

Approved: March 28, 1996
date

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 1:30 p.m. on March 25, 1996 in Room 313-S of the Capitol.

Members present: Senators Salisbury, Burke, Downey, Feleciano, Gooch, Harris, Hensley, Jordan, Petty, Ranson, Reynolds, Steffes and Vidricksen.

Committee staff present: Lynne Holt, Legislative Research Department
Bob Nugent, Revisor of Statutes
Betty Bomar, Committee Secretary

Conferees appearing before the committee:

Representative Doug Lawrence
Carol Swinney, USD #210, Hugoton
Jane Hatch, SW Kansas Library System, Dodge City
Mark Bannister, Docking Institute, Ft. Hayes State University, Hays
Duane Dyer, Executive Director, Galichia Research Institute, Wichita
Stuart Meador, Lutheran Health Systems, St. Lukes Hospital, Marion
Bea Bacon, Olathe
Janet J. Kruh, State Legislative Committee, AARP, Manhattan
Brian Lippold, Multimedia Hyperion, Wichita
Debbie Snow, Communications Workers of America, Local 6401, Topeka
Mike Burrus, President, Mutlimedia Cablevision, Wichita
Michael Ensrud, CompTel-Kansas and, Emporia
Kendall S. Mikesell, Southern Kansas Telephone Company, Clearwater
Richard Veach, General Manager, Pioneer Telephone Company, Ulysses

Others attending: See attached list

SubHB 2728 - Concerning telecommunications services

Representative Doug Lawrence, Chairman of the House Select Committee on Telecommunications, briefed the Committee on SubHB 2728. Rep. Lawrence stated the need for telecommunications legislation is due to the need for predictability for companies to make decisions in the wake of the Federal Telecommunications Act which leaves many areas of regulations to states. Rep. Lawrence submitted a "balloon" with certain proposed amendments particularly, regarding "universal service" and the establishment of a process to adjust the rate rebalancing. (Attachment 1) Rep. Lawrence submitted portions of the federal act to demonstrate conformance of rural entry as provided for in SubHB 2728. (Attachment 2)

The following persons appeared as Proponents of Sub HB 2728:

Carol J. Swinney, Teacher, Hugoton High School, Hugoton (Attachment 3)

Jan Hatch, Director, Dodge City Public Library and Southwest Kansas Library System. (Attachment 4)

Mark Bannister, Director, Docking Institute of Public Affairs, Ft. Hays State University. Mr. Bannister stated the most important piece of the telecommunications regulatory system is "universal service". Mr. Bannister stated there were certain areas in SubHB 2728 that need improvement. He suggested on Page 3 subsection (q), that "basic" be defined as 384 kbps and "rime" be defined as 1.5 mbps. This proposed amendment is the standard some phone companies have already adopted and codifies a uniform standard. Subsection (q) should further guarantee every county access to fiber interconnectivity; and "broadband

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m. on March 25, 1996.

service" should require multi-point conferencing with 45 mbps digital switching services. (Attachment 5)

Duane Dyer, Executive Director, Galichia Research Institute, Wichita. (Attachment 6)

Stuart A. Meador, Information services Coordinator, St. Luke Hospital & Living Center, Marion. (Attachment 7).

Bea Bacon, Volunteer Aging Advocate, Olathe. (Attachment 8)

Debbie Snow, Communications Workers of America, Local #6401, Topeka. (Attachment 9)

Kendall S. Mikesell, Southern Kansas Telephone Company, Clearwater. (Attachment 10)

Richard Veach, General Manager, Pioneer Telephone, Ulysses. (Attachment 11)

Persons appearing in Opposition to SubHB 2728:

Jan Kruh, Vice Chair, State Legislative Committee, AARP of Kansas. Ms. Kruh stated AARP's opposition is that flexible pricing will negatively impact working families and the elderly of the state. (Attachment 12)

Brian Lippold, General Manager, Multimedia Hyperion Telecommunications, Wichita. Mr. Lippold's opposition is regarding the anti-competitive aspects of the bill.

Mr. Lippold proposed to amend SubHB 2728, Page 8, Line 34, before the word "hospital" by inserting the word "*rural* ", striking as defined in K.S.A. 65-425, and amendments thereto; (The stricken language, if allowed to remain, will allow Southwestern Bell to construct identical facilities at the expense of ratepayers and potentially strand the investment of Multimedia Hyperion)

Page 9, Line 20, by inserting: "Unbundled local loop and switching facility charges equal to those paid by telecommunications carriers to local exchange carriers shall be imputed as part of the price floor for local telephone services offered by local exchange carriers on a total local service basis". (protects from unfair pricing practices by local exchange carriers)

Page 9, Line 20, following the word "cap" by striking the following: "~~not otherwise reflected in existing tariff rates or rate charges shall be presumed lawful and shall become effective upon seven days' notice, or such shorter time as the commission shall approve, if the tariff applicant has a good faith basis to believe the price reduction is necessary to meet the price offered by an alternate provider to the customer, or in the area for which the new price applies. Any other downward adjustment in rates or rate ranges for an individual service or for services to individual customers shall be effective upon 14 days' notice, or such shorter time as the commission shall approve, and shall not be suspended for more than 90 days pending any final order of the commission~~" and add the following: "*must be approved by the commission. The commission, as directed in Senate Concurrent Resolution No. 1627, shall continue to investigate the level of competition for each regulated or flexibly regulated telecommunications service under its jurisdiction. In addition the commission should:*

- i) periodically assess the level of competition of such services and emerging services with the intent of encouraging development of effective competition for telecommunications services where feasible, including the removal of barriers to entry;*
- ii) establish a classification system for telecommunications services based on the degree of competition faced by the providers of the particular service;*
- iii) establish standards and procedures by which the rates, terms and condition of telecommunications services are regulated in accordance with their classification as in clause (ii) above; and*
- iv) ensure that regulated services will not subsidize competitive or unregulated services."*

(The stricken language gives local exchange carriers too much flexibility . A more balanced approach would be to incorporate the language from SCR 1627).

Page 10, Strike subsection (g) in its entirety.

Page 10 and Page 11, Strike subsection (h) in its entirety.

Page 11, Line 7, following the word "all" strike ~~such price deregulated~~; line 8 following the word "statewide" strike the remainder of the sentence and insert "*and all local exchange services be averaged based upon exchange density as approved by the commission*". (The stricken language is more appropriately addressed in SCR 1627.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m. on March 25, 1996.

Page 14, Line 35 - Subsection (3) should be stricken. (Any reference to recovering funds due to natural disasters should be removed from bill. That is what insurance is for.) (Attachment 13)

Michael C. Burrus, President, Multimedia Cablevision, Inc., Wichita. Mr. Burrus stated SubHB 2728 overwhelmingly favors the local telephone companies. Allowing local exchange carriers pricing flexibility within their service baskets would make it impossible to project that sufficient market demand can be created in order for an alternative service to survive. (Attachment 14)

Michael Ensrud, CompTel-Kansas, Emporia. Mr. Ensrud opposes SubHB 2728 for the following: 1) the bill conflicts with the existing Federal act; 2) it is premature due to the Federal rulemaking has yet to commence; 3) it is adverse to the interest of the consumer; 4) it is unfair to emerging competitors; and 5) it strips the Kansas Corporation Commission of its responsibility. (Attachment 15)

Upon motion of Senator Ranson, seconded by Senator Burke, the Minutes of March 23, 1996 meeting were unanimously approved.

Senator Downey requested conferees rank the following components of SubHB 2728 in order of importance: universal service, infrastructure and competition.

