCC are definitely deserving of EAS with the exchanges with which they have CCS.⁵ It is also obvious

⁵ Under the criteria adopted by the KCC to demonstrate a local community of interest, there must be an average of 10 calls per month per customer to the requested exchange with at least 51% of the customers paying \$5.00 per month in toll calls to the requested exchange. A 10 call requirement is the highest in the nation to establish a local community of interest even for nonoptional EAS. Certainly, where the service is to be provided is optional, a lower average number of calls would be more reasonable.

just from looking at the list of exchanges failing to qualify for CCS, that many of such exchanges have a local community of interest and that the failure to qualify for CCS was the fault of the unnecessarily stringent qualifying criteria, and not because such exchanges do not have a local community of interest.

Furthermore, in addition to the known exchanges seeking EAS and CCS, there are many other exchanges which have become a part of a larger community of interest since the late 1970s, which have not yet made known their need for toll-free calling throughout their expanded community.

D. What are the disadvantages suffered by exchanges without EAS throughout their respective local communities?

The obvious disadvantage of being without EAS throughout one's community was stated concisely by the Missouri Public Service Commission in its Report and Order dated March 20, 1987 in Case No. TO-86-8 at p. 38, as follows:

"Generally the present exchange boundaries were established in the early 1900s. Since then a revolution in transportation has occurred with the replacement of the horse and buggy by the automobile. This change expanded the area in which people, including telephone customers, live, work, purchase goods and services, attend school and church, receive medical care and perform other normal daily functions. Merchants have consolidated into malls and supermarkets; physicians have consolidated into clinics and doctors' parks; the neighborhood schoolhouse has become a consolidated school district; and large factories draw employees commuting from miles away. Because of these changes there are some communities which stretch over several telephone exchanges so that customers are forced to make toll calls to talk to their place of work, their church, their children's school, their medical providers and the merchants from whom they purchase goods and services. In the course

of their normal daily lives, these people are forced to make toll calls, not as a matter of discretion but as an unavoidable expense. The Commission believes that this situation illustrates the unique nature of the calling in question and the unreasonableness of charging toll rates for it."

In addition to the obvious disadvantage of residential and business customers in area without EAS throughout their community paying substantially more for local telephone service due to the need to pay tolls on what should be local calls, the lack of EAS also results in other disadvantages not only for such customers but also for the exchange area itself. A few other such disadvantages are as follows:

1. Customers in exchanges without EAS must restrict the number and the duration of their calls in order to keep costs down, while customers in exchanges with EAS can talk as often and for as long as desired for free;
2. Customers in exchanges without EAS receive less calls from others in their community, because such calls are toll calls. While this impacts residential customers adversely in the quality of their lives, this is particularly harmful to business customers in exchanges without EAS trying to compete with businesses in exchanges which have EAS throughout most of the community; and
3. Industrial, commercial and residential development of the area is devastated because prospects locate elsewhere in the community where EAS is available.

A recent study conducted by the Johnson County Economic Research Institute at the request of the City of DeSoto, concluded that the lack of EAS between DeSoto and the Kansas City Metropolitan Exchange was a significant factor in DeSoto's "inability to keep pace with the rapid population and economic growth of Johnson County" and constituted "an impediment to the

realization of its economic growth potential".⁶ The Summary and Conclusions of such report are attached hereto as Schedule 4.

Adding insult to injury, customers without EAS are further disadvantaged by the fact that all telephone customers, including those without EAS, pay higher rates for basic local telephone service, because other customers have EAS. This occurs because toll revenues reduce the need for revenues from basic local rates. Thus, since toll revenues are nonexistent on EAS routes, local exchange rates are higher for everyone, including those without EAS.

To illustrate, one needs only refer to Schedule 2, the maps of Kansas City, Wichita and Topeka local (toll-free) calling areas and imagine how many toll-free calls a day are made between such zones and exchanges. It does not take a rocket scientist to realize that Southwestern Bell's local exchange rates for all customers in Kansas would be much, much lower if all such calls were toll calls, rather than toll-free as they are today. Furthermore, everyone, including rocket scientists, should be able to realize that the customers in such metropolitan exchanges, as well as the other customers throughout the state who have EAS, would virtually riot if an attempt were made to take away their existing toll-free calling scopes and replace them with toll calling. Thus, it is clear that we shall continue to have EAS where it presently exists. The question is whether

⁶ "DeSoto, Kansas: The Impact of Telephone Service on Economic Development", The Johnson County Economic Research Institute, March 31, 1987.

other similarly situated and equally deserving exchanges will be able to obtain a similar service at similar rates so as to end the discrimination between the haves and the have nots.

- E. CCS does not provide a similar service at similar rates so as to constitute a reasonable and viable alternative to the establishment of new EAS routes.

CCS does not provide a similar service at similar rates so as to constitute a reasonable and viable alternative to the establishment of new EAS routes. Thus, even in exchanges where CCS is provided, it does not end the discrimination against exchanges without EAS.

CCS makes available two one-way options in both exchanges between which CCS is provided. There is a one-way Measured Usage option which includes 60 minutes of calls to the other exchange before a per minute charge is added. There is also a one-way Unlimited Usage option, which for a flat rate allows an unlimited number of one-way calls each month to the other exchange.⁷ Quite obviously, neither one-way option, including the Unlimited Usage option, is equal to two-way, unlimited usage EAS. They only help to reduce the cost of calling from the exchange. They do not solve the problems engendered by others in the community being required to pay tolls on calls to the exchange.

While CCS was basically designed to provide one-way options to reduce monthly bills on toll calls from the CCS exchange to an

⁷ This service may soon be unavailable because Southwestern Bell has already filed tariffs with the KCC to do away with the Unlimited Usage feature and replace it with a 10 hour usage period at the same rate currently charged for unlimited usage. Additional calling after the 10 hour limit would be billed on a usage basis.

exchange with which a local community of interest exists, it is possible for a CCS customer to obtain unlimited, toll-free, two-way calling to and from the requested exchange by subscribing to: 1) the Unlimited Usage Option from one's exchange to the requested exchange; 2) Remote Call Forwarding (RCF), i.e., a local telephone number in the requested exchange; and 3) an Unlimited Usage Option from the requested exchange back to one's own exchange. However, even with this unlimited, flat rate, two-way service, CCS comes nowhere close to being equal to EAS, because such service is not the same as the unlimited, flat rate, two-way calling provided under EAS in either rates, method of providing service or toll-free calling scopes. This fact is no more convincingly demonstrated than in comparing the rates, method of providing service and toll-free calling scopes of two similarly situated Southwestern Bell exchanges, Basehor and DeSoto, which both abut the Bonner Springs Zone, a second tier zone in the Kansas City Metropolitan Exchange. (See Schedule 5 which is a map showing the location of the exchanges.)

1. Optional EAS vs. CCS (Basehor and DeSoto).

The Basehor exchange is, and has been for many years, a third tier exchange of the Kansas City Metropolitan Exchange. As such, it has optional EAS available allowing subscribers, so choosing, unlimited, two-way, toll-free communications between 24 other zones and exchanges in the Kansas City area on both sides of the state line for the price of Basehor's local exchange

service plus the following monthly additive for one-party customers:⁸

<u>Residence</u>	<u>Business</u>
\$ 6.95	\$ 13.80

The DeSoto exchange, on the other hand, despite being similarly situated, has had no such optional EAS with the metropolitan exchange. Other than calling between the two zones (Olathe and Bonner Springs) with which it had been provided nonoptional EAS, all calling to and from the other zones had been on a toll basis. However, since 1989 it has been provided CCS, which allowed subscribers thereto to have two-way, toll-free, unlimited calling with the Kansas side of the metropolitan exchange for the following monthly additive to the rates paid for their basic one-party local exchange service:⁹

<u>Residence</u>	<u>Business</u>
\$54.00	\$ 66.00

As if the difference in price alone were not enough to demonstrate that CCS does not end the discrimination between the Basehor and DeSoto exchanges, DeSoto customers are further discriminated against in the method optional two-way CCS is provided as compared to optional EAS. The Basehor customers with

⁸ The monthly rates for Basehor's optional EAS with the metropolitan exchange include the rates for local exchange service. The additive was derived by subtracting the rates for Basehor local exchange service from the rates for Basehor optional EAS service.

⁹ The residential additive consists of two Unlimited Usage Features at \$19.00 each and RCF at \$16.00. The business additive consists of two Unlimited Usage Features at \$25.00 each and RCF at \$16.00.

optional EAS have only one telephone number per line. The 3 digit prefix of such telephone number is different from the 3 digit prefix of the telephone number of Basehor customers without optional EAS. Basehor optional EAS customers can be called by all customers in the Kansas and Missouri sides of the Kansas City Metropolitan Exchange with whom they have toll-free service by the dialing of such 7 digit telephone number without the caller having to dial a 1 first. They can also call on such line all customers with whom they have EAS by dialing only 7 digits. The DeSoto customers, on the other hand, have to dial 1+7 digits to call toll-free the customers in the Kansas City zones and exchanges with which they have CCS. They also have to have a second telephone number, the RCF number, in one of the zones of the Kansas City Metropolitan Exchange in order to be called toll-free by customers in the Kansas City zones and exchanges.

DeSoto customers are also discriminated against when compared to Basehor in that DeSoto CCS customers only get toll-free calling to the Kansas side of the Kansas City metropolitan exchange while the Basehor optional customers get all the zones and exchanges on both sides of the state line. All calling to the 18 Missouri zones and exchanges continues to be toll calling for DeSoto CCS customers.

2. Optional EAS v. CCS - Other Exchanges.

The DeSoto example is equally applicable to the other 6 exchanges with CCS in the Kansas City area: Spring Hill, Linwood, Hillsdale, Gardner, Edgerton and Bucyrus (See Schedule 5 for their locations) as well as any other exchanges which may

subsequently qualify for CCS to the Kansas City Metropolitan Exchange. Customers in exchanges with CCS to exchanges other than the Kansas City Metropolitan Exchange fare a little better because they at least get the entire requested exchange and not just a portion of it as in the Kansas City area. Nevertheless, it is still blatantly obvious that CCS is not equal to EAS in rates and method of providing service, even when the requested exchange is not the Kansas City Metropolitan Exchange, because all CCS customers pay the same exorbitant price for two-way CCS service, no matter if the requested exchange is a highly populated metropolitan exchange or a much smaller rural exchange. Also, all CCS customers have to dial 1+7 digits to call customers in the requested exchange toll-free, while EAS customers, including optional EAS customers, do not. Furthermore, CCS customers have to have a separate telephone number in the requested exchange in order to be called toll-free, while EAS customers, including optional EAS customers, can be called toll-free on their regular telephone number in their own exchange. Hence, the discrimination between exchanges with EAS and those without EAS continues virtually unabated for all exchanges with CCS.

F. CCS does not end the unreasonable discrimination against exchanges without EAS.

Since the availability of CCS may reduce the cost of calling from the CCS exchange to the requested exchange for some customers, it is obviously better than nothing. Nevertheless, since CCS is not anywhere equal to EAS in rates charged and service provided, it does not end the discrimination against

exchanges without EAS with the greater part of their local community, especially when other exchanges in the area have such EAS service.

A telephone is not just for placing calls, it is also for receiving calls. Until customers in an exchange can be called on a toll-free basis as well as call on a toll-free basis, such exchange will continue to be at a disadvantage with respect to other exchanges in the area, which have unlimited, two-way, toll-free service throughout such area.

Unless a two-way, unlimited, flat rate service throughout the local community is made available at a reasonable price, customers in an exchange demonstrating a need for such service, will not subscribe to it and, consequently, a great amount of calling to the exchange will continue to be suppressed because such calling will continue to be toll calling. Such is the situation in exchanges where CCS has been made available. While many customers have taken advantage of CCS on a one-way basis, few customers can afford to subscribe to it on a two-way, unlimited usage basis.

Thus, even with CCS, the conclusions of the study by the Johnson County Economic Research Institute for the City of DeSoto that the lack of two-way, toll-free EAS "has been a significant factor in the community's inability to keep pace with the rapid population and economic growth of Johnson County" and that "the system constitutes an impediment to the realization of the community's economic growth potential", are still true. (See Schedule 4.)

There are two solutions to this problem of inequity and discrimination. One is unthinkable, i.e., do away with all EAS so all calls between telephone exchanges, including calls between zones of metropolitan exchanges, are toll calls. Since the great majority of Kansans enjoy such EAS today, they would not sit quietly by if a threat to discontinue such service were made. The other solution is to continue with existing EAS routes and make EAS available to other similarly situated and equally deserving exchanges on an equal and nondiscriminatory basis. Senate Bill No. 374, if enacted, would require the telephone monopolies, under the supervision of the KCC, to do just that, i.e., provide new EAS routes on a nondiscriminatory basis.

II. Since the KCC has failed for over 10 years to interpret existing law as prohibiting discrimination in the provision of EAS, a comprehensive EAS statute such as Senate Bill No. 374 is necessary.

Inasmuch as K.S.A. 66-1,189, prohibiting undue and unreasonable discrimination by telephone monopolies, has proven ineffective to end the blatant discrimination in the provision of EAS, it is obvious that nothing short of a comprehensive EAS statute specifically setting forth the manner in which such service shall be made available in the future will bring an end to the problem. Senate Bill No. 374 proposed herewith is such a comprehensive EAS statute. Attached hereto as Schedule 6 is a section-by-section synopsis of the proposed EAS legislation.

As set forth in Section 1 of Senate Bill No. 374, the purpose of the EAS legislation is to promote equality and cease undue discrimination in the rates, method of providing service and the flat rate (toll-free) calling scopes for calling between

two or more exchanges within a local community of interest. The legislation would accomplish such purpose:

1. By requiring that existing nonoptional EAS continue to be provided. Nonoptional EAS would be expanded only to correct certain specified inequities; and
2. By making available optional EAS similar in rates and service to the optional EAS available in the Basehor exchange, as the service to be provided all other new routes between exchanges demonstrating a local community of interest.

A. Nonoptional EAS.

1. Continuation of existing nonoptional EAS routes and expansion.

Under Section 4 of Senate Bill No. 374, nonoptional EAS in effect on the effective date of the act, would continue to be provided between exchanges, between zones of metropolitan exchanges and between exchanges and zones of metropolitan exchanges in the same manner it was being provided on such date except as expanded pursuant to Sections 3 and 4 or discontinued pursuant to Section 14.

Nonoptional EAS would be expanded pursuant to Sections 3 or 4 beyond the exchanges and zones of metropolitan exchanges where it now exists only as a result of the following:

- a. An area now classified as an exchange or as a zone of a metropolitan exchange, which does not have a central office in such area, would be consolidated with the exchange or zone, wherein such central office is located. See Section 3(a).

The reason for such change is because an area designated as an exchange or zone, which does not have a central office is not really an exchange or zone. No telephone calls can be completed without a central office connecting the caller with the one

called. Requiring consolidation of the area with the exchange or zone where the service is actually provided would recognize such reality and, thus, end rate and service discrimination against the area resulting from its misclassification as a separate exchange or zone.

- b. Exchanges of a telephone company abutting a 1st Tier zone of such company's metropolitan exchange, either as such was classified on 2/01/91 or as reclassified due to consolidation under Section 3(a), would become 2nd Tier Zones of such metropolitan exchanges. See Section 3(b).

This would ensure that there would remain no vestiges of discrimination in the metropolitan exchanges. The scheme of a center zone, a 1st Tier of zones and a 2nd Tier of zones would be completely in place. This would not only ensure that the exchanges becoming 2nd Tier zones are treated fairly, but would also ensure equality in rates for other exchanges which qualify under the statute for optional EAS to such metropolitan exchange.

- c. Exchanges, which have nonoptional EAS with a common exchange but do not have EAS with each other, would be provided EAS with each other. See Section 4(b) and (c).

This provision recognizes that when exchanges have EAS to a common exchange, they generally have a community of interest with each other as well.

- d. Exchanges between which there is one-way, nonoptional EAS would get two-way, nonoptional EAS. See Section 4(b) and (c).

Telephone calling is two-way, thus, EAS should be two-way. This would eliminate the one EAS route which is one-way. Thereafter, all EAS would be two-way, either on a nonoptional or optional basis.

2. Nonoptional EAS Rates.

Section 12 provides that nonoptional EAS continue to be included in the rates for local exchange service. It would require the two companies which have set out separate EAS charges for nonoptional EAS to cease such charges.

Nonoptional EAS properly belongs as a part of one's local service, not long distance service. Furthermore, since local rates are set residually, any surcharge set out for EAS would not be a realistic representation of the costs of the EAS routes, hence, any such charge would be arbitrary.

B. Optional EAS.

Optional EAS is the heart and soul of Senate Bill No. 374. Optional EAS similar to that provided between the Basehor Exchange and the Kansas City Metropolitan Exchange is the service this bill would make available to exchanges in need of toll-free calling within their respective local communities of interest, when such exchanges did not have nonoptional EAS with such local communities on the effective date of the act and were not provided same pursuant to Sections 3 and 4.

Section 5 provides that 30 days after a local community of interest is demonstrated pursuant to Sections 6 and 7, the KCC is required to order the telephone monopolies serving the exchanges to provide them with optional EAS within 4 months at the rates set forth in sections 9 to 11.

The reason such service is made optional rather than nonoptional is because not everyone in an exchange may want or need EAS initially. Most exchanges nearest the central zone of a

metropolitan exchange or nearest to a terminating rural exchange already have EAS.

The exchanges seeking EAS today are generally farther removed from the central zone or the rural exchange with which they seek such service. While the exchanges definitely have a community of interest with such central zone or rural exchange, such is not as widespread throughout the exchange as is the case in exchanges nearer the core. Thus, not everyone in such exchange presently needs or wants the service. Therefore, it would not be fair to require everyone in an exchange to pay a higher rate for basic local exchange service because a new EAS route added enough telephones to the exchange's toll-free calling scope as to move it into a higher rate group.

By making available an optional, two-way EAS service at reasonable rates, customers who have a need to communicate with the rest of their local community may do so without paying an arm and a leg, while others in the exchange who have no such need, will not have to take such service. This has worked well for years in the Basehor exchange and the 4 Missouri exchanges which have optional EAS to the Kansas City Metropolitan Exchange.

That is why the optional EAS service to be provided under the statute is to be provided in a similar manner as provided to optional customers in the Basehor exchange and the initial rates are based on the Basehor rates for such optional EAS service. See Section 9.

1. Qualifying for Optional EAS.

There are two methods whereby an exchange can qualify for Optional EAS: a) if they already have a community of interest under section 6; or b) if they can demonstrate a community of interest under section 7.

a. Exchanges qualifying on the effective date of the act under Section 6:

Optional EAS shall be provided between:

1. Two rural exchanges, which have qualified for CCS, whether or not the service had been provided yet;
2. A rural exchange and a metropolitan exchange, where the rural exchange has qualified for CCS to the metropolitan exchange or a zone thereof, whether or not it had been provided yet;
3. A rural exchange and a metropolitan exchange where such rural exchange has nonoptional EAS to a zone of such metropolitan exchange; and
4. A rural exchange and a metropolitan exchange where the rural exchange already has optional EAS with such metropolitan exchange.

The reason for such exchanges qualifying is the recognition of the existence of a community of interest between certain exchanges without the need to take a calling usage test to obtain optional EAS. All exchanges qualifying for CCS would automatically qualify for optional EAS under subsections (a) and (b). Where an exchange has either qualified for CCS with a zone of a metropolitan exchange or has nonoptional EAS to a zone of a metropolitan exchange, subsections (b) and (c) broaden the community of interest to include the entire metropolitan exchange. Since zones are integral parts of a metropolitan

exchange, any exchange which has qualified for CCS with a zone or has nonoptional EAS with a zone, should automatically qualify for optional EAS with the entire metropolitan exchange since it had already demonstrated a community of interest with an integral part of such exchange. Furthermore, the results of a calling usage test to determine if an exchange had a community of interest with the entire metropolitan exchange, would be skewed against such exchange because the toll-free calling with one or more of its zones would be excluded in the count. Thus, qualifying for optional EAS with a zone automatically means qualifying for optional EAS with the entire metropolitan exchange.

Subsection (d) puts the one exchange that now has optional EAS on the same footing as other exchanges qualifying for optional EAS. Such exchange is the Basehor exchange. Since the rates and service under the statute are based on the optional EAS Basehor has now, it will suffer no detriment and actually stands to benefit by qualifying for lower rates, if and when, it meets the subscribership levels for such rate reductions under section 10.

b. Method for other exchanges to qualify for Optional EAS under Section 7.

An exchange may file a petition for optional EAS with the KCC under Section 7 and if it meets certain calling criteria, such exchange will qualify. If an exchange fails to meet the qualifying criteria, it cannot file again for 18 months.

The calling criteria is as follows:

1. An average of 6 calls per month from the petitioning exchange to the requested exchange; and
2. Two-thirds of the subscribers in the petitioning exchange make at least 2 calls per month to the requested exchange.

In determining whether such calling criteria have been met, each subscriber is counted as one no matter how many telephone lines the subscriber has, and all calls on such lines are totalled together and any customers in the exchange with Foreign Exchange Service (FX) from the requested exchange is presumed to have made 6 calls in addition to the calls made on such subscribers other access lines.

The purpose of this section is to provide a step-by-step method for an exchange to demonstrate a local community of interest with another exchange in order to qualify for optional EAS where a local community of interest was not already found to exist under Section 6. The method is similar to how an exchange goes about getting CCS, except that the calling usage criteria is less stringent than the CCS criteria, which is an average of 10 calls per subscriber per month from the petitioning exchange to the requested exchange and 51% or more of the subscribers spent \$5.00 or more per month in toll charges to the requested exchange. Since the service would be optional, both the 10 call and \$5.00 requirements are ludicrous. A 10 call average is the highest requirement in the nation to obtain EAS, and the \$5.00 per month average in toll calls is counter-productive. Inasmuch as toll rates are based on distance, the closer two exchanges are together the lower the toll rates and, thus, the less the chance

of reaching the dollar figure while, at the same time, the closer two exchanges are together the greater the chance a community of interest exists. The KCC criteria for CCS has resulted in only 30 CCS routes being established, while 77 other routes have failed. Many such routes would doubtless qualify under less stringent criteria.

The average of 6 calls per subscriber and 2/3 of the subscribers making at least 2 calls per month is the same requirement that had been used in Missouri to establish EAS and is now used for Community Optional Service (COS), a service similar to CCS in Kansas (but a little better because the telephone industry proposal was not adopted verbatim as was done in Kansas). Such criteria seems to be working in Missouri, since over 85 COS routes have been established since January 1, 1990.

2. Toll-free calling scope and method of providing optional EAS.

Both the toll-free calling scopes and the method of providing optional EAS would be similar to those of the current optional EAS provided the Basehor exchange. Thus, under Section 8(a), the optional EAS customers would be able to call and be called on a two-way, unlimited, toll-free basis the following:

- a. all subscribers in the terminating exchange within or outside the state;
- b. all subscribers in rural exchanges within or outside the state with which the terminating exchange has or may hereafter have nonoptional EAS; and
- c. all optional subscribers in rural exchanges within or outside the state with which the terminating exchange has or may hereafter have optional EAS.

Under Section 8(a), the toll-free calling scope of a customer with optional EAS under the statute would be the same as the toll-free calling scope provided under EAS. If such includes telephone customers in another state, so too would the optional EAS customer get such interstate toll-free calling. This is particularly important in the Kansas City area where there are 25 zones and exchanges involved and only 7 of them on the Kansas side. An exchange with CCS to the Kansas City Metropolitan Exchange only gets the Kansas side, while the Basehor exchange, which has optional EAS to the Kansas City Metropolitan Exchange, gets the entire metropolitan exchange which includes both Missouri and Kansas zones and exchanges.

Also, under Section 8(a), as additional exchanges obtain EAS or optional EAS to a terminating exchange, all exchanges with optional EAS to such terminating exchange also obtain such expanded toll-free calling.

Under Section 8(b), the optional EAS customers in a exchange would be assigned a new telephone number beginning with a 3 digit prefix distinct from any other 3 digit prefixes in such exchange as well as in such local community of interest. All customers who could call such optional EAS customer toll-free under Section 8(a) would be able to do so by dialing such 7 digit telephone number. This is the same method under which optional EAS is provided in the Basehor exchange now. CCS requires a separate telephone number in the requested exchange, which is call forwarded at the expense of the CCS customer.

Likewise, such optional EAS customer would be able to call on such telephone line all customers with whom such subscriber had toll-free calling pursuant to Section 8(a). The optional EAS customer would not have to dial 1+ such number as CCS customers now have to do.

3. Optional EAS Rates.

Sections 9 to 11 provide the methods by which rates for optional EAS will be fixed.

a. Two-year price cap on Optional EAS rates.

Section 9(a) provides that no surcharge shall be added in a terminating exchange for optional EAS from an originating exchange.

Section 9(b) provides for a surcharge in the originating exchange, which shall be the maximum rate charged until increased in a rate case commenced two years after the act became effective.

There are two levels of surcharges established depending upon whether the terminating exchange is a rural exchange or a metropolitan exchange.

The rates per month for a one-party access line are as follows:

a. Where a terminating rural exchange is involved:

	<u>Residence</u>	Business
For an originating exchange abutting the terminating exchange.	\$ 3.50	\$ 6.90
For each tier of exchanges between the originating exchange and the terminating exchange, an additional	2.00	2.00

b. Where a terminating metropolitan exchange is involved:

	<u>Residence</u>	<u>Business</u>
For an originating exchange abutting a zone of the metropolitan exchange.	\$ 6.95	\$13.80
For each tier of exchanges between the originating exchange and a zone of the metropolitan exchange.	4.00	4.00

c. In exchanges where optional EAS was provided, the telephone company serving such exchange shall revise its rates to conform with this section for one party service and if other than one party service was offered, such rates shall be adjusted to maintain the same percentage differentials between such rates as now exist.

The only increase customers in any terminating exchange will see, if any, is if local rates go up for everybody due to a net loss in revenues from implementation of any action required under the statute to end discrimination. Any such increase, however, is not unfair because customers in the terminating exchange are getting an increased calling scope. Furthermore, this is the traditional manner in which EAS has been provided, with everyone on the system paying somewhat higher local rates because the EAS toll revenues are foregone. Southwestern Bell local rates, for example, would be much lower if every call between the 25 Kansas City, 16 Wichita and 14 Topeka exchanges and zones were toll calls.

A surcharge is provided in the originating exchange, in an attempt to recover some of the costs of providing the service, other than toll revenue losses. However, since EAS is local service and local service rates are not based on cost, the idea is to come up with a reasonable rate that would attract all but

the customers whose need for communications with the entire community is virtually nil. A rate cap is set for two years and the amount depends upon: 1) whether the terminating exchange is a rural exchange or a metropolitan exchange; and 2) the number of exchanges between the originating exchange and the terminating exchange.

The rates for terminating metropolitan exchanges abutting the metropolitan exchange are based on the rates for one party service for such optional service provided in the one exchange with optional EAS now. In the Basehor exchange, optional EAS to the Kansas City metropolitan exchange, costs \$6.95 more for residential and \$13.80 more for business service than for local calling only. The tier differential is based on the difference between what is paid in the Kansas City 2nd Tier for one party service and in the 3rd Tier Basehor exchange for optional one party EAS, which is \$4.00.

The rates for both the surcharge and the tier charge where the terminating exchange is a rural exchanges are one-half the rates for such service where the terminating exchange is a metropolitan exchange because the calling scope obtained does not include as many customers as metropolitan exchanges, hence, is not as valuable. By making such rates one-half the rates for optional EAS with metropolitan exchanges, the diminished value of the service is recognized.

b. Automatic reductions in optional EAS rates based on percentage of subscribership.

Section 10 provides that the optional EAS surcharges shall be reduced as follows:

1. By 25%, when between 50% and 75% of the subscribers in an exchange subscribe to optional EAS for 3 consecutive months, and
2. By 50%, when over 75% of the subscribers in an exchange subscribe to optional EAS for 3 consecutive months.

If the level of subscribership falls below such percentage, the surcharges may be increased to the appropriate level for such level of subscribership.

This section recognizes economies of scale in the telephone industry. As more and more customers subscribe to a telephone service, costs go down. Also, in the case of EAS service, which is a substitute for toll service, as more and more customers subscribe, the average per customer toll revenue lost will decline because a majority of the customers, in all likelihood, would not currently be incurring monthly toll charges in excess of the surcharge. Thus, it is appropriate to require reductions as the subscribership percentage increases. Nevertheless, even at 75% subscribership, the rate paid in Basehor, for example, would still be higher than in the 2nd Tier. This is appropriate because generally a greater distance is involved and distance is one of the factors in toll rates, for which EAS is a substitute. The recognition of such distance factor in the reason rates in the 2nd Tier zone are higher than in the center zone and the 1st Tier zone.

c. Changes in optional EAS surcharges in rate cases commenced after the 2 year maximum rate cap.

Section 11 provides that in any rate proceeding commenced after the 2 year period freezing maximum rates for optional EAS, the KCC may reduce the surcharge further, on a pro rata basis, if

such surcharge produces more revenues than the system-wide cost for the service. It may also permit an increase if the surcharge produces less than its system-wide cost, however, not to exceed the average percentage increase allowed other rates for local exchange telecommunications service. In determining costs, toll revenues and other revenues lost by the provision of optional EAS are excluded.

The reason for such section is because EAS charges have traditionally been treated like other local exchange revenues, i.e., they are not cost based. The optional EAS surcharge, while designed to pick up some of the costs of the service is not intended to produce a profit on top of costs. If it turns out in a rate proceeding that the surcharges fixed under sections 9 and 10 produce more than the system-wide cost to provide the service, such surcharges will be reduced to cost. If the system-wide cost is higher than the surcharges, they may be increased, however, only by the overall average increase in other local exchange rates because they too are local rates.

Since toll revenues lost due to optional EAS are to be picked up in overall local rates, just like they are under traditional EAS, lost toll revenues are not to be considered in determining the cost of optional EAS.

C. Other provisions of Senate Bill No. 374.

1. Interim rate increases subject to refund authorized to recover lost revenues due to implementation of Senate Bill No. 374.