Senator Feleciano requested conferees answer questions as to the proper roles of the Legislature and the Kansas Corporation Commission; and why is the legislation needed and what would happen if legislation were not enacted.

The Chair stated the following written testimony in support of SubHB 2728 should be entered into the minutes:

Letter from Bill Peterson, Abilene. (Attachment 16)

Letter from C. Clyde Jones, Manhattan. (Attachment 17)

Letter from DeVere Brage, President Labette Chapter AARP, Parsons. (Attachment 18)

Letter from Joe Birmingham, Ed.D., President Labette Community College, Parson. (Attachment 19)

Letter from Max V. Snodgrass, Iola. (Attachment 20)

Testimony from Clarence C. Arndt, Advocate for the Aging, Overland Park. (Attachment 21)

The Committee adjourned at 4:45 p.m.

The next meeting is scheduled for March 26, 1996.

SENATE COMMERCE COMMITTEE GUEST LIST

DATE: 3/25/95

NAME	REPRESENTING
Bill Roche	Sprint
Howard Martin	St Luke Hosp. Marion, Ka.
David Bruntz	KCC
Drew Dyer	GAUCHIA RESEARCH INSTITUTE
Mike Reelt	ATT
Leva Powers	MCI
STEVE KEARNEY	KINI L.C.
Jay Scott Emler	KINI L.C.
Fawn Romig	KINI L.C.
CARA WALKER	KINI L.C.
Debra Schmidt	KINI L.C.
Mark Bannister	WKEDA
Joseph A. Aistrup	Docking Institute.
Heineman	KCC
JEFF ROSSILL	SPRINT
Kay Kayser	Guest visiting from Colorado

SENATE COMMERCE COMMITTEE GUEST LIST

DATE: _____

NAME	REPRESENTING
John Miles	KCC
DAVID B SCHLOSSER	Pete McGill & Assoc.
Juli Hein	Hein, Ebert & Witt
Ron Hein	Classic Communications
Mike Burrus	Multimedia
Bob Hubbell	SAB
Don Imus	KHIP Radio
Tom Young	AARP
Debbie Snow	CWA
Penny Koch	SW Bell
George Barbee	RTMC
CARL KREHBIEL	MOUNDRIDGE TELEPHONE CO.
KENDALL MIKEBELL	SOUTHERN KANSAS TELEPHONE
RICHARD VEXCH	PIONEER TELEPHONE
Carol Downing	USD 210 - Hugoton
Jane Hatch	Southwest Ks. Library System
Dan Krueh	AARP - SLC
Patrick D'Urley	AT&T
Debra Peterson	Sprint

LAWRENCE

Substitute for HOUSE BILL No. 2728

By Select Committee on Telecommunications

3-15

10 AN ACT concerning telecommunications services: amending K.S.A. 66-
11 1,187 and K.S.A. 1995 Supp. 75-4709 and repealing the existing
12 sections.

13
14 *Be it enacted by the Legislature of the State of Kansas:*

15 New Section 1. It is hereby declared to be the public policy of the
16 state to:

17 (a) Ensure that every Kansan will have access to a first class telecom-
18 munications infrastructure that provides excellent services at an afford-
19 able price;

20 (b) ensure that consumers throughout the state realize the benefits
21 of competition through increased services and improved telecommuni-
22 cations facilities and infrastructure at reduced rates;

23 (c) promote consumer access to a full range of telecommunications
24 services, including advanced telecommunications services that are com-
25 parable in urban and rural areas throughout the state;

26 (d) advance the development of a statewide telecommunications in-
27 frastructure that is capable of supporting applications, such as public
28 safety, telemedicine, services for persons with special needs, distance
29 learning, public library services, access to internet providers and others;
30 and

31 (e) protect consumers of telecommunications services from fraudu-
32 lent business practices and practices that are inconsistent with the public
33 interest, convenience and necessity.

34 Sec. 2. K.S.A. 66-1,187 is hereby amended to read as follows: 66-
35 1,187. As used in this act:

36 (a) "Broadband" means the transmission of digital signals at rates
37 equal to or greater than 1.5 megabits per second.

38 (b) "CLASS services" means custom local area signaling services,
39 which include automatic callback, automatic recall, calling number iden-
40 tification, selective call rejection, selective call acceptance, selective call
41 forwarding, distinctive ringing and customer originated trace.

42 (c) "Commission" means the state corporation commission.

43 (d) "Dialing parity" means that a person that is not an affiliate of a

Senate Committee
March 25, 1996
Attachment 1 thru 1-9

1 agreements or a statement of terms and conditions generally available to
2 telecommunications carriers.

3 (c) To encourage telecommunications carriers to build or install tel-
4 ecommunications facilities, including, but not limited to, local loop and
5 switching facilities in the state, and except as otherwise negotiated by a
6 local exchange carrier and a telecommunications carrier, the prices for
7 such unbundled facilities shall recover the actual costs, including an ap-
8 propriate allocation of joint and common costs and a reasonable profit
9 [be determined by the commission, on a nondiscriminatory basis,
10 to permit the recovery of actual costs and a reasonable profit]; the
11 discount for resale of any existing retail telecommunications services pro-
12 vided by local exchange carriers shall not exceed 10% unless the com-
13 mission finds that there is clear and convincing evidence that the avoided
14 costs are greater than 10% [commission shall determine wholesale
15 rates] charged subscribers for the telecommunications service re-
16 quested, excluding costs that will be avoided by the local exchange
17 carrier]; and the commission shall approve resale restrictions proposed
18 by any local exchange carrier which prohibit resellers from purchasing
19 retail telecommunications services offered by that local exchange carrier
20 to one category of customers and reselling those retail services to a dif-
21 ferent category of customers, or from purchasing retail telecommunica-
22 tions services and aggregating the usage of multiple customers on those
23 resold services, [or upon a finding that such practice would be an-
24 ticompetitive, anticonsumer or detrimental to the quality of the
25 network infrastructure, the commission may prohibit the resale of
26 retail services at a rate lower than the purchased discount rate] or
27 any other reasonable limitation on resale to the extent permitted by the
28 federal act.

on the basis of retail rates

the portion thereof attributable to any
marketing, billing, collection, and other

29 (d) As provided in the federal act, in order for telecommunications
30 carriers to provide local exchange service and exchange access service,
31 local exchange carriers shall provide the means to interconnect their re-
32 spective customers, including, but not limited to, toll access, access to
33 operator services, access to directory listings and assistance, and access to
34 911 service.

35 (e) Telecommunications carriers, including, but not limited to, cable
36 television companies that directly or indirectly through affiliated enter-
37 prises provide local exchange or exchange access service, shall provide
38 local exchange carriers corresponding interconnection: resale of their ex-
39 isting telecommunications services and unbundled access to their facilities
40 on the same terms and conditions as are required of the local exchange
41 carriers.

42 (f) [(e)] Customers shall be accorded number portability and local
43 dialing parity in conformance with national standards to the extent eco-

1

Price cap plans shall include initial prices which are the then existing prices.



1 The commission may reduce prices charged for services outlined in provisions (1) and (2) of this subsection, if the commitments of the local exchange carrier set forth in those provisions are not being kept.

2
3
4 (c) For regulatory reform plans in which price cap regulation has
5 been elected, price cap plans shall have three baskets: Residential and
6 single-line business, including touch-tone; switched access; and miscel-
7 laneous services.