Section 13 authorizes an interim increase of a telephone company's local exchange rates on a pro rata basis, upon

satisfactory proof that taking any action required by the act would cause the telephone company a net revenue loss. However, such increase would be subject to refund of that portion in excess of actual net revenue losses experienced, as found at a hearing to be held between 15 to 18 months after the increase became effective.

This is necessary to prevent confiscation of a telephone company's property in violation of the constitution. Consumers are protected by the refund requirement if rates are increased too much.

Local rates are the only rates increased because optional EAS, like nonoptional EAS, is local service. Everyone now pays higher local rates when their telephone company provides EAS, even if they don't have EAS, because their telephone company does not collect toll revenues on EAS routes. If telephone companies did not provide EAS, the toll revenues produced would lower local rates substantially. Thus, since no one wants to do away with existing EAS, it is fair to increase everyone's rates if net revenues are lost due to the provisions of optional EAS, since the provision of such service is necessary to end undue discrimination. After all, customers have enjoyed lower local rates for years, because the exchanges which have been discriminated against have had to pay tolls on calls, which should have been toll-free.

2. Discontinuance of EAS.

Section 14 provides the method for discontinuing EAS. It requires a petition to be filed, a survey by the telephone

companies serving the EAS exchanges under KCC supervision and a majority vote of the subscribers in each exchange between which such EAS is sought to be discontinued before it can be discontinued. If such majority is not achieved in each exchange, no new petition to discontinue EAS can be considered for 18 months.

The purpose of such section is to allow exchanges to opt out of EAS. By requiring a majority vote in each exchange, it protects the smaller exchange, where EAS is much more essential than in the larger exchange, from losing EAS if only a majority in the larger exchange vote for discontinuance. Also, by providing a statutory method, it protects customers from telephone companies arbitrarily ending EAS.

CONCLUSION

Senate Bill No. 374 is urgently needed to put an end to the undue discrimination which has been allowed to exist for over a decade. It is obvious from the actions of the KCC in failing to put an end to such blatant discrimination that the existing law has been inadequate.

Senate Bill No. 374, by providing a comprehensive statute setting out in detail the steps necessary to end existing and potential future discrimination, will unequivocally direct the KCC in the performance of its duties with respect to a very important telephone service, Extended Area Service.

State of Kansas
EAS Arrangements and Metropolitan Areas

The Assaria Tele. Exchange

Assaria - Salemsburg

The Blue Valley Tele. Co.

Home - Oketo

Central Telephone & Util.

Kiowa - Capron, OK
Kiowa - Hardtner
Kiowa - Hazelton

Columbus Local Tele. Co., Inc.

Columbus City - Columbus Rural
Columbus City - Crestline
Columbus City - Hallowell
Columbus City - W. Mineral
Columbus City - Weir

Cont. Tel. Co. of Kansas, Inc.

Alden - Sterling
Alta Vista - Council Grove
Alta Vista - Dwight
Altoona - Fredonia
Belle Plaine - Oxford
Belle Plaine - Riverdale
Belpre - Macksville
Benedict - Fredonia
Blue Mound - Mound City
Bucyrus - Springhill
Caldwell - Corbin
Centropolis - Ottawa
Circleville - Holton
Conway - Inman
Conway - Windom
Coyville - Fredonia
Delia - Rossville
Denison - Mayetta
Easton - Winchester

Edgerton - Gardner
Edgerton - Wellsville
Effingham - Lancaster
Emmett - St. Marys
Fall River - Fredonia
Fontana - Paola
Gardner - Wellsville
Hoyt - Mayetta
Inman - Buhler
LaFontaine - Fredonia
Meriden - Ozawkie
Michigan Valley - Overbrook
Neosho Falls - Piqua
Nortonville - Winchester
Oxford - Gueda Springs
Princeton - Richmond
Quincy - Toronto
Rossville - Silver Lake
Silver Lake - Topeka

Craw-Kan Tele. Coop. Assn.

Girard - Brazilton
Girard - Farlington
Girard - McCune
Mineral - McCune
W. Mineral - Hallowell
W. Mineral - Columbus City
W. Mineral - Columbus Rural

Mineral - Crestline
Hallowell - Crestline
Bronson - Uniontown
Bartlett - Edna

- 2 -

Cunningham Tel. Co., Inc.
Glen Elder - Cawker City

Council Grove Telephone Co.
Council Grove - Alta Vista
Council Grove - Dunlap
Council Grove - Dwight
Council Grove - Delavan
Council Grove - Wilsey
Council Grove - White City

Haviland Tel. Co., Inc.
Haviland - Cullison
Isabel - Nashville
Argonia - Freeport

Conway Springs - Viola
Isabel - Sawyer
Riverdale - Belle Plaine

Home Tele. Co., Inc.
Salemsburg - Assaria

J.B.N. Tele. Co., Inc.
Goff - Wetmore
Natawaka - Wetmore
Cuba - Narka
Cuba - Munden
Cuba - Agenda

Fairview - Hiawatha
Mahaska - Narka
Narka - Munden
Barnes - Greenleaf

Kan-Okla Tele. Assn., Inc.
Hardtner - Capron, OK
Kiowa - Capron, OK
Hardtner - Kiowa
Waldron - Manchester, OK
Freeport - Bluff City
Freeport - Argonia

South Haven - Bronson, OK
South Haven - Wellington (1 way)
Gueda Springs - Oxford
Corbin - Caldwell

Kansas State Tel. Co.
Baxter - Riverton
Galena - Riverton
Scammon - Columbus
Madison Tele. Co., Inc.
Madison - Lamont

Mo-Kan Dial Co., Inc.
Louisburg, Kansas to Freeman, Missouri

Moundridge Telephone Co.
Moundridge - Goessel

Pioneer Tel. Assn., Inc.
Ulysses - Ryus
Ryus - Satanta
Rolla - Richfield
Rolla - Hugoton
Hughton - Moscow
Syracusa - Coolidge

Syracuse - Kendall
Kendall - Lakin
Lakin - Deerfield
Johnson - Manter
Johnson - Big Bow

Rainbow Tele. Coop. Assn., Inc.
 Denton - Highland
 Denton - Bendena
 Everest - Horton
 Huron - Everest
 Whiting - Muscotah
 Bendena - Troy
 Willis - Horton

Rural Tel. Ser. Co., Inc.
 Gaylord - Kensington
 Gaylord - Athol
 Agra - Kensington
 Agra - Athol
 Agra - Gaylord
 Alton - Woodston

South Central Tel. Assn., Inc.
 Lake City - Sun City
 Hazelton - Kiowa

Southern Kansas Tel. Co., Inc.
 Atlanta - Burden
 Burden - Cambridge
 Burden - Dexter
 Clearwater - Viola
 Elk Falls - Longton
 Viola - Conway Springs

Willis - Hiawatha
 Robinson - Hiawatha
 Robinson - Highland
 Robinson - Morrill
 Robinson - Reserve
 Robinson - White Cloud
 Robinson - Powhattan

Prairie View - Logan
 Prairie View - Long Island
 Long Island - Woodruff
 Woodruff - Alma & Orleans, Neb.
 Grainfield - Gove

Southwestern Bell Telephone Company

Kansas City Metropolitan Exchange

Kansas City Zone
 First Tier Zones
 Bethel
 Melrose
 Bladston, MO
 Independence, MO
 Parkville, MO
 Raytown, MO
 South Kansas City, MO
 Second Tier Zones
 Blue Springs, MO
 Bonner Springs
 Olathe
 Stanley
 Belton-Raymore, MO
 East Independence, MO
 Lees Summit, MO
 Liberty, MO
 Nashua, MO
 Tiffany Springs, MO

Topeka Metropolitan Exchange

Topeka Zone
 First Tier Zones
 Elmont
 Grantville
 Greenfield
 Pauline
 Tecumseh
 Second Tier Zones
 Auburn
 Carbondale-Wakarusa
 Dover
 Lecompton
 Maple Hill
 Richland

Wichita Metropolitan Exchange

Wichita Zone
 First Tier Zones
 Andover
 Derby
 Jackson
 Kechi
 Parkview-Maize
 Valley Center
 Second Tier Zones
 Augusta
 Benton
 Colwich-Bentley
 Goddard
 Mulvane
 Peck
 Rose Hill
 Sedgwick
 Whitewater

Abilene - Buckeye
 Abilene - Carlton
 Abilene - Enterprise
 Abilene - Navarre
 Andale - Mt. Hope
 Baileyville - Seneca
 Basehor - Bonner Springs Zone, Tonganoxie
 Belleville - Scandia
 Benton Zone - Towanda
 Blue Rapids - Waterville
 Bonner Springs Zone - DeSoto
 Chase - Lyons
 Cheney - Garden Plain
 Clinton - Lecompton Zone
 Colby - Gem
 DeSoto - Eudora, Olathe Zone
 Erie - St. Paul
 Eudora - Lawrence
 Goddard Zone - Garden Plain
 Herington - Hope
 Herington - Lost Springs
 Herington - Ramona
 Herington - Woodbine
 Howard - Mollie
 Kingman - Penalosa, Spivey
 Lawrence - Clinton, Lecompton Zone
 Liberal - Turpin, OK
 Ottawa - Centropolis
 Paola - Fontana
 Paola - Osawatomie
 Peru - Sedan
 Sedgwick Zone - Newton
 Topeka Metro Exchange - Silver Lake
 Whitewater Zone - Newton

Optional EAS

Basehor - Kansas City Metro Exchange

S & T Tele. Coop. Assn., Inc.
Winona - Russell Springs

Sunflower Tele. Co., Inc.
Leoti - Marienthal
Sharon Springs - Weskan
Sharon Springs - Wallace

Totah Tele. Co., Inc.
Havana - Elk City

Tri-County Tele. Assn., Inc.
Carlton - Abilene
Carlton - Hope
Carlton - Navarre
Dunlap - Council Grove
Dwight - Council Grove
Dwight - Alta Vista
Delavan - Council Grove
Delavan - Wilsey
Delavan - White City
Wilsey - Council Grove
White City - Council Grove
White City - Dwight
White City - Wilsey
Hope - Herington
Buckeye - Abilene

Twin Valley Tel. Inc.
Greenleaf - Barnes

United Tele. Co. of Ks., Inc.
Olsburg - Westmoreland
Riley - Leonardville
Holton - Circleville
Horton - Powhattan
Horton - Everest
Horton - Willis
Wathena - Troy
Buhler - Inman
Fredonia - Altoona
Fredonia - Benedict
Fredonia - Coyville
Fredonia - Fall River
Fredonia - LaFontaine
Morrill - Hiawatha
Morrill - Highland
Morrill - Powhattan
Morrill - Reserve
Morrill - Robinson
Morrill - White Cloud
Reserve - Hiawatha
Reserve - Highland
Reserve - Powhattan

Lincolnvillle - Lost Springs
Lost Springs - Herington
Lost Springs - Delavan
Lost Springs - Wilsey
Navarre - Abilene
Navarre - Woodbine
Navarre - Hope
Ramona - Carlton
Ramona - Herington
Ramona - Hope
Ramona - Lincolnvillle
Ramona - Lost Springs
Woodbine - Herington
Woodbine - Hope

Reserve - White Cloud
Reserve - Robinson
White Cloud - Hiawatha
White Cloud - Highland
White Cloud - Powhattan
White Cloud - Robinson
Troy - Highland
Troy - Bendena
Hiawatha - Highland
Hiawatha - Powhattan
Hiawatha - Fairview
Hiawatha - Robinson
Hiawatha - Willis
Highland - Powhattan
Highland - Denton
Highland - Robinson
Osawatomie - Paola
Powhattan - Robinson
Junction City - Milford
Junction City - Wakefield

Wamego Tele. Co., Inc.
Wamego - Paxico
Wamego - St. George

Wheat State Tele. Co., Inc.
Udall - Rock

Local Calling

KANSAS CITY

Kansas City Metropolitan Area

The numbers in these charts represent the first three digits of telephone numbers in the Kansas City metropolitan area.

If the first three numbers of the telephone you are calling from appear in **Chart One**, you may call any other number in **Chart One** at no additional charge on your bill. Numbers followed by a † also may call numbers shown in the appropriate list on the next page.

If the first three numbers of the telephone you are calling from appear in **Chart Two**, see the special information on the next page.

Telephone number location guide

The letters next to numbers in the charts below (for example 231 A) will help you find the general location of telephones on this map.

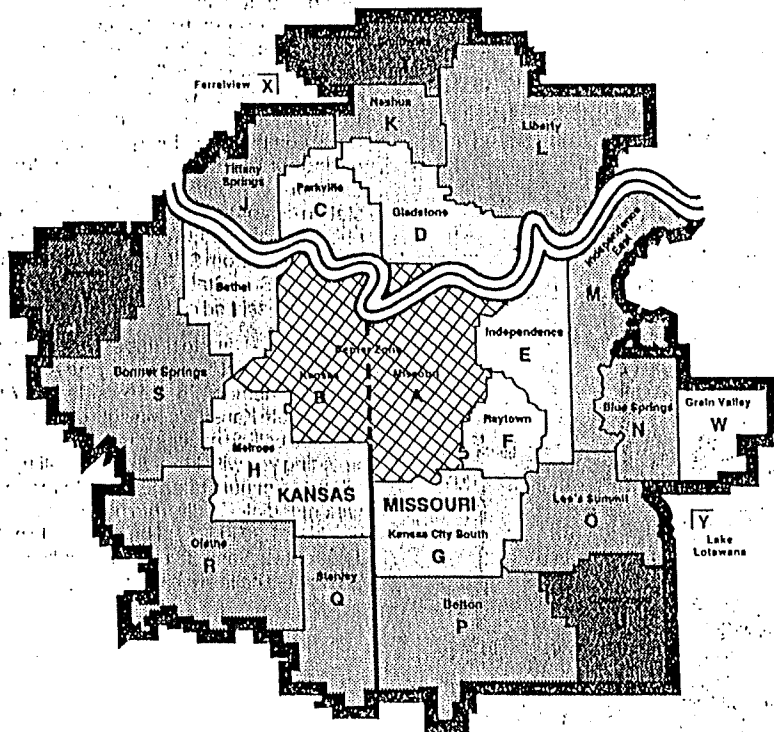
Chart One

221 A	333 A	461 E	631 H	795 M
223 A	334 I	464 X†	642 H	796 M
224 N†	339 H	466 X†	648 H	821 A
225 A	341 H	468 D	649 H	822 A
228 N†	342 B	469 H	654 A	829 R
229 N†	345 H	471 A	661 B	831 B
231 A	346 A	472 A	676 B	833 E
234 A	348 P†	474 A	677 B	835 A
235 A	353 F	478 E	681 Q	836 E
236 B	356 F	483 A	691 A	842 A
241 A	358 F	491 H	698 A	854 A
242 A	361 A	492 H	721 S†	861 A
243 X†	362 B	497 A	722 B	871 A
245 A	363 A	521 E	724 V†	881 A
246 O†	371 B	523 A	734 K†	888 H
247 A	373 E	524 O†	737 F	889 A
251 O†	374 A	525 O†	741 C	891 J
252 E	375 B	531 A	743 F	894 H
254 E	381 H	532 T†	746 C	897 Q
257 E	383 H	536 A	751 A	921 A
262 B	384 B	537 U†	753 A	922 A
268 H	391 A	541 H	756 A	923 A
274 A	395 A	556 A	757 A	924 A
275 A	421 A	561 A	761 G	926 A
276 A	422 S†	572 A	763 G	931 A
281 B	426 A	573 B	764 R	932 A
283 A	432 B	576 A	765 G	941 G
284 I	436 D	576 B	767 G	942 G
287 B	441 S†	578 Y†	771 A	943 G
289 A	444 A	587 C	780 R	966 G
292 A	451 H	588 B	781 L†	967 H
299 I	452 D	589 A	782 R	968 A
321 B	453 D	591 A	787 B	995 A
322 P†	454 D	596 B	788 I	997 A
329 A	455 D	599 H	791 R	
331 P†	459 D	621 B	792 L†	

Chart Two

443 W 623 U 728 V 774 Y 873 T

Telephone service for Ferrelview and Lake Lotawana is provided by the United Telephone Company.



Local Calling

WICHITA

No Additional Charge Numbers

The numbers in this chart represent the first three digits of telephone numbers in the Wichita area.

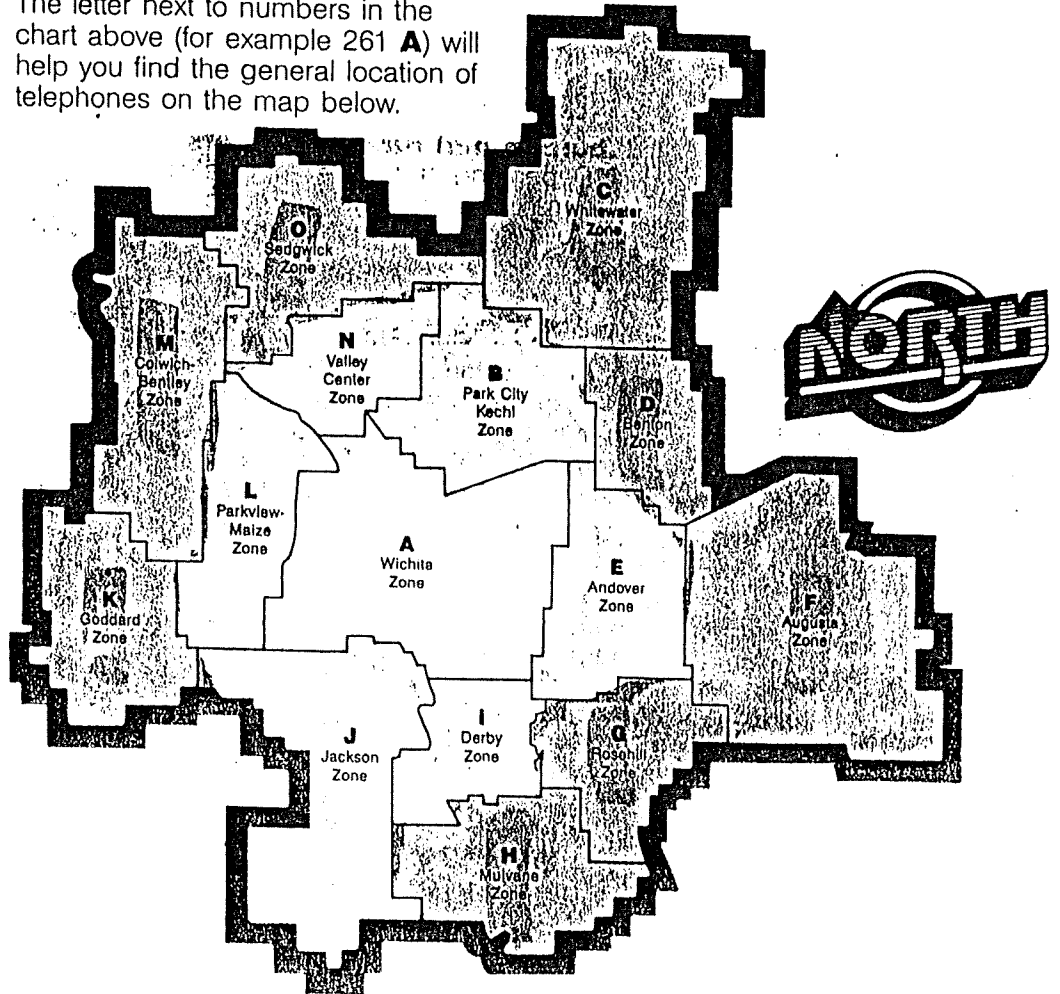
If the **first three numbers** of the telephone you are calling from appear in this chart, you may call any other number shown at no additional charge on your bill. If the first three digits of the telephone number you are calling from, or calling to, do not appear here, there will be a charge for the call.

261 A	264 A	267 A	291 A
262 A	265 A	268 A	292 A
263 A	266 A	269 A	436 A

634 A	689 A	777 H
636 A	832 A	788 I
648 A	833 A	522 J
651 A	838 A	524 J
652 A	942 A	526 J
676 A	943 A	529 J
681 A	945 A	794 K
682 A	946 A	721 L
683 A	744 B	722 L
684 A	799 C	796 M
685 A	778 D	755 N
686 A	733 E	772 O
687 A	775 F	
688 A	776 G	

Location Guide

The letter next to numbers in the chart above (for example 261 **A**) will help you find the general location of telephones on the map below.



C2EE

Local Calling

TOPEKA

No Additional Charge Numbers

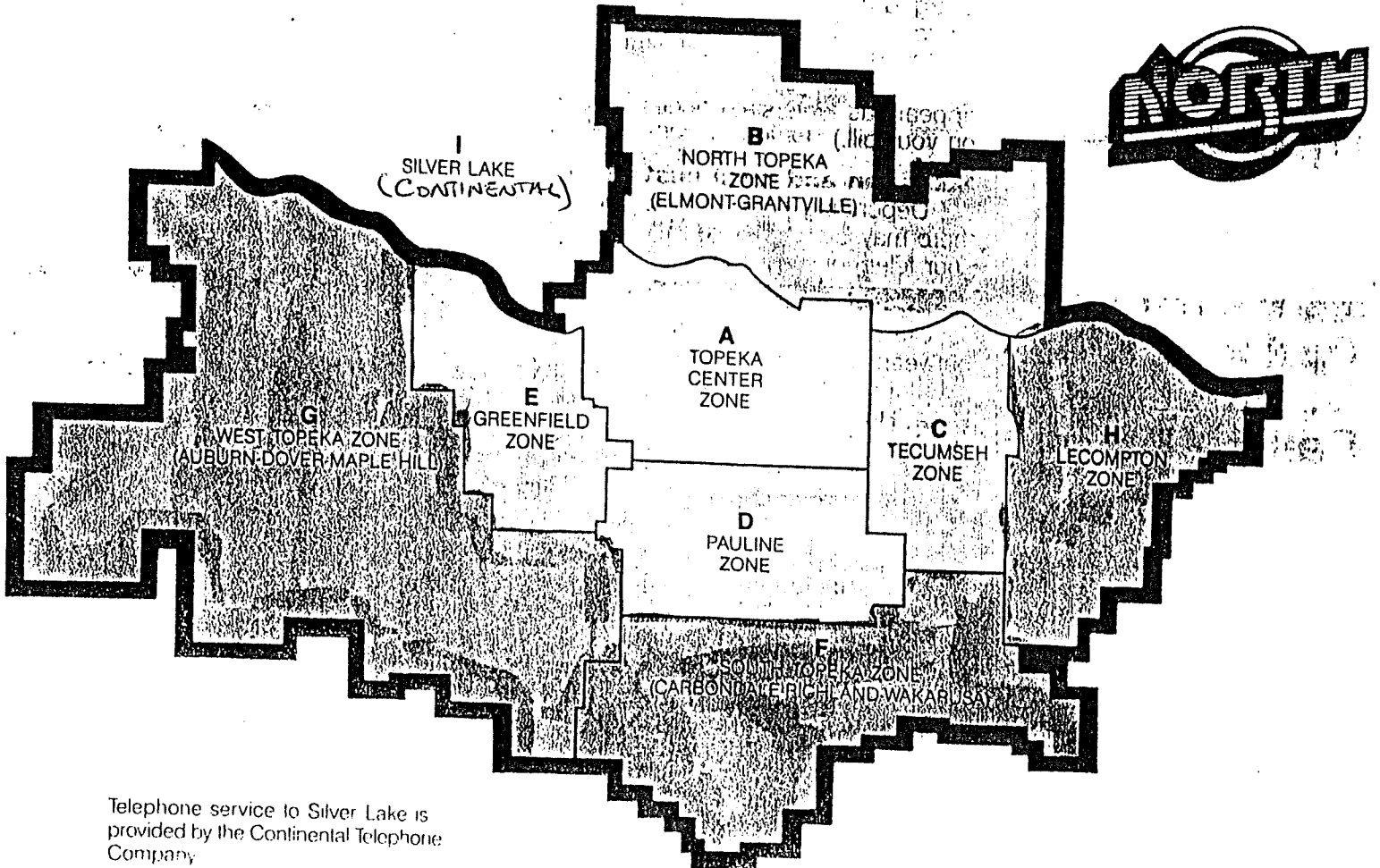
The numbers in this chart represent the first three digits of telephone numbers in the Topeka area.

If the **first three numbers** of the telephone you are calling from appear in this chart, you may call any other number shown at no additional charge on your bill. If the first three digits of the telephone number you are calling from, or calling to, do not appear here, there will be a charge for the call.

231	A	295	A	887	H
232	A	296	A	582	I
233	A	297	A		
234	A	354	A		
235	A	357	A		
266	A	246	B		
267	A	286	B		
271	A	379	C		
272	A	862	D		
273	A	478	E		
276	A	836	F		
291	A	256	G		

Location Guide

Telephone number location guide - If you find the general location of the letter next to numbers in the chart above (for example 235 **A**) will help



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

EXTENDED AREA SERVICE (EAS) REQUESTS FROZEN UNDER
KCC MORATORIUM (1982-1988) AND THEIR DISPOSITION
IN DOCKET NO. 127,140-U (PHASE V)(10/27/88) AS TO
QUALIFYING FOR COMMUNITY CALLING SERVICE (CCS)

Qualifying for Community
Calling Service (CCS)

Andale to Wichita
Baldwin to Lawrence
Belle Plaine to Wichita
Bucyrus to Kansas City, KS
Cheney to Wichita
Clearwater to Wichita
Delia to Topeka
DeSoto to Kansas City, KS
Douglass to Wichita
Edgerton to Kansas City, KS
Garden Plain to Wichita
Gardner to Kansas City, KS
Hillsdale to Kansas City, KS
Hoyt to Topeka
Leon to Wichita
Linwood to Kansas City, KS
Mayetta to Topeka
Meriden to Topeka
Mount Hope to Wichita
Partridge to Hutchinson
Reading to Emporia
Rossville to Topeka
Spring Hill to Kansas City, KS
Towanda to Wichita

Not Qualifying for Community
Calling Service (CCS)

Anthony to Attica
Anthony to Harper
Attica to Anthony
Attica to Harper
Baldwin to Eudora
Baldwin to Wellsville
Blue Rapids to Marysville
Bucyrus to Louisburg
Buhler to Hutchinson
Burrton to Hutchinson
Centropolis to Williamsburg
Cherryvale to Coffeerville
Cherryvale to Independence
Cherryvale to Mound Valley
Cherryvale to Altamont
Cherryvale to Thayer
Denison to Topeka
El Dorado to Wichita
Fort Riley to Manhattan
Harper to Attica
Harper to Anthony
Haven to Hutchinson
Holton to Topeka
Humboldt to Chanute
Humboldt to Iola
Junction City to Manhattan
Lawrence to Topeka
Louisburg to Kansas City, KS
Manhattan to Junction City
Marysville to Blue Rapids
Marysville to Waterville
Nickerson to Hutchinson
Oskaloosa to Lawrence
Oskaloosa to Valley Falls
Ozawkie to Topeka
Perry to Topeka
Saffordville to Emporia
Saffordville to Cottonwood Falls
Thayer to Cherryvale
Tonganoxie to Kansas City, KS
Waterville to Marysville
Wellsville to Baldwin
Williamsburg to Ottawa
Williamsburg to Centropolis

Total Requested EAS Routes	-	68
Total Routes Qualifying for CCS	-	24
Total Routes <u>Not</u> Qualifying for CCS	-	44

EXCHANGES SEEKING COMMUNITY CALLING SERVICE (CCS)
SINCE SERVICE BECAME AVAILABLE IN LIEU OF EAS ON OCTOBER 27, 1988

Qualifying for Community
 Calling Service (CCS)

Conway Springs to Wichita Metro
 Gypsum to Salina
 Nickerson to Hutchinson
 Norwich to Wichita Metro
 Potwin to Wichita Metro
 Udall to Wichita Metro

Not Qualifying for Community
 Calling Service (CCS)

Americus to Emporia
 Argonia to Wellington
 Argonia to Wichita Metro
 Arlington to Hutchinson
 Buhler to Hutchinson
 Caney to Coffeetown
 Cassoday to Wichita Metro
 Cherokee to Pittsburg
 Cherokee to Girard
 Denison to Holton
 Denmark to Sylvan Grove
 Denmark to Lincoln
 Halstead to Wichita Metro
 Hesston to Newton
 Lane to Osawatomie
 Leonardville to Manhattan
 Linwood to Lawrence
 Louisburg to Kansas City, KS
 Murdock to Wichita Metro
 Newton to Wichita Metro
 Olpe to Emporia
 Overbrook to Topeka Metro
 Oxford to Wichita Metro
 Perry to Topeka Metro
 Plains to Liberal
 Potwin to Eldorado
 Princeton to Ottawa
 Riley to Manhattan
 Rock to Wichita Metro
 Tonganoxie to Kansas City, KS
 Tonganoxie to Kansas City, KS
 Wellsville to Kansas City, KS
 Williamsburg to Ottawa

Total Requested CCS Routes	-	38*
Total Routes Qualifying for CCS	-	6
Total Routes <u>Not</u> Qualifying for CCS	-	32*

* Tonganoxie requested CCS on two occasions to Kansas City, Kansas, but failed both times under the stringent criteria adopted by the KCC.