8 (d) A price cap is a maximum price for all services taken as a whole
9 in a given basket. ~~After the initial three years of rate rebalancing, and~~
10 ~~except for any subsequent authorized rate rebalancing,~~ no adjustment to
11 an individual service price within the residential and single-line business
12 service basket shall increase more than the consumer price index. Prices
13 for individual services and for services to individual customers may be
14 reduced within a basket. An entire basket, if desired by the local exchange
15 carrier, may be priced below the cap. No service shall be priced below
16 long-run incremental cost which shall serve as a price floor. Access
17 charges equal to those paid by telecommunications carriers to local
18 exchange carriers shall be imputed as part of the price floor for toll serv-
19 ices offered by such local exchange carriers on a total toll service basis.
20 Any downward adjustment in the price of services within a price cap not
21 otherwise reflected in existing tariff rates or rate charges shall be pre-
22 sumed lawful and shall become effective upon seven days' notice, or such
23 shorter time as the commission shall approve, if the tariff applicant has a
24 good faith basis to believe the price reduction is necessary to meet the
25 price offered by an alternate provider to the customer, or in the area for
26 which the new price applies. Any other downward adjustment in rates or
27 rate ranges for an individual service or for services to individual customers
28 shall be effective upon 14 days' notice, or such shorter time as the com-
29 mission shall approve, and shall not be suspended for more than 90 days
30 pending any final order of the commission.

Except as authorized by the commission

31 (e) The price cap for the residential and single-line business basket,
32 including touch-tone, shall be established at the prices existing when the
33 regulatory plan is filed. ~~In the first three years of the plan, the price cap~~
34 ~~shall be adjusted annually by a rate rebalancing factor to offset the loss~~
35 ~~in revenues estimated for the following year due to reductions in both~~
36 ~~access charges and the imputed access portion of intra-LATA toll charges~~
37 ~~provided by local exchange carriers, but shall not account for revenue~~
38 ~~reductions due to market share losses. The commission shall review and~~
39 ~~issue a final order within 60 days of any price cap adjustment filing and~~
40 ~~shall adjust prospectively the price cap to reflect any overestimate or~~
41 ~~underestimate of demand for the immediately preceding year. The re-~~
42 ~~balancing factor shall be applied to the basket as a whole and shall con-~~
43 ~~tinue to be used as necessary for the commission to ensure that a revenue~~

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PGR 9:10

1 balance is reached for any access and local price rebalancing under this
 2 section. Total increases in the monthly residence and single-line business
 3 rates shall be limited to \$1.50 per line in each of the first three years of
 4 the price cap plan, unless the commission authorizes a greater amount.
 5 Rate rebalancing may occur after the initial three-year rate rebalancing
 6 to correspond to any adjustments made to interstate access rates. Any
 7 increases in the price cap which is the residential and single-line business
 8 basket for rate rebalancing in subsequent years shall be subject to the
 9 approval of the commission in accordance with subsection (f). In addition
 10 to any authorized rate rebalancing after the first three years of the price
 11 cap plan, the price cap which is the residential and single-line business
 12 basket shall thereafter be adjusted annually based on the change in the
 13 consumer price index minus 1.5%. However, no increase shall be made
 14 to such price cap during the first three years of the price cap plan for any
 15 purpose other than for the purpose of rate rebalancing pursuant to this
 16 section [Any adjustment to the price cap shall be approved by the
 17 commission].

18 (f) Price caps for intrastate switched access shall be reduced over a
 19 three-year period with the objective of equalizing interstate and intrastate
 20 prices, as long as corresponding changes to local service price caps are
 21 made under subsection (e). After the initial three-year period, intrastate
 22 switched access prices shall be capped at the price of switched interstate
 23 access, as long as the commission authorizes corresponding changes to
 24 local service price caps under subsection (e), or recovery of any such
 25 additional amounts on a revenue neutral basis from the KUSF.

26 (g) The price cap for the basket of all miscellaneous regulated serv-
 27 ices other than residential and single-line business including touch-tone,
 28 and switched access shall be adjusted annually based on the change in
 29 consumer price index minus 1.5%. Such services shall continue to be price
 30 regulated until the affected local exchange carrier begins to offer 1+
 31 intraLATA dialing parity or July 1, 1997, whichever occurs first. The com-
 32 mission ~~may~~ also price deregulate any individual service or service cate-
 33 gory upon a finding that the service or service category is nonessential
 34 for particular residential or business users or there is an alternate provider
 35 of the service. Changes in the price of services subject to this price cap
 36 shall be effective within seven days after a tariff is filed. Such filing shall
 37 include information demonstrating that the price cap for the entire basket
 38 will not be exceeded by the filing. Such a change shall be presumed lawful
 39 unless it is determined that the price cap for the entire basket has been
 40 exceeded.

RP shall

41 (h) In the case of any service which has been price deregulated, the
 42 commission shall impose price regulation for such service in ~~a separate~~
 43 basket, upon showings to the commission that: The service is essential

[the miscellaneous services]

Separate basket

Price cap plans shall include initial prices which are the then existing prices.

1 The commission may reduce prices charged for services outlined in provisions (1) and (2) of this subsection, if the commitments of the local exchange carrier set forth in those provisions are not being kept.

4 (c) For regulatory reform plans in which price cap regulation has been elected, price cap plans shall have three baskets: Residential and single-line business, including touch-tone; switched access; and miscellaneous services.

8 (d) A price cap is a maximum price for all services taken as a whole in a given basket. ~~After the initial three years of rate rebalancing, and except for any subsequent authorized rate rebalancing,~~ no adjustment to an individual service price within the residential and single-line business service basket shall increase more than the consumer price index. Prices for individual services and for services to individual customers may be reduced within a basket. An entire basket, if desired by the local exchange carrier, may be priced below the cap. No service shall be priced below long-run incremental cost which shall serve as a price floor. Access charges equal to those paid by telecommunications carriers to local exchange carriers shall be imputed as part of the price floor for toll services offered by such local exchange carriers on a total toll service basis. Any downward adjustment in the price of services within a price cap not otherwise reflected in existing tariff rates or rate charges shall be presumed lawful and shall become effective upon seven days' notice, or such shorter time as the commission shall approve, if the tariff applicant has a good faith basis to believe the price reduction is necessary to meet the price offered by an alternate provider to the customer, or in the area for which the new price applies. Any other downward adjustment in rates or rate ranges for an individual service or for services to individual customers shall be effective upon 14 days' notice, or such shorter time as the commission shall approve, and shall not be suspended for more than 90 days pending any final order of the commission.

Except as authorized by the commission

3

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31 (e) The price cap for the residential and single-line business basket, including touch-tone, shall be established at the prices existing when the regulatory plan is filed. ~~In the first three years of the plan, the price cap shall be adjusted annually by a rate rebalancing factor to offset the loss in revenues estimated for the following year due to reductions in both access charges and the imputed access portion of intraLATA toll charges provided by local exchange carriers; but shall not account for revenue reductions due to market share losses. The commission shall review and issue a final order within 60 days of any price cap adjustment filing and shall adjust prospectively the price cap to reflect any overestimate or underestimate of demand for the immediately preceding year. The rebalancing factor shall be applied to the basket as a whole and shall continue to be used as necessary for the commission to ensure that a revenue~~

In the first three years of the plan, the price cap may be adjusted annually by a rate rebalancing factor to offset the loss in revenues estimated for the following year due to reductions in both access charges and the imputed access portion of intraLATA toll charges provided by local exchange carriers, but shall not account for revenue reductions due to market share losses.