SUMMARY AND CONCLUSIONS

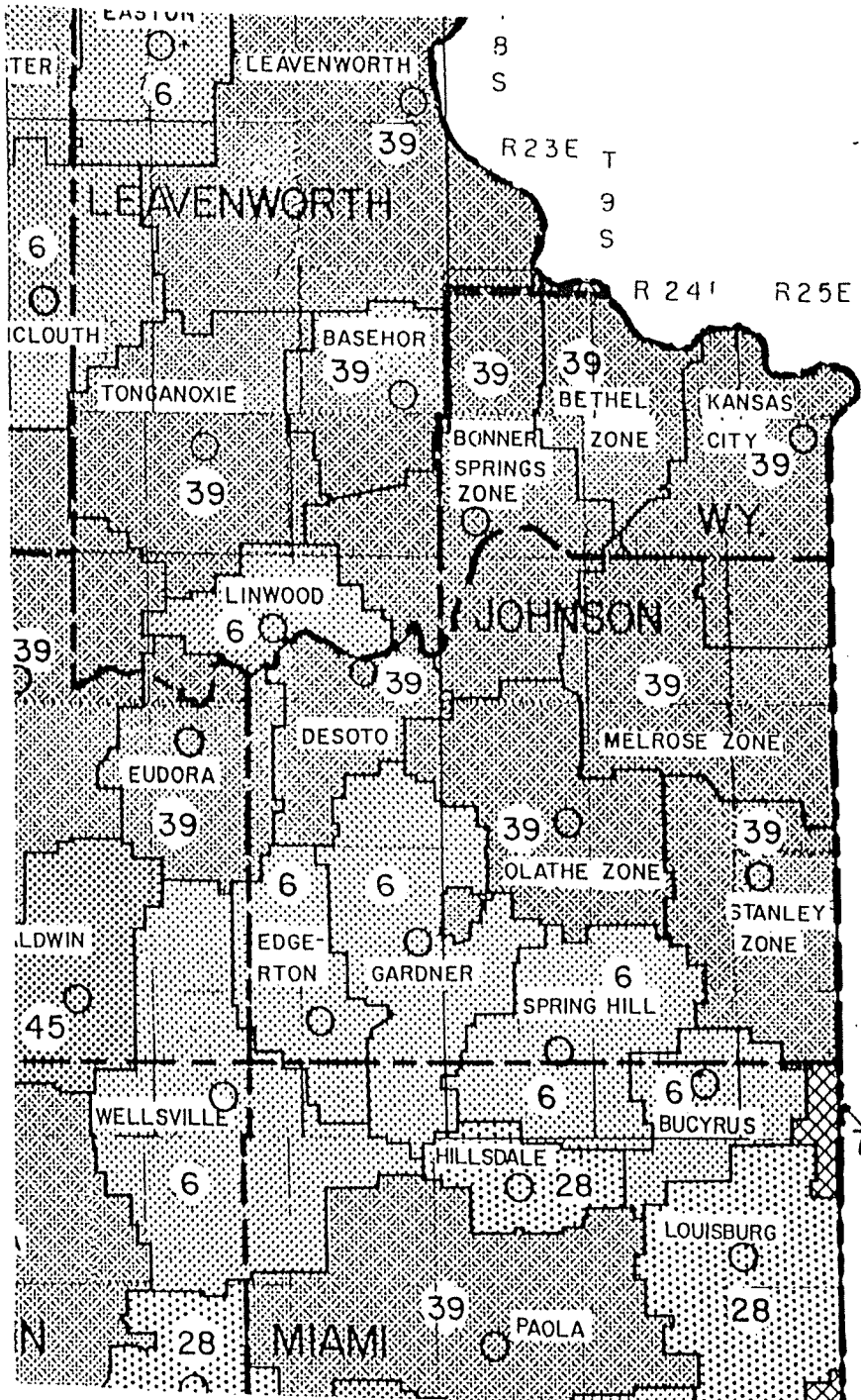
The following statements summarize the findings of the study conducted by CERI to determine the effect of the telephone system in DeSoto on the community's present economic climate and growth potential.

1. The cost of long distance telephone service to customers and suppliers in other Kansas City Metropolitan Area exchanges is a significant extra operating expense for DeSoto businesses.
Presently, the 60 businesses located in DeSoto spend approximately \$85,000 annually on long distance calls to other metropolitan area exchanges.
2. The telephone system acts to limit in-coming calls from potential customers and therefore reduces the area-wide market penetration of firms located in DeSoto.
3. The present telephone system in DeSoto does not offer the full range of optional services available to businesses in other metropolitan area exchanges. This precludes the City from consideration by firms requiring such services.
4. Virtually all the owners and managers of DeSoto businesses that were surveyed indicated that they consider the present telephone system a detriment to the economic development of the community.
5. A number of businesses located outside the City indicated that the expense of long distance telephone service was a principal factor in choosing not to locate their firms in DeSoto.
6. The cost of providing FX lines to Kansas City from DeSoto would be a negative locational factor for an industrial prospect interested in the metropolitan area.
7. Commercial realtors active in the area indicated that they have had clients not interested in locating their

businesses in DeSoto because of the present telephone system.

8. All of the commercial realtors interviewed stated that they consider DeSoto's present telephone system a detriment to the community's economic development.
9. Residential realtors active in the area indicated that they frequently have clients that are not interested in purchasing a home in DeSoto because of the telephone system.
10. All of the residential realtors interviewed stated that they consider DeSoto's present telephone system a detriment to the community's economic development.
11. Based on a survey of Clearview City residents it is reasonable to assume that DeSoto households spend approximately \$200,000 annually on toll calls to other metropolitan area telephone exchanges. This disposable income is lost to the local economy.

Based on the findings of the study, it is the conclusion of CERI staff that the present telephone system in DeSoto has been a significant factor in the Community's inability to keep pace with the rapid population and economic growth of Johnson County. Further, the system constitutes an impediment to the realization of the Community's economic growth potential.



KANSAS EXCHANGES AND ZONES
IN THE KANSAS CITY METROPOLITAN AREA

EXTENDED AREA SERVICE (EAS) LEGISLATION
Section By Section Synopsis

Section 1: Purpose of Act.

Sets out the purpose of the legislation -- to promote equality and cease undue discrimination in rates, method of providing service and the flat rate calling scope for calling between 2 or more telephone exchanges within a local community of interest.

Section 2: Definitions of words used in Act.

Provides for definitions of the following: central office, commission, community calling service, exchange, extended area service, extra-exchange telecommunications service, flat rate service, foreign exchange service, interexchange telecommunications service, local community of interest, local exchange telecommunications service, metropolitan exchange, nonoptional extended area service, optional extended area service, originating exchange, petitioning exchange, rate group, rural exchange, subscriber, terminating exchange, tier of exchange, tier of zones, and zone.

Section 3: Classifications of geographic areas as exchanges and as zones of metropolitan exchanges for rate purposes to continue except: where area has no central office; and where exchange adjacent to first tier zone is not classified as second tier zone.

Provides that the classification for rate purposes of a geographic area by a telephone company (telco) as an exchange or as a Central, 1st Tier or 2nd Tier zone of a metropolitan exchange as of 2/01/91 shall continue until changed pursuant to subsections (a) and (b) of this section.

- (a) Prohibits telcos from classifying areas as exchanges or zones of metropolitan exchanges unless they have a central office within their boundaries and provides that any geographic area so classified as an exchange or zone prior to the effective date of the act will be consolidated and merged into the zone or exchange where the central office serving it is located.
- (b) Provides that any exchange of a telco abutting any part of a 1st Tier zone of a metropolitan exchange of such telco, including any part merged into such 1st Tier zone under subsection (a), shall be reclassified as a 2nd Tier zone.

Section 4: Nonoptional EAS to continue where being provided and in addition to be provided between exchanges having nonoptional EAS with a common exchange or zone and between exchanges with one-way EAS.

- (a) Provides that a local community of interest exists between exchanges and zones having nonoptional extended area service on the effective date of the act and that such service shall not be changed or discontinued except as provided in the act.
- (b) Provides that a local community of interest also exists: (1) between exchanges having nonoptional EAS with a common exchange or zone but not with each other; and (2) between exchanges with one-way nonoptional EAS.
- (c) Requires the KCC within 30 days to order the telcos to provide two-way nonoptional EAS between subsection (b) exchanges within 4 months after such order.

Section 5: Optional EAS to be provided exchanges demonstrating local community of interest under Sections 6 and 7; except for exchanges qualifying under Sections 3 and 4 for nonoptional EAS.

- (a) Provides that within 30 days after a local community of interest has been demonstrated pursuant to sections 6 and 7, the KCC order the telcos serving the exchanges to provide optional EAS at the rates provided in sections 9 to 11 within 4 months after such order.
- (b) Provides an exception, that optional EAS will not be provided between exchanges otherwise qualifying under section 6, if they had been merged under section 3(a) or the originating exchange had become a 2nd Tier zone under section 3(a) or provided with nonoptional EAS with the terminating exchange under section 4.

Section 6: Existing local communities of interest already qualifying for optional EAS:

Provides that a local community of interest already exists between:

- (a) rural exchanges qualifying for Community Calling Service (CCS), whether or not it has been provided yet;
- (b) rural and metropolitan exchanges, where the rural exchange qualified for CCS with the metropolitan exchange or a zone thereof, whether or not it has been provided yet;

- (c) rural exchanges having nonoptional EAS to a zone of a metropolitan exchange; and
- (d) exchanges which already have optional extended area service.

Section 7: Procedure to establish community of interest to qualify for optional EAS between exchanges where community of interest has not already been demonstrated.

Provides a method of establishing a local community of interest between exchanges where such was not found to already exist pursuant to Section 6 by authorizing the filing of a petition with the KCC seeking optional EAS with another exchange:

- (a) Upon the filing of such petition, the KCC, within 30 days, orders the telco serving the petitioning exchange to conduct a study in its next billing period to determine the number of calls per month made from the petitioning exchange to the requested terminating exchange. A petition seeking optional EAS to a zone of a metropolitan exchange is treated as if it were a request for optional EAS to the entire metropolitan exchange.
- (b) Provides that the results of such study be filed with the KCC within 30 days.
- (c) A local community of interest is conclusively demonstrated if the survey discloses an average of 6 calls per month and at least 2/3 of the subscribers in the petitioning exchange made 2 calls per month to the terminating exchange.
- (d) Requires all calls made by a subscriber on all access lines of such subscriber be totalled together to determine the number of calls made by such subscriber for such study and also requires that customers in the originating exchange with foreign exchange (FX) service to the terminating exchange are presumed to have made 6 calls per month in addition to any calls made on such customers' other access lines.
- (e) Provides that if a local community of interest has not been demonstrated pursuant to the section, that no new petition can be considered for 18 months after the filing of the prior petition.

Section 8: Optional EAS calling scope; method of providing optional EAS; telephone directory listings.

- (a) Provides that the optional EAS established pursuant to section 5 shall be provided between the originating exchange, on the one hand, and all subscribers in the terminating exchange, all subscribers in rural exchanges with which the terminating exchange has or will have nonoptional EAS, and all optional EAS subscribers in rural exchanges with which the terminating exchange has or will have optional EAS (irrespective if any of such subscribers are within Kansas or outside the state).
- (b) Provides that such optional EAS subscribers shall be able to call and be called by all subscribers in other exchanges with whom they have such service, as provided in subsection (a), by the dialing of only 7 digits; that the 3 digit identifying prefix of their telephone number shall be unique and distinct from any other 3 digit prefixes in both such exchange and in the local community of interest.
- (c) Provides that subscribers to optional EAS have 90 days after it is established in their exchange to subscribe without paying a connection charge and that they are to be provided a free white pages directory for the terminating exchange and be listed therein.

Section 9: No surcharge in the terminating exchange; two-year maximum surcharges for optional EAS and additional surcharge for exchanges when not adjacent to terminating exchange; rural and metropolitan differential in surcharges.

- (a) Provides that no surcharge for optional EAS be added to the rates of customers in the terminating exchange.
- (b) Provides for surcharges to be added in the originating exchange for optional EAS, which, for a period of two years after the effective date of this act, shall not exceed the following:
 - (1) Where a terminating rural exchange is involved, per one party access line, per month:

	<u>Residence</u>	<u>Business</u>
For an originating exchange abutting the terminating exchange.	\$ 3.50	\$ 6.90

For each tier of exchanges between the originating exchange and the terminating exchange, an additional

2.00

2.00

- (2) Where a terminating metropolitan exchange is involved, per one party access line, per month:

	<u>Residence</u>	<u>Business</u>
For an originating exchange abutting a zone of the metropolitan exchange.	\$ 6.95	\$13.80

For each tier of exchanges between the originating exchange and a zone of the metropolitan exchange.

4.00

4.00

- (c) In exchanges where optional EAS was provided, the telco serving such exchange shall revise its rates to conform with this section for one party service and if other than one party service was offered, such rates shall be adjusted to maintain the same percentage differentials between such rates.

Section 10: Reduction of optional EAS surcharges based on 50% and 75% subscribership levels.

- (a) Requires quarterly reports to the KCC of the number of subscribers in each exchange with optional EAS.
- (b) Within 30 days after such a report discloses that 50% to 75% of the subscribers take optional EAS in each of the 3 months of the quarter, the surcharges shall be reduced by 25%.
- (c) Within 30 days after such a report discloses that over 75% of the subscribers take optional EAS in each month of the quarter, the surcharges shall be reduced to 50% of the rates then in effect.
- (d) Within 30 days after a report discloses that the percentage of subscribership has fallen below the percentage in subsection (b) or (c) in each month of the quarter, the telco may increase rates back to the appropriate level for such percentage of subscribership.

Section 11: Method of obtaining reductions or increases in optional EAS surcharges after 2 year maximum rate period.

Provides that in any rate proceeding commenced after the 2 year period freezing maximum rates for optional EAS, the KCC may reduce the surcharge further, on a pro rata basis, if such produces more revenues than the system-wide cost for the service or it may permit an increase not to exceed the average percentage increase allowed other rates for local exchange telecommunications service, if the surcharge produces less than its system-wide cost. In determining costs, toll revenues and other revenues lost by the provision of optional EAS are excluded.

Section 12: Separate charges for nonoptional EAS prohibited; nonoptional EAS access lines to be added to exchange access lines to determine exchange's rate group.

Prohibits telcos from making a separate charge for nonoptional EAS and includes nonoptional EAS subscribers which can be reached toll-free along with the subscribers within an exchange when determining any such exchange's appropriate rate group.

Section 13: Interim increase in local rates to recover projected net loss from any action required by act, subject to refund after hearing.

Authorizes an interim increase of a telco's local exchange rates on a pro rata basis, upon satisfactory proof that taking any action required by the act would cause the telco a net revenue loss. However, such increase would be subject to refund of that portion in excess of actual net revenue losses experienced, as found at a hearing to be held between 15 to 18 months after the increase became effective.

Section 14: Procedure for discontinuing EAS.

Provides the method for discontinuing EAS. Requires a petition to be filed, a survey by the telco under KCC supervision and a majority vote of the subscribers in each exchange between which such EAS is sought to be discontinued before it can be discontinued. If such majority is not achieved in each exchange, no new petition to discontinue EAS can be considered for 18 months.