9-1

1 balance is reached for any access and local price rebalancing under this
 2 section. Total increases in the monthly residence and single-line business
 3 rates shall be limited to \$1.50 per line in each of the first three years of
 4 the price cap plan, unless the commission authorizes a greater amount.
 5 Rate rebalancing may occur after the initial three-year rate rebalancing
 6 to correspond to any adjustments made to interstate access rates. Any
 7 increases in the price cap which is the residential and single-line business
 8 basket for rate rebalancing in subsequent years shall be subject to the
 9 approval of the commission in accordance with subsection (f). In addition
 10 to any authorized rate rebalancing after the first three years of the price
 11 cap plan, the price cap which is the residential and single-line business
 12 basket shall thereafter be adjusted annually based on the change in the
 13 consumer price index minus 1.5%. However, no increase shall be made
 14 to such price cap during the first three years of the price cap plan for any
 15 purpose other than for the purpose of rate rebalancing pursuant to this
 16 section [Any adjustment to the price cap shall be approved by the
 17 commission].

such

18 (f) Price caps for intrastate switched access shall be reduced over a
 19 three-year period with the objective of equalizing interstate and intrastate
 20 prices, as long as corresponding changes to local service price caps are
 21 made under subsection (e). After the initial three-year period, intrastate
 22 switched access prices shall be capped at the price of switched interstate
 23 access, as long as the commission authorizes corresponding changes to
 24 local service price caps under subsection (e), or recovery of any such
 25 additional amounts on a revenue neutral basis from the KUSF.

26 (g) The price cap for the basket of all miscellaneous regulated serv-
 27 ices other than residential and single-line business including touch-tone,
 28 and switched access shall be adjusted annually based on the change in
 29 consumer price index minus 1.5%. Such services shall continue to be price
 30 regulated until the affected local exchange carrier begins to offer 1+
 31 intraLATA dialing parity or July 1, 1997, whichever occurs first. The com-
 32 mission may also price deregulate any individual service or service cate-
 33 gory upon a finding that the service or service category is nonessential
 34 for particular residential or business users or there is an alternate provider
 35 of the service. Changes in the price of services subject to this price cap
 36 shall be effective within seven days after a tariff is filed. Such filing shall
 37 include information demonstrating that the price cap for the entire basket
 38 will not be exceeded by the filing. Such a change shall be presumed lawful
 39 unless it is determined that the price cap for the entire basket has been
 40 exceeded.

shall

41 (h) In the case of any service which has been price deregulated, the
 42 commission shall impose price regulation for such service in ~~separate~~
 43 basket, upon showings to the commission that: The service is essential

The commission shall review and issue a final order within 60 days of any price cap adjustment filing and shall adjust prospectively the price cap to reflect any overestimate or underestimate of demand for the immediately preceding year. The rebalancing factor shall be applied to the basket as a whole and shall continue to be used as necessary for the commission to ensure that a revenue balance is reached for any access and local price rebalancing under this section. In addition to any authorized rate rebalancing after the first three years of the price cap plan, the price cap which is the residential and single-line business basket shall thereafter be adjusted annually based on the change in the consumer price index minus 1.5%. However, no increase shall be made to such price cap during the first three years of the price cap plan for any purpose other than for the purpose of rate rebalancing pursuant to this section.

[the miscellaneous services

consumer price index

basic

1 for particular residential or business users; there is no alternative source
 2 for the service; and the price of the service has risen more rapidly than
 3 the price of basic residential local exchange services. The price cap for such basket
 4 shall be adjusted annually based on the change in consumer price index
 5 minus 1.5%.

6 (i) The commission shall require that for all local exchange carriers
 7 all such price deregulated intraLATA toll services be geographically av-
 8 eraged statewide and not be priced below long-run incremental cost.

9 (j) Cost studies to determine price floors shall be performed as re-
 10 quired by the commission in response to complaints. On or before January
 11 1, 1997, local exchange carriers with more than 150,000 access lines in
 12 this state shall file with the commission long-run incremental cost studies
 13 for any of its existing services that the commission requested in its January
 14 4, 1996, order in Docket No. 190,492-U.

15 (k) Any new service introduced after July 1, 1996, and prior to July
 16 1, 1997, shall be placed in the miscellaneous service basket for any local
 17 exchange carrier that elected price cap regulation as part of its regulatory
 18 plan. After July 1, 1997, new services shall be price deregulated but sub-
 19 ject to reregulation as provided in subsection (h).

20 (l) No audit, earnings review or rate case shall be performed with
 21 reference to the price cap plan and the initial prices filed as required
 22 herein.

23 (m) Telecommunications carriers shall not be subject to price regu-
 24 lation, except that: Access charge reductions shall be passed through to
 25 consumers by reductions in basic intrastate toll prices; and basic toll prices
 26 shall remain geographically averaged statewide. As required under S.C.A.
 27 66-131, and amendments thereto, and except as provided for in subsec-
 28 tion (c) of section 5, telecommunications carriers that were not authorized
 29 to provide switched local exchange telecommunications services in this
 30 state as of July 1, 1996, including cable television operators who have not
 31 previously offered telecommunications services, must receive a certificate
 32 of convenience based upon a demonstration of technical, managerial and
 33 financial viability and the ability to meet quality of service standards es-
 34 tablished by the commission. Any telecommunications carrier or other
 35 entity seeking such certificate shall file a statement, which shall be subject
 36 to the commission's approval, specifying with particularity the areas in
 37 which it will offer service, the manner in which it will provide the service
 38 in such areas and whether it will serve both business customers and res-
 39 idential customers in such areas. Any structurally separate affiliate of a
 40 local exchange carrier that provides telecommunications services shall be
 41 subject to the same regulatory obligations and oversight as a telecom-
 42 munications carrier, as long as the local exchange carrier's affiliate obtains
 43 access to any services or facilities from its affiliated local exchange carrier

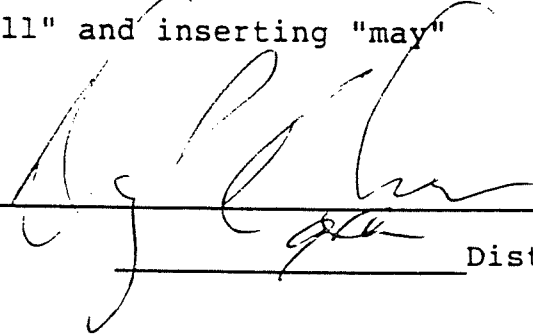
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STATE OF KANSAS

HOUSE OF REPRESENTATIVES

MR. CHAIRMAN:

I move to amend Substitute for House Bill No. 2728, on page
~~18~~, in line ~~37~~²⁶, by striking "shall" and inserting "may"



_____ District.

RS

CAST PG

6-1

26

1 (1) Any governmental unit, including any state agency, taxing sub-
 2 division of the state or municipality; or
 3 (2) any hospital or nonprofit corporation which the secretary deter-
 4 mines to be performing any state function on an ongoing basis through
 5 agreement or otherwise, or any function which will assist a governmental
 6 unit in attaining an objective or goal bearing a valid relationship to powers
 7 and functions of such unit.
 8 (b) (c) Every record made, maintained or kept by the secretary of
 9 administration or the division of information systems and communica-
 10 tions, or any agency or instrumentality thereof, which relates to the ac-
 11 quisition, retention or use of telecommunications services provided to any
 12 division, department or agency of the state, state officer or governmental
 13 unit and which pertains to individually identifiable individuals using such
 14 telecommunication services shall constitute for purposes of the open re-
 15 cords act a record of the division, department or agency of the state, state
 16 officer or governmental unit to which such records relate and. The official
 17 custodian of such records for the purposes of the open records act shall
 18 be the official custodian of the records of such division, department or
 19 agency of the state, state officer or governmental unit.
 20 New Sec. 16. No references in this act to local exchange carriers in
 21 the Hill City exchange area shall be considered a statement of legislative
 22 intent for the purpose of determining which carrier or carriers shall be
 23 authorized to provide service to the exchange.
 24 [New Sec. 17. In order to adequately assess the impact of
 25 TeleKansas I, the commission shall review the capital expenditure
 26 required to be made by telecommunications public utilities pur-
 27 suant to subsection (a) of K.S.A. 66-1,197, and amendments
 28 thereto. After review of such expenditures, the commission shall
 29 determine the extent to which such expenditures have not been
 30 made and may issue an order establishing a schedule for comple-
 31 tion of such capital expenditures.]
 32 Sec. 17. [18.] K.S.A. 66-1,187 and K.S.A. 1995 Supp. 75-4709 are
 33 hereby repealed.
 34 Sec. 18. [19.] This act shall take effect and be in force from and after
 35 its publication in the statute book.