EXCHANGE AUTOMATICALLY QUALIFYING FOR
OPTIONAL EAS UNDER SECTION 6 OF SENATE BILL NO. 374

Rural exchanges with CCS with another rural exchange
- Subsection (a)

Baldwin to Lawrence
Gypsum to Salina
Nickerson to Hutchinson
Partridge to Hutchinson
Reading to Emporia

Rural exchanges with CCS with a metropolitan exchange
- Subsection (b)

Andale to Wichita Metro
Belle Plaine to Wichita Metro
Bucyrus to Kansas City Metro
Cheney to Wichita Metro
Clearwater to Wichita Metro
Conway Springs to Wichita Metro
Delia to Topeka Metro
DeSoto to Kansas City Metro
Douglass to Wichita Metro
Edgerton to Kansas City Metro
Garden Plain to Wichita Metro
Gardner to Kansas City Metro
Hillsdale to Kansas City Metro
Hoyt to Topeka Metro
Leon to Wichita Metro
Linwood to Kansas City Metro
Mayetta to Topeka Metro
Meriden to Topeka Metro
Mount Hope to Wichita Metro
Norwich to Wichita Metro
Potwin to Wichita Metro
Rossville to Topeka Metro
Spring Hill to Kansas City Metro
Towanda to Wichita Metro
Udall to Wichita Metro

Rural exchanges with nonoptional EAS to a zone of a metropolitan
exchange - Subsection (c)

Clinton to Topeka Metro
Lawrence to Topeka Metro
Newton to Wichita Metro

Rural exchanges with optional EAS to a metropolitan exchange
- Subsection (d)

Basehor to Kansas City Metro

ATT. 3
T & U.
3-27-91

KNOWN EXCHANGES WHICH MAY QUALIFY FOR
OPTIONAL EAS UNDER SECTION 7 OF SENATE BILL NO. 374

The number of exchanges which would qualify is unknown at this time. However, due to less stringent qualifying criteria, it is believed that many of the following exchanges, which failed to qualify for CCS, would qualify for Optional EAS by passing the test of an average of 6 calls per month with 2/3 of the customers making at least 2 calls to the requested exchange. They are:

Americus to Emporia	Hesston to Newton
Anthony to Attica	Holton to Topeka Metro
Anthony to Harper	Humboldt to Chanute
Argonia to Wellington	Humboldt to Iola
Argonia to Wichita Metro	Junction City to Manhattan
Arlington to Hutchinson	Lane to Osawatomie
Attica to Anthony	Leonardville to Manhattan
Attica to Harper	Linwood to Lawrence
Baldwin to Eudora	Louisburg to Kansas City Metro
Baldwin to Wellsville	Manhattan to Junction City
Blue Rapids to Marysville	Marysville to Blue Rapids
Bucyrus to Louisburg	Marysville to Waterville
Buhler to Hutchinson	Murdock to Wichita Metro
Burrton to Hutchinson	Olpe to Emporia
Caney to Coffeetown	Oskaloosa to Valley Falls
Cassoday to Wichita Metro	Oskaloosa to Lawrence
Centropolis to Williamsburg	Overbrook to Topeka Metro
Cherokee to Pittsburg	Oxford to Wichita Metro
Cherokee to Girard	Ozawie to Topeka Metro
Cherryvale to Coffeetown	Perry to Topeka Metro
Cherryvale to Independence	Plains to Liberal
Cherryvale to Mound Valley	Potwin to El Dorado
Cherryvale to Altamont	Princeton to Ottawa
Cherryvale to Thayer	Riley to Manhattan
Denison to Holton	Rock to Wichita Metro
Denison to Topeka Metro	Saffordville to Emporia
Denmark to Sylvan Grove	Saffordville to Cottonwood Falls
Denmark to Lincoln	Thayer to Cherryvale
El Dorado to Wichita Metro	Tonganoxie to Kansas City Metro
Fort Riley to Manhattan	Waterville to Marysville
Halstead to Wichita Metro	Wellsville to Baldwin
Harper to Attica	Wellsville to Kansas City Metro
Harper to Anthony	Williamsburg to Ottawa
Haven to Hutchinson	Williamsburg to Centropolis

ZONES AND EXCHANGES WHICH WOULD BE
CONSOLIDATED AND/OR RECLASSIFIED UNDER SECTION 3

Further research would be required to ascertain if there are any exchanges or zones now without central offices within their boundaries. However, from a review of the "Map of the State of Kansas Showing Telephone Exchange Areas" compiled by the Utilities Division of the KCC, it would appear that there may be two zones in the Kansas City Metropolitan Exchange, Melrose and Bethel, and one exchange, Columbus Rural, which do not have central offices within their boundaries.

In the case of Columbus Rural, Section 3(a) would require consolidation of such exchange area with the exchange in which the central office serving such area is located.

In the case of Melrose and Bethel, if research disclosed that indeed they do not have central offices, not only would Section 3(a) require consolidation of such zone areas with the zone in which the central offices serving such areas is located, Section 3(b) would then require a realignment of the zones and exchanges in the Kansas City area, as follows:

If the Bethel Zone has no central office, but instead is provided its telephone service out of the Kansas City Zone, the Bonner Springs Zone would become a 1st Tier Exchange and the Basehor, Leavenworth, Tonganoxie and DeSoto exchanges would become 2nd Tier Zones of the Kansas City Metropolitan Exchange.

If the Melrose Zone has no central office but instead is provided its telephone service out of the Kansas City Zone, the Olathe and Stanley Zones would become 1st Tier Zones and the DeSoto exchange would become a 2nd Tier Zone.

If, however, further research discloses that such zones do have central offices within their boundaries, then there would be no such reclassification of zones and exchanges in the Kansas City, KS area under Section 3(b). The same is true for the Wichita and Topeka Metropolitan Exchanges. If each of the areas classified as a zone in such metropolitan exchanges is indeed a zone with its own central office, then each zone in all three metropolitan exchanges would be in their proper tier classification, i.e., first tier zones adjacent to center zones and second tier zones adjacent to first tier zones.

EXCHANGES WHICH WOULD GET ADDITIONAL
TWO-WAY, NONOPTIONAL EAS UNDER SECTION 4(b)

Subsection (1) - Exchanges having nonoptional EAS to a common exchange but not with each other would get the following nonoptional EAS:

Abilene to Woodbine	Columbus (Rural) to Weir City
Agenda to Munden	Columbus City to McCune
Alta Vista to White City	Columbus (Rural) to Scammon
Alta Vista to Dunlap	Conway Springs to Clearwater
Altoona to Fall River	Conway to Buhler
Altoona to Benedict	Coolidge to Kendall
Altoona to Coyville	Council Grove to Lost Springs
Altoona to La Fontaine	Coyville to Fall River
Argonia to Bluff City	Coyville to Altoona
Athol to Kensington	Coyville to La Fontaine
Atlanta to Cambridge	Coyville to Benedict
Atlanta to Dexter	Crestline to Scammon
Basehor to DeSoto	Crestline to Weir City
Baxter Springs to Galene	Crestline to McCune
Belle Plaine to Geuda Springs	Cuba to Mahaska
Bendena to Highland	Deerfield to Kendall
Bendena to Wathena	Delavan to Lost Springs
Benedict to Fall River	Delavan to Lincolnville
Benedict to La Fontaine	Delavan to Ramona
Benedict to Coyville	Delavan to Dwight
Benedict to Altoona	Delavan to Dunlap
Big Bow to Manter	Delia to Silver Lake
Bluff City to Argonia	Dennison to Hoyt
Bonner Springs to Eudora	Denton to Powhattan
Bonner Springs to Tonganoxie	Denton to Hiawatha
Brazilton to McCune	Denton to Reserve
Brazilton to Farlington	Denton to Robinson
Buckeye to Enterprise	Denton to Morrill
Buckeye to Carlton	Denton to White Cloud
Buckeye to Navarre	Denton to Troy
Buhler to Conway	DeSoto to Lawrence
Cambridge to Dexter	DeSoto to Basehor
Cambridge to Atlanta	Dexter to Atlanta
Carlton to Lincolnville	Dexter to Cambridge
Carlton to Buckeye	Dunlap to Dwight
Carlton to Enterprise	Dunlap to Alta Vista
Carlton to Lost Springs	Dunlap to Wilsey
Carlton to Woodbine	Dunlap to Delavan
Cheney to Goddard	Dunlap to White City
Clearwater to Conway Springs	Dwight to Dunlap
Clinton to Eudora	Dwight to Delavan
Columbus (Rural) to McCune	Easton to Nortonville

Enterprise to Carlton
Enterprise to Navarra
Enterprise to Buckeye
Eudora to Olathe
Eudora to Bonner Springs
Eudora to LeCompton
Eudora to Clinton
Everest to Willis
Everest to Powhattan
Fairview to Powhattan
Fairview to Robinson
Fairview to Highland
Fairview to White Cloud
Fairview to Reserve
Fairview to Morrill
Fall River to Coyville
Fall River to Benedict
Fall River to Altoona
Fall River to La Fontaine
Farlington to McCune
Farlington to Brazilton
Fontana to Osawatomie
Galene to Baxter Springs
Geuda Springs to Belle Plaine
Girard to West Mineral
Goddard to Cheney
Goff to Netawaka
Hallowell to Scammon
Hallowell to Weir City
Hallowell to McCune
Hardtner to Hazelton
Hazelton to Hardtner
Herington to Lincolnville
Hiawatha to Horton
Hiawatha to Troy
Hiawatha to Denton
Highland to Bendena
Highland to Fairview
Hope to Lost Springs
Hope to Lincolnville
Horton to Hiawatha
Horton to Morrill
Horton to Reserve
Horton to White Cloud
Horton to Robinson
Horton to Huron
Hoyt to Dennison
Hugoton to Richfield
Huron to Horton
Inman to Windom
Kendall to Deerfield
Kendall to Coolidge

Kensington to Athol
La Fontaine to Fall River
La Fontaine to Benedict
La Fontaine to Altoona
La Fontaine to Coyville
Lakin to Sycamore
Lawrence to DeSoto
LeCompton to Eudora
Lincolnville to Wilsey
Lincolnville to Delavan
Lincolnville to Herington
Lincolnville to Hope
Lincolnville to Carlton
Logan to Long Island
Long Island to Logan
Lost Springs to Council Grove
Lost Springs to Wilsey
Lost Springs to Delavan
Lost Springs to Woodbine
Lost Springs to White City
Lost Springs to Carlton
Lost Springs to Hope
Mahaska to Cuba
Mahaska to Munden
Manter to Big Bow
McCune to Crestline
McCune to Columbus (Rural)
McCune to Columbus City
McCune to Hallowell
McCune to Brazilton
McCune to Farlington
Milford to Wakefield
Morrill to Troy
Morrill to Denton
Morrill to Horton
Morrill to Fairview
Moscow to Rolla
Munden to Mahaska
Munden to Agenda
Nashville to Sawyer
Navarre to Enterprise
Navarre to Buckeye
Netawaka to Goff
Nortonville to Easton
Olathe to Eudora
Osawatomie to Fontana
Oxford to Riverdale
Paxico to St. George
Penalosa to Spivey
Powhattan to Troy
Powhattan to Denton
Powhattan to Willis

Powhattan to Everest
Powhattan to Fairview
Ramona to Delavan
Ramona to Woodbine
Reserve to Troy
Reserve to Denton
Reserve to Horton
Reserve to Fairview
Richfield to Hugoton
Riverdale to Oxford
Robinson to Troy
Robinson to Denton
Robinson to Horton
Robinson to Fairview
Rolla to Moscow
Satana to Ulysses
Sawyer to Nashville
Scammon to Columbus (Rural)
Scammon to West Mineral
Scammon to Hallowell
Scammon to Crestline
Scammon to Weir City
Silver Lake to Delia
Spivey to Penalosa
St. George to Paxico
Sycamore to Lakin
Tonganoxie to Bonner Springs
Troy to Robinson
Troy to Powhattan
Troy to Hiawatha
Troy to Morrill
Troy to Reserve

Troy to White Cloud
Troy to Denton
Ulysses to Satana
Wakefield to Milford
Wallace to Weskan
Wathena to Bendena
Weir City to Columbus (Rural)
Weir City to West Mineral
Weir City fo Hallowell
Weir City to Crestline
Weir City to Scammon
Weskan to Wallace
West Mineral to Scammon
West Mineral to Weir City
West Mineral to Girard
White Cloud to Troy
White Cloud to Denton
White Cloud to Horton
White City to Lost Springs
White Cloud to Fairview
White City to Alta Vista
White City to Dunlap
Willis to Powhattan
Willis to Everest
Wilsey to Lost Springs
Wilsey to Lincolnville
Wilsey to Dunlap
Windom to Inman
Woodbine to Carlton
Woodbine to Abilene
Woodbine to Lost Springs
Woodbine to Ramona

Subsection (2) - Exchanges having one-way EAS would get two-way nonoptional EAS:

South Haven to Wellington

City of DeSoto

CITY HALL — 33150 W. 83rd. St., P.O. Box C — DeSoto, Kansas 66018

March 22, 1991

I am writing in regards to Southwestern Bell 374 extended area service.

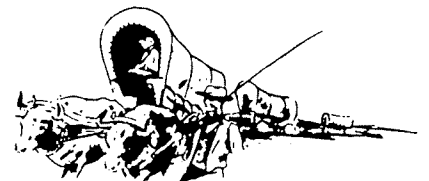
With the passage of this bill, a grave injustice that has been going on in our (my) community for the past 27 years, can be stopped.

DeSoto has been purposely left out of the Kansas City calling area so that Southwestern Bell could generate extra revenues to help subsidize the Kansas City calling area at our expense.

Here are just a few of the basic facts that show why we feel this way:

- 1.) DeSoto is the only community in Johnson County that is served by Southwestern Bell that is not in the metropolitan calling area.
- 2.) For our \$10 base rate, DeSotoans can call approximately 25,000 homes and businesses, while for the same \$10 all the rest of Johnson County can call approximately 600,000 homes and businesses, even though we are all a part of the Kansas City area.
- 3.) There are a number of communities in the metropolitan calling area that are located geographically further away from the center of Kansas City that are now included in the calling area and have been for years.
- 4.) There are twenty cities in Johnson County. Out of those 20 cities, we can only call Olathe toll free. All the other nineteen cities can call each other without a toll fee.

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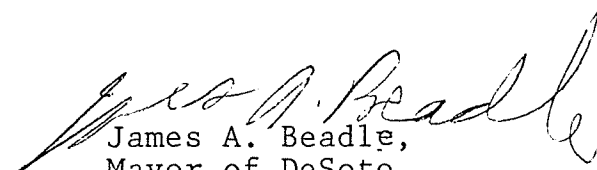
March 22, 1991
page two

- 5.) The City limits of Shawnee and Lenexa are less than a mile from DeSoto but it is a toll call to call any of their city offices or staff.
- 6.) DeSoto citizens paid over \$200,000 in toll calls to the Kansas City metropolitan area in 1990.
- 7.) DeSoto is a vital part of the Kansas City metropolitan area; the calling load is 60% into Kansas City and 40% back into DeSoto from the Kansas City metro area.
- 8.) In the past eighteen years, Southwestern Bell has changed the boundary lines arbitrarily to include previously excluded areas into the Kansas City metropolitan calling area; the most recent being to include all of the exclusive Cedar Creek Development and before that to include all of the Johnson County Industrial Airport, both of which had areas that were not in the Kansas City calling area before.
- 9.) In the last two years, Southwestern Bell has put new exchange numbers into Olathe, previously all toll free, so that it is a toll to call some of Olathe's areas now.

These are just a few of the key points.

We trust that you will see fit to help correct this injustice. We are not asking for a free ride. We are more than happy to pay our share but we would like to be treated as an equal with our other Johnson County counterparts served by Southwestern Bell.