New Sec. 18. The provisions of this act shall not be construed to affect the taxation of property of a public utility as provided by K.S.A. 79-5A01, and amendments thereto or to affect the classification of property of a public utility for property taxation purposes as provided by section 1 of article 11 of the Kansas constitution.

Doug Lawrence

STATE REPRESENTATIVE

902 MIAMI

BURLINGTON, KS 66839



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS

CHAIRMAN: SELECT COMMITTEE ON
TELECOMMUNICATIONS

MEMBER: ENERGY AND NATURAL RESOURCES
TAXATION

COMPARISON OF HB 2728 AND THE FEDERAL ACT

Kansas Retains Discretion Under The Federal Act To Set State Telecom Policy

- The Federal Telecommunications Act of 1996 (Federal Act) allows the Kansas Legislature to decide what telecommunications policies are best for Kansas.
- The Legislature should pursue those policies unless and until the Courts say the Federal Act preempts.

Federal Legislation Does Not Address Many Issues In HB 2728

- Appropriate Price Cap Features.
- Proper Regulation of New or Existing Providers.
- Appropriate Scope of Pricing Flexibility For Local Providers.
- Timing of Price Deregulation for Discretionary Services.
- Timing of Price Deregulation for Services Subject to Competition.
- Proper Scope of Reciprocal Interconnection Requirements.
- Scope of State Universal Service Fund.
- Infrastructure Requirements.
- Quality of Service Issues.

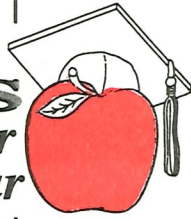
*Senate Council
March 25, 1996*

Attachment 2 of 2

Federal Legislation Would Not Preempt House Bill 2728

- Many of the policies embodied in HB 2728 clearly are consistent with the Federal Act.
- Both bills recognize the need to protect consumers from unauthorized switching of their local or long distance providers (i.e., slamming). Act Section 258; HB 2728 Section 14.
- Both bills recognize that price regulation and streamlined regulation should be used as incentives to encourage the deployment of advanced telecommunications services to all Americans (e.g., Kansans) and to educational institutions in particular. Act Section 706; HB 2728 Section 6(b).
- Both bills permit local telephone competition. Act Section 251(a-c); HB 2728 Section 4(a).
- Both bills require resale as provided in the Federal Act. Act Section 251(c)(3); HB 2728 Section 4(b).
- Both bills require local dialing parity and number portability to the extent technically feasible and in accordance with national standards. Act Section 251(b)(1-2); HB 2728 Section 4(f).
- Both bills require competitors and existing providers to negotiate interconnection, with the state commission resolving any disputes after 135 days. Act Section 252(b)(4); HB 2728 Section 4(f).
- Both bills provide competitors access operator services, directory listings and assistance, 911 service and other interconnection features. Act Section 251(b-c); HB 2728 Section 4(d).
- Both bills provide for continuation of geographically averaged toll rates. Act Section 254(g); HB 2728 Sections 6(l) and 6(m) .
- Both bills recognize the importance of implementing intraLATA dialing parity only when SWBT provides the interLATA long distance services it is now barred from offering. Act Section 271(e)(2); HB 2728 Section 4(g).
- Both bills recognize the importance of maintaining universal service. Act Section 254; HB 2728 Sections 9-12.

KANSAS
*Teacher
of the Year*



Region 1

1993

Carol J. Swinney
Hugoton High School
215 W. Eleventh
Hugoton, KS 67951

**KANSAS SENATE
SENATE APPROPRIATIONS COMMITTEE
MARCH 25, 1996
HB 2728**

Madame Chairperson and Esteemed Senators:

As an educator who has taught 24 years in rural Southwest Kansas, I am pleased to have this opportunity to speak in support of Substitute House Bill 2728. We in education are fond of saying that telecommunications is the future of rural education. We make grandiose predictions about our students' lives in the year 2000. We talk about the requirements of the future workplace and lay plans for massive changes in education. However, in reality telecommunications is a very real part of our students' education today. We cannot afford to wait until the clock strikes midnight in the year 1999 to access telecommunications for our students. Across the state of Kansas, students are tantalized by the possibilities of communicating with their peers around the globe and are eager to enter the world classroom.

Using technology provided by Pioneer, Elkhart and Southwestern Bell Telephone Companies, students in rural Southwest Kansas began utilizing fiber optic technology daily in the Spring of 1990. Beginning with nine high schools and one special education cooperative, the High Southwest Plains Interactive Television Network (HSPN) has expanded its services to thirteen high schools, three community colleges and one four year institution. The HSPN provides unique opportunities for our students. Upper level mathematics, foreign language, college level speech and English composition classes are brought into area high schools. In the past six years, our students have gained access to the world outside the classroom. Their community has expanded

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March 25, 1996*

Attachment 3 thru 3-5

to include not only other area high schools, but has reached across the Atlantic Ocean to unite them with classmates in Paris, France.

What does interactive television mean to students in Southwest Kansas? In addition to class offerings not previously available, ITV is many things to our students. ITV is daily networking beyond the traditional classroom. ITV is accentuating the benefits of cooperation in a school setting previously dedicated to interscholastic competition. ITV is utilizing the skill of "telecommuting" that most of our students will use in their future jobs. ITV is building partnerships in the broader based community of our region and our state.

Does interactive television instruction work?

Absolutely! The past six years have answered many of the questions educators had concerning distance learning. My first question was "Can we cook on ITV?" Of course. With just a little extra planning, students can prepare *crêpes* in four schools simultaneously. Do students learn equally at both the sending and the remote sites? Yes. An interesting phenomenon occurs when teaching to high school students via ITV. Today's students accept the television as an integral part of their families. Students at the "home" site focus on the teacher's image on the television screen, not on the "live" person at the teacher station; therefore, the "home" site advantage is less a factor than originally feared. My six years of experience teaching ITV French have demonstrated that students who excel in the traditional classroom will excel in the ITV classroom. Perhaps the most dramatic example of this success is the student from Lakin who with two years of ITV instruction successfully tested out of entry level college French. ITV instruction also requires that students assume responsibility for their work. Without the

teacher's "live" presence, students quickly learn that the motivation for learning must come from within. An early concern that classroom teachers would be replaced by a television set have proven unfounded. In fact, the ultimate goal of ITV instruction is to make the technology transparent, and teachers have the opportunity to make the walls of the traditional classroom invisible, establishing a much broader community of learners. ITV instruction has served to expand the offerings available to our students, not to diminish local staff. The bottom line is that the sharing of instructors via ITV is economic good sense.

In addition to the traditional offerings of the ITV classroom, our students have benefitted by special projects. In the Spring of 1994 *The French Connection* linked students in six SW Kansas high schools with students in three schools of suburban Paris. During a semester of studying a common geography curriculum, our students shared five classes via fiber optic technology. What an experience! To be able to communicate in "real time" with our peers six thousand miles away was an adventure that none of us will ever forget. The lessons we learned went beyond a stagnant page of text to include the cultural nuances of our European peers. Now as our schools gain access to the Information Highway via Internet, we will truly participate in the global classroom.

Interactive television is rapidly taking its place in the life-long education of adults in our communities. Classes are currently available from Seward County, Garden City and Dodge City Community Colleges as well as Fort Hays State University. It has been my pleasure to participate both as a student and as an instructor. As a student I have taken two classes (English as a Second Language and Distance Learning) which would have required extensive time, travel and expense if I were to take these classes in a traditional setting. As

page 4

an adjunct instructor for SCCC, I have begun offering my conversational Spanish classes to adults via ITV. This offering fills a very real and urgent need in our SW Kansas communities. In addition, this past semester, adults in our corner of the state have begun receiving Emergency Medical training from Coffeyville in our state's opposite corner.

Geographic isolation has long been a frustration for us who live closer to three other state capitals than to Topeka. Fiber optic technology, however, keeps us linked with activities in our state's capital. I have been able to participate in state wide functions that would otherwise have been impossible to attend due to the hours and miles which separate us in the state of Kansas. In 1993 I traveled more than 40,000 miles within our state as Kansas Teacher of the Year. This travel required tremendous support from my students and my school. Fortunately, I was able to use the technology of our ITV classroom to provide my students with video taped lessons in my absence. Substitute teachers have noted that there is little if any loss of instruction when I am able to provide instruction via video presentation. Although it is impossible for me to continue this travel schedule and maintain integrity in the classroom, technology allows me to stay within the loop of education on a state wide basis. Twice a month I participate in meetings with teachers across the state. The first meeting is a telephone conference which unites the Kansas Teacher of the Year Executive Committee. At this time we plan activities and the agenda for our monthly interactive television conference. Each month exemplary educators at six sites are linked with the Kansas State Department of Education. We receive information concerning current legislation, school finance and program opportunities. Even though I could not possibly travel to Topeka twice a month, I can stay in touch with education in

our state. Additionally, we in Kansas know how greatly the weather can effect our travel plans. One of the recent ITV meetings with teachers across the state took place in the midst of blizzard conditions - conditions that would have forbidden travel to the other side of the state. Furthermore, ITV offers educational opportunities beyond the borders of Kansas. In the Fall of 1994 we linked 4 sites in our state with the U.S. Department of Education for an update on Goals 2000 which invited input from our Kansas teachers.

Telecommunications has truly opened up the classrooms of Southwest Kansas to the world. I believe it is not a question of should every school in Kansas have access to "broad-band" technology, but how soon can we get the entire state on-line. Substitute House Bill 2728 provides access for every school and library in the state of Kansas to the real world of technology. We cannot postpone this opportunity until the magic year 2000. It is vital for our survival as a state that we equip our citizens - our students - with the technology necessary to lead us into the world of tomorrow - today.

**KANSAS TELECOMMUNICATIONS REFORM
ACCESS FOR LIBRARIES AND HOSPITALS
WITH
SPECIAL EMPHASIS
ON
INTERNET ACCESS**

I am Jane Hatch, Director of the Dodge City Public Library and Southwest Kansas Library System. I am pleased to have an opportunity to share my perspective on Substitute House Bill 2728 which offers a comprehensive reform of telecommunications policy in Kansas. The bill has been crafted after many hours of hearings presented to the Telecommunications Strategic Planning Committee. I have reviewed the full report of the committee entitled "Connections to the Future: A Telecommunications Strategic Plan for Kansas". The bill the Senate Commerce Committee is reviewing represents a carefully crafted consensus plan based on complex testimony and a great deal of studied consideration by representatives of many stakeholders including diverse providers in the telecommunications industry, House and Senate members, state government, business, hospital and Kansas Corporation Commission representatives. The issues are very complicated and the plan that has emerged represents a carefully balanced approach that should be considered as a unified whole. I know that all parties involved in the process made concessions and altered positions to protect the important goal of universal telephone service with a current standard of calling features to all Kansas residents regardless of geographic, demographic or economic barriers.

In addition, the bill makes it possible for Kansas residents to "catch up" to other nearby states for information and distance education services such as Internet, interactive video and telemedicine. The concluding chapter of a report prepared by Dr. Charles Krider for the Kansas Task Force on Internet Services (attached) clearly indicates that Kansas has fallen behind in the deployment of new information services. The Internet is not a "fad" but rather an essential medium of exchange that is evolving rapidly. This legislation puts in place the necessary steps to insure that Kansans are once again at the most competitive position in the global economy.

*Senate Commerce
March 25, 1996*

Attachment 4 thru 4-6

I know from my experience in the Dodge City Public Library and from testimony from school and public librarians in the Southwest Kansas Library System who also have local dial number access to the Internet that this global cooperative network to share information instantly has transformed library service in even the smallest Kansas communities. Development of accurate, authoritative information resources on web pages and community information networks in many countries has developed dramatically in the past eighteen months. Federal Government information, stock and market information, small business support services, educational resources updated frequently are now readily available. Southwest Kansas Library System staff have been in member libraries in February and March training on homepage authoring and search strategies because Pioneer Telephone, Sunflower Telephone and Elkhart Telephone have local numbers in communities in each service territory. Many communities do not yet have such access. Yet the debate students from "connected towns" are competing with an advantage over those who are not yet on line. Quiz Bowl events and standardized tests are underway yet the students that come to the public library in Dodge do research on the homepage of Bosnia with current boundaries and hourly updated reports on conditions while students in communities without Internet local access used year old yet inaccurate print encyclopedias and other resources.

The impact on local businesses is even more dramatic. Small communities can now recruit residents who are employed by firms far distant yet tied digitally if Internet access is available. Businesses in those communities can expand markets both regionally and globally if they choose. The issues for schools, public and academic libraries and rural hospitals remain both bandwidth capability and cost barriers. This legislation addresses both of those concerns. It also has a plan for a basic level of home access which offers expanded opportunities to connect with present and potential information users in communities.

The bill also provides for the continuation of the Universal Service Fund for providers who make the investment to serve less populated regions of the state. This is important to maintain because investment to make Internet a reality is significant and upgrade is constant. Failure to provide a means for every Kansas community and every resident to have digital access consigns the residents of unserved communities to second class citizenship in the world economy at a time when the potential for economic benefit has dramatically increased. Kansas must have policy that encourages business expansion into these new market opportunities.

We need every child and every adult to be as productive, creative and connected as possible if the state's economy is to grow. Schools and public libraries already share the opportunity to support student research. The Internet offers new avenues for collaboration in training, collection management and sharing of expertise. I am often asked if the Internet replaces print. The answer to date has been quite the opposite. Awareness of new topics of research has stimulated greater interest in a wider range of subjects, increased interlibrary loan and brought new users to libraries for training as well as information delivery. The Internet simply adds another dimension to the cooperative collection management that has been in place in this state. The difference is in scale. In the past one public access computer terminal was adequate. Now every student should have a laptop with enough bandwidth capacity at the school and public library to support the multiple, simultaneous use by students in every class as well as adults training on the Internet. The public library needs dedicated line access with enough bandwidth to accommodate the graphic, sound and motion intensive software already in use on the Internet. Communities need several distance learning sites with simultaneous transmissions from multiple higher education institutions. A single fiber classroom seating 30 is an excellent start but will not serve the multiplicity of needs of the more than 20,000 people in Dodge City for very long. This legislation attempts to look ahead and provide infrastructure to "ramp up" for the kind of capacity that will be needed in the immediate future.