Respectfully Submitted,



James A. Beadle,
Mayor of DeSoto
P.O. Box C
DeSoto, Kansas 66018
913) 585-1182

MEMO

To: Senate Transportation and Utilities Committee

From: Mayor Carol Lehman

Date: March 26, 1991

Re: Senate Bill No. 374

On behalf of the City of Gardner I want to thank the committee for your consideration of Senate Bill 374 concerning telephone service rates in metropolitan areas. This issue is of extreme importance to the future of the City of Gardner and also, I'm sure, for many other small cities that are located in metropolitan areas.

For those of you that are unfamiliar with Gardner, we are a Johnson County community of about 4,800 citizens located along I-35, five miles southwest of Olathe. We have experienced a considerable amount of growth in the last decade and we expect that growth to be even more rapid in the 1990's as development continues along the I-35 corridor. The cities of Overland Park, Lenexa and Olathe experienced tremendous growth in the 70's and 80's and Gardner is the next location for that continued trend down I-35. In fact, the city limits of Olathe and Gardner would now touch each other if the Johnson County Industrial Airport was not located between the two cities. Therefore, we do not consider ourselves a rural community, but rather a thriving suburb of the metropolitan Kansas City area. As such, we feel that the existing telephone service rates discriminate against us, and other similarly located cities. Olathe, Overland Park, and even the Johnson County Industrial Airport, located virtually across the street from Gardner, have toll free calling to Metropolitan Kansas City (both sides of the state line). We are not even asking for toll free calling, but we do feel that an optional plan for telephone service to the metropolitan area should be available to our citizens.

Much of Gardner's residential growth is due to our proximity to Kansas City and the vast majority of our citizens commute to Kansas City to work each day. Most of them also have relatives who live in Kansas City, or in the larger Johnson County cities; but in order to contact their employer, or visit with their family members they must pay a long distance phone rate. The optional rates offered to them by United Telephone systems is only for certain areas on the Kansas side, and is still cost prohibitive for many of our citizens.

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The impact that the existing rates have on Gardner's business community is even more dramatic than the hardships imposed upon our residents. Many businesses (some of whom are represented here this morning) are experiencing monthly phone rates of several hundred dollars per month for what they consider to be "local calls" to the Kansas City area. Their businesses are very dependent upon telephone contacts, so there is no way for them to avoid these expenses. Some businesses have been forced to move from Gardner, or have simply gone out of business because of this one issue.

In addition to the hardships imposed on our existing residents and businesses, the existing telephone rates severely hamper Gardner's ability to attract development. As you know, most of Johnson County's growth is related to the services industry, rather than manufacturing and heavy industry. These service industries are much more dependent upon telephone service to conduct their businesses, and the existing rates make it prohibitive for these types of businesses to locate in Gardner. It is impossible for us to estimate the number of "lost businesses" and the associated economic impact on Gardner because we do not even get to the discussion phase if they are aware of the long distance telephone rates.

Although Gardner's proximity to Kansas City is the reason we have the opportunity for growth, there are some economic drawbacks to being in the metropolitan area. A majority of our citizens do their shopping in Overland Park and Olathe because of the easy access and the variety of retail shops in these areas. This greatly reduces our local sales tax revenues and also discourages some types of businesses from locating in Gardner. Therefore, we are suffering in some ways because of our location, and we feel we are being discriminated against in regards to phone rates by not being considered a part of the metro area. We are not being allowed to compete with Olathe, Overland Park, Lenexa, etc. for development due to the long distance rates, and at the same time we are losing much of the retail sales of our own citizens to these cities. Whenever a survey or poll is taken in Johnson County, Gardner is always included. When speaking of county wide activities, Gardner is always included. We play an active role in the growth of Johnson County, therefore we feel it is only equitable that we should have reasonable phone rates. For instance, as an active member of the Johnson County Council of Mayors, I can only call one out of 21 mayors in Johnson County without it being a toll call.

We are not asking for a "level playing field" with these other cities. As I mentioned, Senate Bill 374 would not give us toll free calling like Olathe and Overland Park have. But, it would provide an option for the citizens and businesses in Gardner who depend so much on this service.

Once again, I want to thank the committee members for this opportunity to speak on behalf of the citizens of Gardner, and I urge you to support Senate Bill 374, to acknowledge the needs of the public in these metropolitan areas, not only for Gardner, but for all areas that are in a similar situation.



GARDNER EDGERTON ANTIOCH

Unified School District No. 231

P.O. Box 97
Gardner, Kansas 66030
Telephone (913) 884-7102
March 25, 1991

Gary R. [redacted] Ed.D.
Superintendent

Tom Trigg, Ed.D.
Asst. Superintendent

Board of Education
Shirley J. Brown
Marcia Gay
Shirley K. Harley
Kurt R. Hoffman
Mayrene Norris
Carl G. Peer
Melvin D. Schasteen

Senator Bill Morris
Room 143-N
State Capitol
Topeka, Kansas 66612

Dear Senator Morris:

We would like to go on record as supporting S.B. 374. We believe this legislation is beneficial to our school district for reasons of growth, equity and in terms of our phone bill.

We have not shared in the significant growth of some of the other metropolitan school districts. We believe some modest growth would help us be more cost effective due to economies of scale. We believe that the 1-plus dialing has been an impediment to growth in our school district. At one point in time it may have been appropriate to exclude Gardner and Edgerton from metropolitan calling. However, that day has long since passed. We are a part of the metropolitan area. Improvements in transportation have brought us into the metropolitan area for all practical purposes. We believe that we are a part of Johnson County, and we ought to be able to call the rest of the metro area without 1-plus dialing. This would give us the same status as most of the rest of the county.

Second, we have had to install two foreign exchange lines directly to Kansas City to handle out-going calls to the metro area. We pay approximately \$436.00 for the lines each month, or \$5,232.00 per year. If the legislature will adopt S.B. 374, we could save literally thousands of dollars which would be used to educate students.

Finally, the elimination of 1-plus dialing would greatly help the parents of our students. Most of our parents work in northeast Johnson County, Kansas City, Kansas or Kansas City, Missouri. When these people are at work and they need to call the school to schedule a conference or check with a teacher about their child's progress, it is a toll call. Because of the toll, some parents do not call. These people who work in the metro area ought to be able to call without a toll charge.

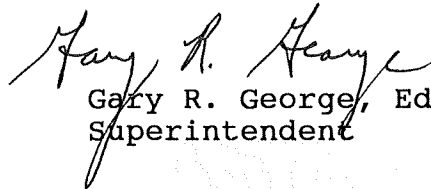
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Senator Bill Morris
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Let me conclude by stating that for reasons of growth, equity with the rest of the county, cost savings to our district and our parents, we support S.B. 374.

We hope you will give the bill careful consideration, and support passage of S.B. 374.

Sincerely,


Gary R. George, Ed.D.
Superintendent

GRG:kj

p.c. Senator Ross Doyen
Senator Bill Brady
Senator LeRoy Hayden
Senator B. D. Kanan
Senator Fred Kerr
Senator Phil Martin
Senator Richard Rock
Senator Don Sallee
Senator Dan Thiessen
Senator Ben Vidricksen

TESTIMONY OF SOUTHWESTERN BELL TELEPHONE COMPANY

KANSAS SENATE BILL 374

My name is Paul D. Shaffer and I am here this morning representing Southwestern Bell Telephone Company. I have been with Southwestern Bell for twenty-five years, in many areas of the business including marketing and regulatory. For the last six years I have been the District Manager-Rates in Kansas. In this capacity I have been responsible for working with the Kansas Corporation Commission (KCC) to develop rate plans for telephone service in Kansas, and I personally worked with the Commission on local calling scope issues. More recently, I helped develop the TeleKansas plan, which is bringing modern telecommunications technology to all Kansans. Having worked through that process and having had the opportunity to listen first hand to Kansas telephone customers at the TeleKansas and other public hearings, I appreciate the opportunity to come before you today to discuss the important issues brought forth in Senate Bill 374. Further, I will explain why Southwestern Bell Telephone Company opposes this bill.

The issues regarding local calling scope addressed in the bill are not new ones. The question of drawing the line between local flat rate calling scopes and long distance calling has been at the center of telephone industry rate making in Kansas since the early 1900's. The problems are both difficult and complex. Each situation presents a unique set of facts and issues which must be investigated. Over the years, the changing of local calling scopes, i.e., the relocation of toll calling boundaries, has been brought about by initiatives of the

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telecommunications industry, the KCC, and the involved communities. Only after deliberate consideration of the specific facts and close examination of the impacts to both customers and telephone companies has the KCC made decisions to change boundaries and expand local calling scopes. The rate structure for local and long distance calling in place today reflects a long evolutionary process through years of regulatory proceedings before the KCC.

As technology improved and communities quickly grew into suburban areas in the 1960's, the demand for expanded local calling increased. A process was put in place by the KCC whereby exchanges could qualify for Extended Area Service (expanded local calling between exchanges) provided a strong community of interest existed between them. In those cases where such a community of interest could be demonstrated, the KCC allowed expansion of local calling. Any toll revenues lost by the telephone companies were recovered through expense savings plus additives paid by the benefiting customers. In this way, the interests of both the customers and the telephone companies were protected.

Requests for expanded local calling have continued to pour in. In 1982, with divestiture from AT&T looming on the horizon, the Kansas Corporation Commission put all requests for EAS on hold, until the full effects of the break up of the Bell System could be determined.

In 1986, after divestiture, the KCC once again took up the issue of what to do about requests for expanded local calling. An Industry Task Force was formed representing all 41 telephone companies in Kansas. I participated on this task force. Technical hearings were

held to determine what services could be provided in the telephone network and at what cost. I observed public hearings held across the state to provide customer input. The Industry Task Force developed a plan based on the information gathered in the hearings and research into what was happening across the nation with EAS.

The result of these two years of hearings, research, and hard work by both the telephone industry and the KCC, was a service called Optional Community Calling Service (OCCS), approved by the KCC in 1988. This service provided savings of 50-75% over regular toll rates for those exchanges showing a strong local community of interest. OCCS was well received by Kansas communities. This plan strikes a reasonable balance between the needs of selected customers, Kansas customers in general, and the telephone companies. Since its inception, 32 communities have qualified for OCCS and there are over 9000 customers subscribing to the plan. A list of communities with Optional Community Calling Service can be found in Attachment 1.

Senate Bill 374 before us today proposes an overly superficial solution to problems that are far too complex to be resolved in this manner. For good reasons, the Legislature years ago established the KCC and delegated to it these types of telecommunications issues to ensure that the interests of all parties are upheld. A staff of accountants, engineers, and economists sees that the information upon which the Commission acts is the best and most accurate available for each unique case.

Together, the KCC and the telecommunications industry have listened to customers and responded fairly. Not only have customers with special

calling requirements received benefits through OCCS, but Southwestern Bell toll rates in Kansas for all customers have been reduced by \$31 million (24%) over the last four years.

Senate Bill 374 would create new local calling scopes for a select group of customers who appear to gain some benefit. The provisions of the bill create over 100 new non-optional EAS routes and over 40 new optional EAS routes mostly around metro areas. A list of potential routes may be found in Attachment 2. Many of these new non-optional EAS routes appear to be between cities or exchanges where there could be little or no interest in expanded local calling. We have estimated that the Southwestern Bell network changes to implement this bill as written could be as much as \$2.2 million. In addition, the bill creates an estimated \$20.5 million dollar revenue loss to Southwestern Bell. That loss must be borne by customers all across the state, according to Section 13 of the bill, by an increase in basic local rates. That is perhaps what is most troublesome about this bill. It purports to "promote equality and cease undue discrimination" in rates. In fact, it appears to favor elimination of toll rates for a small group of customers and increased local rates for other customers who receive no benefit (mostly in rural areas).

The proper way to handle expanded local calling issues in Kansas is case-by-case through the Kansas Corporation Commission hearing process. The Legislature created the KCC and provides it with resources to gather data and review alternatives which benefit all Kansas telecommunications customers. Perhaps the best recent evidence of that is the TeleKansas plan, a long term strategy agreed to by the KCC and Southwestern Bell. TeleKansas has a strong

commitment to economic development, network modernization, and other benefits in which all Kansans may share with no increase in local rates. Under TeleKansas, Southwestern Bell has made a capital investment commitment of \$160 million while reducing rates by over \$21 million. The largest portion of the \$21 million rate reduction went toward statewide toll rate reductions so that customers in all communities could benefit.

Southwestern Bell Telephone Company has worked closely with the KCC in the past and pledges to continue to work together in the future to develop telephone rate plans that are fair to all Kansans. I thank you for the opportunity to visit with you on this issue of importance to all of us.

SENATE BILL 374

CURRENT OCCS ROUTES

Andale to Wichita
Baldwin to Lawrence
Belle Plaine to Wichita
Bucyrus to Kansas City
Cheney to Wichita
Clearwater to Wichita
Conway Springs to Wichita
Delia to Topeka
DeSoto to Kansas City
Douglass to Wichita
Edgerton to Kansas City
Garden Plain to Wichita
Gardner to Kansas City
Gypsum to Salina
Hartford to Emporia
Hillsdale to Kansas City
Hoyt to Topeka
Leon to Wichita
Linwood to Kansas City
Mayetta to Topeka
Meriden to Topeka
Mount Hope to Wichita
Nickerson to Hutchinson
Norwich to Wichita
Partridge to Hutchinson
Potwin to Wichita
Reading to Emporia
Riverdale to Wichita
Rossville to Topeka
Spring Hill to Kansas City
Towanda to Wichita
Udall to Wichita

SENATE BILL 374

SECTION I: NEW RURAL NON-OPTIONAL EAS ROUTESNEW BELL/BELL EAS ROUTES (EXCHANGE IN COMMON) *

Basehor to Desoto (Bonner Springs Zone)	Cheney to Goddard Zone (Garden Plain)
Tonganoxie to Bonner Springs Zone (Basehor)	Clinton to Eudora (Lawrence)
Bonner Springs Zone to Eudora (DeSoto)	Lecompton Zone to Eudora (Lawrence)
Olathe to Eudora (DeSoto)	Lawrence to DeSoto (Eudora)

NEW BELL/ILEC EAS ROUTES (EXCHANGE IN COMMON) *

Carlton to Enterprise (Abilene)	Abilene to Lost Springs (Carlton)
Buckeye to Enterprise (Abilene)	Abilene to Woodbine (Navarre)
Enterprise to Navarre (Abilene)	Lincolville to Herington (Lost Springs)
Abilene to Hope (Navarre)	Delavan to Herington (Lost Springs)

NEW ILEC/ILEC EAS ROUTES (EXCHANGE IN COMMON) *

Buckeye to Carlton (Abilene)	Delavan to Ramona (Lost Springs)
Woodbine to Lost Springs (Herington)	Lincolville to Delavan (Lost Springs)
Hope to Lost Springs (Herington)	Lost Springs to White City (Delavan)
Fontana to Osawatimie (Paola)	Lincolville to Wilsey (Lost Springs)
Coolidge to Kendall (Syracuse)	Delavan to Dwight (White City)
Syracuse to Lakin (Kendall)	White City to Alta Vista (Dwight)
Deerfield to Kendall (Lakin)	Dwight to Wilsey (White City)
Ulysses to Satanta (Ryus)	Dunlap to White City (Council Grove)
Manter to Big Bow (Johnson)	Dunlap to Dwight (Council Grove)
Richfield to Hugoton (Rolla)	Alta Vista to Dunlap (Council Grove)
Rolla to Moscow (Hugoton)	Wilsey to Dunlap (Council Grove)
Woodruff to Prairie View (Long Island)	Delavan to Wilsey (Council Grove)
Logan to Long Island (Prairie View)	Ramona to Lincolville (Ramona)
Munden to Mahaska (Narka)	St. George to Paxico (Wamego)
Cuba to Mahaska (Narka)	Delia to Silver Lake (Rossville)
Agenda to Narka (Cuba)	Hoyt to Denison (Mayetta)
Munden to Agenda (Cuba)	Goff to Netawaka (Wetmore)
Riley to Ft. Riley (Leonardville)	Nortonville to Easton (Winchester)
Leonardville to Wakefield (Ft. Riley)	Powhattan to Fairview (Hiawatha)
Junction City to Leonardville (Ft. Riley)	Morrill to Fairview (Hiawatha)
Milford to Leonardville (Ft. Riley)	Hiawatha to Reserve (Robinson)
Morrill to Reserve (Robinson)	Robinson to Willis (Hiawatha)
Powhattan to Reserve (Robinson)	Fairview to Willis (Hiawatha)
White Cloud to Reserve (Robinson)	Horton to Hiawatha (Willis)
Highland to Reserve (Robinson)	White Cloud to Willis (Hiawatha)
Willis to Highland (Hiawatha)	Powhattan to Willis (Hiawatha)

* All new routes in Section I were created by Section 4 of the bill. 100% of the toll revenue generated on these routes will be lost.

SENATE BILL 374

Morrill to Willis (Hiawatha)
Horton to Huron (Horton)
Horton to Highland (Powhattan)
Horton to Robinson (Powhattan)
Denton to Troy (Highland)
Highland to Robinson (White Cloud)
Troy to Hiawatha (Highland)
Bendena to Wathena (Troy)
Troy to Morrill (Highland)
Denton to White Cloud (Highland)
Denton to Powhattan (Highland)
Denton to Fairview (Highland)
McCune to Brazilton (Girard)
Girard to West Mineral (McCune)
McCune to West Mineral (West Mineral)
McCune to Crestline (West Mineral)
Weir to Hallowell (Columbus)
Altoona to Benedict (Fredonia)
Altoona to Fall River (Fredonia)
Benedict to LaFontaine (Fredonia)
Benedict to Coyville (Fredonia)
Coyville to LaFontaine (Fredonia)
Atlanta to Cambridge (Burden)
Cambridge to Dexter (Burden)
Geuda Springs to Belle Plaine (Oxford)
Hardtner to Hazelton (Kiowa)
Buhler to Conway (Inman)

Willis to Everest (Horton)
Horton to Morrill (Powhattan)
Horton to White Cloud (Powhattan)
Highland to Bendena (Troy)
Troy to Powhattan (Highland)
Troy to White Cloud (Highland)
Highland to Wathena (Troy)
Troy to Robinson (Highland)
Denton to Robinson (Highland)
Denton to Hiawatha (Highland)
Denton to Morrill (Highland)
Farlington to Brazilton (Girard)
McCune to Farlington (Girard)
Hallowell to McCune (West Mineral)
McCune to Columbus (West Mineral)
Weir to Crestline (Columbus)
Galena to Baxter Springs (Riverton)
Altoona to Coyville (Fredonia)
Altoona to LaFontaine (Fredonia)
Benedict to Fall River (Fredonia)
Coyville to Fall River (Fredonia)
Fall River to LaFontaine (Fredonia)
Atlanta to Dexter (Burden)
Riverdale to Oxford (Belle Plaine)
Bluff City to Argonia (Freeport)
Sawyer to Nashville (Isabel)
Buhler to Windom (Inman)

* All new routes in Section I were created by Section 4 of the bill. 100% of the toll revenue generated on these routes will be lost.

SECTION II: NEW RURAL OPTIONAL EAS ROUTES

Could meet the criteria today:

BELL TO BELL

- Nickerson - Hutchinson (Sect. 6a)
- Hartford - Emporia (Sect. 6a)
- Reading - Emporia (Sect. 6a)
- Gypsum - Salina (Sect. 6a)
- Williamsburg - Ottawa (Sect. 7)
- Plains - Liberal (Sect. 7)
- Cherryvale - Independence (Sect. 7)
- Humboldt - Iola (Sect. 7)

ILEC TO BELL

- Americus - Emporia (Sect. 7)
- Buhler - Hutchinson (Sect. 7)
- Partridge - Hutchinson (Sect. 6a)
- Baldwin - Lawrence (Sect. 6a)

ILEC TO ILEC

- Denison - Holton (Sect. 7)
- Lane - Osawatomie (Sect. 7)

Forecasted to be able to meet the criteria under Section 7:

BELL TO ILEC

- Argonia to Wellington
- Cherokee to Pittsburg
- Munden to Belleville
- Olpe to Emporia
- Potwin to Eldorado
- Princeton to Ottawa
- Riverdale to Wellington

ILEC TO ILEC

- Cherokee to Girard

SECTION III: NEW METRO OPTIONAL EAS

Could meet the criteria today:

KANSAS CITY - BELL

- DeSoto (Sect. 6b)
- Tonganoxie (Sect. 7)
- Basehor (Sect. 6d)

KANSAS CITY - ILEC

- Bucyrus (Sect. 6b)
- Edgerton (Sect. 6b)
- Hillsdale (Sect. 6b)
- Wellsville (Sect. 7)
- Linwood (Sect. 6b)
- Gardner (Sect. 6b)
- Spring Hill (Sect. 6b)

SECTION III: NEW METRO OPTIONAL EAS

Could meet the criteria today:

TOPEKA - BELL

- None

TOPEKA - ILEC

- Overbrook (Sect. 7) - Mayetta (Sect. 6b)
- Delia (Sect. 6b)

WICHITA - BELL

- Andale (Sect. 6b) - Mt. Hope (Sect. 6b)
- Cheney (Sect. 6b) - Towanda (Sect. 6b)
- Douglass (Sect. 6b) - El Dorado (Sect. 7)
- Garden Plain (Sect. 6b) - Halstead (Sect. 7)
- Leon (Sect. 6b) - Newton (Sect. 7)

WICHITA - ILEC

- Norwich (Sect. 6b) - Potwin (Sect. 6b)
- Conway Springs (Sect. 6b) - Udall (Sect. 6b)

Forecasted to be able to meet the criteria under Section 7:

KANSAS CITY - BELL

- Leavenworth

KANSAS CITY - ILEC

- Louisburg

TOPEKA - ILEC

- St. Marys - Oskaloosa
- Paxico - Ozawkie
- Eskridge - Valley Falls
- Harveyville - Denison
- Burlingame - Holton
- Scranton - Circleville

WICHITA - BELL

- Peabody

SECTION III: NEW METRO OPTIONAL EAS

Could meet the criteria today:

- Cassoday
 - Oxford
- WICHITA - ILEC
- Rock
- Mayfield

SECTION IV: NEW TIER II ZONES IN METROS (SECTION 3b)*

- None
- KANSAS CITY - BELL

- None
- KANSAS CITY - ILEC

- None
- TOPEKA - BELL

- Rossville
 - Silver Lake
 - Hoyt
- TOPEKA - ILEC
- Meriden
- Perry

- None
- WICHITA - BELL

- Clearwater
 - Riverdale
 - Belle Plaine
- WICHITA - ILEC

* This listing assumes that ILEC exchanges bordering the first tier of an SWBT metro exchange will become Tier II zones of that metro area.

TESTIMONY OF

DONALD J. EDWARDS
BUSINESS RELATIONS MANAGER
UNITED TELEPHONE COMPANIES OF KANSAS

March 27, 1991

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T&U
3-27-91

Good morning, Mr. Chairman and members of this committee. My name is Don Edwards. I am the Business Relations Manager for the United Telephone Companies in Kansas. The four United Companies in Kansas: United Telephone Company of Eastern Kansas, United Telephone Company of South Central Kansas, United Telephone Company of Southeast Kansas, and United Telephone Company of Kansas, serve approximately 124,000 access lines.

The United Telephone Companies in Kansas are here this morning to oppose Senate Bill 374. We have a number of reasons for doing so.

First, Senate Bill 374 attempts unnecessarily to limit the authority of the Kansas Corporation Commission ("KCC"). The legislature has given the KCC full power to regulate all aspects of the provision of telecommunications public utility service in Kansas. Senate Bill 374 would carve out a portion of that regulatory authority and place it with the legislature. Such a result would be completely at odds with the very reason for creating the KCC: to regulate telecommunications and other public utilities through an agency exercising the power given it by the legislature.

Second, the KCC has recently addressed many of the issues found in Senate Bill 374. Despite suggestions to the contrary by proponents of Senate Bill 374, the KCC's optional calling service program, adopted in October, 1988, has served Kansas well. That program, developed by a telecommunications industry task force under KCC direction and with KCC Staff input, was carefully scrutinized by the KCC before adoption.

United's third area of concern is Senate Bill 374's indifference to the lost revenues and increased costs telephone companies would face under its provisions. If Senate Bill 374 were adopted, telephone companies such as United would lose significant amounts of toll and access revenue that would not be offset by the charges for the services contemplated by Senate Bill 374. Those revenues contribute to keeping local telephone service affordable for all Kansans -- not just those who could benefit from Senate Bill 374's provisions.

Further, the costs of implementing Senate Bill 374 would be significant. In United's case, sufficient facilities to serve the numerous new routes that would be required simply do not exist. Those increased costs would need to be recovered, which would put upward pressure on Kansans' local service rates. Senate Bill 374 would also necessarily cause a decrease in the relative number of toll call minutes as compared to local call minutes. This increase in the relative number of local call minutes, coupled with the stimulation in such calling that would be brought about by Senate Bill 374's plan, would cause a shift in telephone company costs to the local jurisdiction. That cost shift would also put upward pressure on the local rates of all Kansans.

The fourth and final concern United would like to raise is with the "surcharges" placed in Senate Bill 374. United has not analyzed those rates, but as all persons familiar with utility ratemaking will attest, ratemaking is a difficult, painstaking process. There is simply nothing in Senate Bill 374 that explains how its rates were developed or why they are appropriate. Moreover, Senate Bill 374's procedures for "adjusting" those rates, even if effective, would result in an enormous and unnecessary burden on the KCC.

In conclusion, United opposes Senate Bill 374. Any suggestion that the KCC has ignored some ill-defined problem in this area is unfounded. The KCC has carefully addressed the issues Senate Bill 374 attempts to address. There are always some citizens that benefit less than others from any regulatory solution. But Senate Bill 374, far from solving a problem, would lead to higher local service rates for many more Kansans.

Mr. Chairman, members of the committee, thank you for the opportunity to appear before you this morning. I will be happy to try to answer any questions you may have.



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Testimony before the
Senate Committee on Transportation and Utilities

SB 374

March 27, 1991

Mr. Chairman, members of the committee, I am Rob Hodges, President of the Kansas Telecommunications Association. Our membership is made up of 27 telephone operating companies plus other firms and individuals who provide service to and support for the telecommunications industry in Kansas.

As we interpret the provisions of SB 374, KTA member telephone companies have these general comments to make regarding the proposal:

- 1) SB 374 would make a substantial change in the regulatory environment for telecommunications in Kansas by limiting both the authority and responsibility of the Kansas Corporation Commission (KCC).

Currently, the KCC has authority to oversee all aspects of a telephone company's business. This bill would remove a portion of that oversight authority. Certain geographic areas would receive specific service options regardless of the effects of changing from the current procedure. Today, the KCC considers such effects before approving similar service options.

Additionally, the KCC's responsibility for watching over a company's revenue stream would be limited by the proposal's mandates. Only rates that fall under a certain ceiling amount could be charged for providing certain services. Lost revenue could not be taken into account, except in a manner that would "socialize" the cost of the service among all ratepayers. The costs for providing a mandated service in one corner of a company's service area would be spread over the entire service area, regardless of how widely the service itself was used.

- 2) Notwithstanding the KCC's changed responsibilities, the proposal could lead to higher local telephone service rates. Telephone companies get revenue from charging customers for local service and from access charges and toll revenues for long distance calls. When some long distance calls become part of local service, local service

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rates will have to increase to cover the lost revenue. Through higher rates for local service, customers who never make a call using "extended area service" will help pay the bill for customers who do make those calls.

Mr Chairman, members of the committee, the changes envisioned in SB 374 are so wide ranging that many of our members have not yet analyzed their impact. Our concerns to date are general in nature because of the complexity of that analysis. We encourage the committee to reject SB 374 at this time. Future consideration should come only after the legislature has completed a thorough study, carefully weighed the advice of the Kansas Corporation Commission and other professionals, and determined that legislators should withdraw utility oversight responsibility from the KCC and place it in the legislative arena.

Thank you for your time, I will attempt to answer your questions.

TESTIMONY
Senate Transportation and Utilities Committee
S.B. 374
Wednesday, March 27, 1991

Good morning, Mr. Chairman and members of the committee.

My name is Karen J. Matson. I am Managing Communications Analyst with the KCC and have dealt extensively with extended area service issues during my five and one half years at the Commission. I testified as the witness for staff in the 1986 hearings during which the Commission examined the possibilities of reintroducing Extended Area Service. I also participated as a member of the industry group established by the Commission to examine alternatives to traditional EAS. I am here today to express to you concerns of the Commission regarding this bill and to stand for questions which you may have.

- * Our primary concern is that this bill may create an industry-wide revenue shift to the local jurisdiction. This bill requires the shortfall in a company's revenue requirement be fulfilled via local telephone rates, even though the company's shortfall may occur because of lost access revenues, which at this time is outside the local jurisdiction. All customers' local rates may be increased as a result of this bill.

- * The amount of staffing at the Commission would need to be increased substantially to handle the rate cases which may result from implementation of this bill. At this time, 30 companies are involved in providing either EAS or the Optional Calling Plans. Our current staffing levels would be inadequate to handle this number of rate cases.

- * Customers who do not or cannot use the plans will pick up the cost of providing them to others because rates generally may increase. Just as exchanges today desire the Optional Community Calling plans but fail to qualify, so may exchanges desire the new Optional EAS plan but be unable to qualify because they fail to meet the criteria. However with the new EAS plan, these non-qualifying customers may still see local rate increases caused by the revenue loss and expense attributed to exchanges which do qualify.

- * The new Optional EAS plan is structured similar to the Missouri Community Optional Service (COS) plan adopted in December, 1989, and implemented in October, 1990. The KCC staff understands the COS plan was suspended almost immediately after implementation because of the adverse affect on local rates for all Missouri customers. A Missouri Governor's task force is now studying alternatives to COS.
- * There is some concern the NXX numbering specified in the bill cannot be technically implemented. There is a nation-wide shortage of area codes and NXXs. There may not be enough available NXXs to handle this plan.
- * The rate freeze set for in the TeleKansas Docket which granted Southwestern Bell flexibility in pricing certain services in exchange for a network modernization and freeze in local rates may be jeopardized. This may throw Southwestern Bell into a traditional rate case, which because of the modernization already completed, may swing even greater amounts of revenue recovery to the local jurisdiction, increasing local rates an even greater amount.