The legislation is complex but through careful study and consensus the providers have come to a plan that is a good beginning. Kansas can not afford to wait. We are already falling behind. Our students are at a disadvantage. Our businesses are unable to share in the expanding electronic marketplaces. Hospitals, both FOR-PROFIT INSTITUTIONS serving as the sole provider in a community and institutions publicly supported must have the preferential rates indicated in the bill to move into the telemedicine arena. Schools, public libraries and hospitals are making large and ongoing investments in equipment and training to use the telecommunications capacity which must be available and affordable. The people of Kansas can not afford to be left behind.

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CONNECTING SCHOOLS AND LIBRARIES TO THE INTERNET
A Review of the Literature

Preliminary Draft

Prepared by
David Burress, Research Economist
Jeff Livingston, Research Assistant
Pat Oslund, Research Economist

Prepared for
The Kansas Task Force on Internet Services

Charles Krider
Director, IPPBR

February 26, 1996 Draft

CHAPTER 8. CONCLUSION

This literature report is preliminary; additional materials are still being received. In addition, this information will be supplemented by original surveys now in progress. The main purpose of this report is to raise issues rather than settle them. Many of the issues are summarized in Chapter 2. Nevertheless, some preliminary conclusions do emerge.

It is clear from Chapter 7 that several states are well ahead of Kansas with respect to planning and implementing statewide Internet connectivity in schools and libraries. A more complete comparison will be possible after results are available from mail surveys and case studies of selected states.

Independently of any statewide plans, some Internet activity is already occurring in the schools and libraries of Kansas. We are not yet in a position to make firm comparisons between Kansas and the rest of the nation; that will be possible when the Kansas surveys now underway have been completed. However, some preliminary information implies that Kansas utilization patterns lag well behind those in the nation as a whole, as described in Chapter 6.

What to make of the (apparent) fact that Kansas is lagging behind other states depends, of course, on the importance one places on Internet connectivity. Chapter 3 on the benefits of connectivity suggests three alternative types of positions that might logically be defended:

1. The Internet may still be too young and largely a fad, a device that is fun to use but which at present makes little fundamental change in anything that is important for schools or libraries.⁵ The Internet may provide new techniques, but all of the types of services it provides can arguably be accomplished through other means. Thus, e-mail can be replaced with telephone calls, voice mail and the postal service; information searching can be accomplished through data bases on CD-ROMs; on-line catalogs are useful even when not connected to the Internet. Also, techniques for using the Internet as a teaching tool are still in their infancy. Moreover, Internet technology is changing rapidly, and equipment purchased now may quickly become obsolete. If this is the case, then Kansas could save much money with little loss of benefits by waiting until the Internet becomes more highly developed and access becomes cheaper. No state-wide plan would appear to be needed at this time.
2. The Internet may be of some significance purely because it provides efficient new methods for accomplishing old tasks. For example, in terms of marginal or incremental cost, communication by e-mail is certainly much less expensive than communication by paper messages. In other words, once you have a dedicated network up and running, the cost of sending one more message is practically

⁵ The authors of this review find it hard to present this negative position adequately, because they themselves rely very heavily on the Internet and are thoroughly convinced of its value. For example, much of the material in this report was located on the Internet, and would have been absolutely impossible to find in a timely manner using any other method of search. Still, what is useful for University level researchers could, at least conceivably, be less useful for libraries and public schools.

zero (except for the time it takes to write it and to read it.) Moreover, the majority of the cost of Internet connectivity consists in the cost of the local computers and area networks; but these items are already being purchased by Kansas USDs at high utilization rates for reasons that are independent of the Internet. If this is the case, then it would be prudent to adopt Internet technology at a moderate rate, making case-by-case decisions on whether the anticipated cost savings justify the start-up costs. In this picture, a completely decentralized Internet policy could be best. In other words, there is no reason to adopt a statewide plan, unless the plan can be shown to lead to substantial cost savings in helping the school districts and libraries do what they would have done anyway.

3. The Internet may be of great significance, for several inter-related reasons:

- It may provide qualitatively new services to students, teachers, library patrons, and library staff. Services such as discussion groups and on-line catalogs are viewed as desirable by all clients that make use of them.
- It may enhance learning and make libraries more useful. Use of the Internet may be intrinsically motivating for students and library patrons. Students and patrons may locate desired information that they could not obtain otherwise.
- It may be important to the competitive position of states and localities with respect to economic development. Employers may want to hire employees who already know how to use the Internet effectively. Entrepreneurs may want to live in communities where their children attend schools that are ahead of the technological curve. Small business people may need to consult the Internet at their local library.
- Wiring the schools and libraries may encourage the wiring of government agencies, community groups, and households. Each old connection on the network becomes more valuable with the addition of each connection on the network, because there are more places and applications connected to it. Each new connection on the network encourages additional actors to join the network. (Similarly, a telephone is useful if and only if most other people also have telephones.) Libraries in particular provide valuable public access points that give everyone a way to reach every other connection on the network.

If this is the case, then it may be reasonable for Kansas to adopt a plan designed to equal or surpass the national level of Internet utilization.

The decision to adopt the plan depends, of course, on the projected cost of the plan as well as on the value that policy-makers place on these benefits from the plan. Work in progress will supply initial gross estimates of the costs involved. However, creating a fully detailed, technical Internet plan and providing refined cost estimates will require ongoing work after the work of this Task Force is completed. What the Task Force might reasonably hope to accomplish in its brief lifetime is to recommend general principles and guidelines for that plan, and set up a steering committee and a working group and propose a timetable to ensure that the work continues.

Before the Senate Commerce Committee

Testimony In Support of Substitute for H.B. 2728

Mark Bannister, Director of Docking Institute of Public Affairs

March 25, 1996

Madame Chairman and Members of the Committee, the House of Representatives has undertaken a great deal of work in assembling the telecommunications bill, before you. The bill does a number of very good things. Because time is limited, I would like to focus on a few crucial areas in the Substitute for H.B. 2728 that need improvement.

Universal service is the most important piece of the telecommunications regulatory system. For individual Kansas Citizens, "universal service" policies will determine whether a family living on a rural farm or in an inner city receives basic telephone services. Services which are termed "Enhanced universal service" policy decisions will determine the economic, educational, and health care futures of the communities in which these citizens live. These futures are dependent upon high quality services being available in each community. While many telecommunications companies will provide services above and beyond those determined by policy makers to be the minimum, in a number of circumstances, the level established by policy makers as the universal service standard will determine the level of services available to a community.

The policy makers who determine this issue must set the bar high enough that areas of Kansas are not left behind. The standard established must also guarantee an open network environment which will facilitate interconnectivity and interchange throughout the state. The standards described in Subst. HB 22728 are good and take Kansas much of the way it

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Attachment 5-thru 5-10

needs to go. However, there are a number of refinements and few additions which are necessary to keep Kansas competitive. I would like to address these comments to Section (2)(q).

- This subsection requires basic and primary rate ISDN capability throughout the service area of the telephone company. This is an excellent requirement; however the terms “basic” and “primary” need to be defined. I would suggest that “basic” be defined as 384 kbps and “prime” be defined as 1.5 mbps. This is the standard that some phone companies in the state have already adopted and a uniform standard should be codified.
- Subsection (q) requires “full fiber interconnectivity, or the technological equivalent, among central offices.” This is an important step in assuring high quality services throughout the state. Although some counties have and will have multiple central switches, others only have one and in the future and may not have any. This is not because service will be abandoned, but because it may not be technically necessary to service a county with a central switch physically present in that county. We must make certain that fiber interconnectivity is available at least to every county seat so that the costs to businesses needing fiber connectivity are not prohibitively expensive. Language should be added to guarantee this access for every county.
- Subsection (q)’s broadband requirements will be a very positive step. This requires “broadband capable facilities to all schools, hospitals, libraries and state and local governmental facilities which request broadband services ...” To guarantee that this broadband service is usable and of value, language should be included requiring that “Broadband service should require multi-point video conferencing with 45 mbps

digital switching services as well as video conversion services for dissimilar codecs and speeds.”

- An addition to universal service standards which is important for the commercial future of the state as well as uses such as transmitting medical reports, is to guarantee that the telecommunication system be capable of minimally accommodating fax transmissions of 46 K to 1.5 mbps.
- I commend the House Committee for its work to assure access to the Internet. I would advocate that policy makers should not mandate how telephone companies provide this service, but should assure Kansans -- wherever they live -- that they have Internet access at an affordable price. It can be reached by a variety of means. Many of the independent phone companies in the state have decided to provide local Internet access to both residential and business users as well as for critical consumers such as schools. Southwestern Bell has been working to develop cost effective calling plans for Internet access. Section 13 of the Bill authorizes telecommunications service providers to implement Southwestern Bell's plan, which provides dial-up access to one Internet provider within the calling customer's LATA for a flat monthly fee. There are two weaknesses with this section.

The first is that businesses are excluded from this service. Business use of the Internet is growing geometrically. There are a number of types of businesses for which Internet access will be a must to compete economically. We do not want to preclude their operation in rural areas.

The second weakness is that this section simply authorizes telecommunications service providers to offer this service. It does not require such service. There very

well may be rural areas which will continue to lack Internet service. Local Internet access should be required as part of Enhanced Universal Service. The Legislature should authorize the KCC to approve any of a variety of mechanisms rather than mandate the manner in which Internet access is achieved. For example, local service providers can work with local cable companies, local entrepreneurs, community networks, or other entities rather than provide the service themselves.

One of the strengths of the House Bill is that it requires that the issue of universal service standards for Kansas will be revisited periodically as technology changes. Some requirements which are vital today may become outdated as alternative means of providing services arrive and should be dropped. The KCC will review the definition every five years. This review may not be frequent enough to assure that all of Kansas residents and businesses have the opportunity to receive critical services. For example, just three years ago only universities and very large corporations such as Boeing were connected to the Internet. The World Wide Web did not exist outside of a select number of university and corporate campuses. No one foresaw that in 1996, that the Internet and the Web would become the phenomena that they are today in America. A review every three years would be more timely.

Telecommunications and information technologies offer tremendous opportunities to a state as rural and geographically large as Kansas. Not only are such technologies extremely critical for the future of the people of the state of Kansas, such technologies may provide the opportunity to reduce the friction of distance and to tie the state together today. For that reason, it is important that as the Legislature works in a comprehensive manner with telecommunications, that it establish a fund for end-user support.

As both the TSPC and the House Special Committee recognized, the privately owned telecommunications infrastructure and the companies that operate this infrastructure are extremely important to Kansas. A system of regulation that is balanced and that stimulates investment and upgrade in the infrastructure is critical. However, the citizens of the state can not truly benefit from the best infrastructure in the world if: 1) key public organizations are not linked and using the infrastructure; and 2) if businesses and the public do not have the knowledge to use the infrastructure.

I would first like to address public equipment needs:

K- 12 School Systems

- Schools must grapple with the costs of implementing technology into their classrooms. Interactive television (ITV) can work as a tool to both save staffing costs and to expand curriculums. Schools can share outstanding teachers and courses. Many rural school districts for example, have a difficult time affording a foreign language teacher because they do not have enough students to justify a full-time teacher. That teacher may be shared through an ITV network to several schools. Kansas school systems have shared courses ranging from Home Economics to Japanese.
- In addition, the Internet offers school students tremendous learning opportunities. The resources and information of libraries, museums, corporations, and even legislators' and Governor Grave's World Wide Web page are available for students to learn from. To use these resources, schools must have an Internet connection and must have networks, modems, and computers. Schools need the resources to pay for such connection and equipment.

Higher Education

- In a time of fiscal limitations, higher educational institutions in Kansas must share library resources and turn increasingly to providing joint programs instead of duplicating one another. These goals require library interconnection and the technical equipment needed to provide distance learning to the student.
- A group of states to our west have banded together to develop what they are calling the "Virtual University." Kansas can and should be a player in this effort which will expand the availability of educational offerings to non-traditional and place-bound persons. It is also the type of model that we need to emulate as we recognize that at several times in an adult's life, he or she will require additional education in order to meet the demands of the modern workplace. Senator Kerry of Nebraska has announced that he has been able to secure \$2.5 million to assist the University of Nebraska in developing and offering courses electronically. Kansas will not be in the ball game if we do not move forward in this area.

Libraries

- Since the time of Ben Franklin, public libraries have served as a place where citizens can access books and information. In an information society, libraries -- although they may be very different animals from the past -- may be key to public access to information. Public libraries, just like school and university libraries should become nodes to resources around the globe. Computer connections require dollars.

Law Enforcement

- Information technology offers a multitude of uses for law enforcement personnel. A sampling of these uses include: use of interactive television for arraignments and

hearings which save substantial transportation costs; use of telemedicine to connect doctors to prison facilities; shared use of judges for twenty-four hour issuance of search warrants; transmittal of crime lab data, and coordination between state and local law enforcement agencies. As criminals become increasingly mobile, communication between law enforcement agencies becomes increasingly vital. Drug dealers are using cellular phones, satellite pagers, and other scanning devices. Law enforcement officers must be equipped to counter these tools.

Telemedicine

- Telemedicine offers a hope for the future of rural health care as communities struggle to maintain doctors and services. Equipment to offer interactive television consultation, tele-radiology, or even home health services is available today but have only been implemented in a handful of locations. All of these are being used in Hays as we speak. For other communities without the assets or size of Hays, will have difficulty equipping themselves.

Training/Directed Research

- The executive summary of Telecommunications User Needs Assessment prepared for the Kansas Telecommunications Strategic Planning Committee makes several powerful statements regarding economic development and the need to have resources available to establish a competitive advantage for the business environment in this state. The report stated "Effective use of information resources will require extensive re-orientation and training as well as the availability of these resources." The Vision Statement adopted by the KTSPC also resolved that information technologies should be integrated into Kansas business through technology transfer and applied research as well as educational and

training programs. Fort Hays State University is currently attempting to work with businesses and to provide information technology training. We have received some key support from the private sector in this endeavor. However, demands are substantially outstripping the resources that we have been able to reallocate or raise privately for these efforts. For Kansas to have a business community and workforce which can effectively compete, substantially more resources need to be available.

These are only some of the reasons to have an end users fund, however, there may be many other justifications that will become apparent as technology advances.

Madame Chairman, the committee's work on regulation is very promising, I strongly urge that we take the step of making certain that our schools, hospitals, and other public organizations have the ability to hook into and to use the infrastructure system. Our goals for connecting these organizations should be efficiency and effectiveness. I also strongly urge that we work with our business community to assist them in integrating these technologies. They are thirsty for assistance and help that will keep them competitive in a national and international marketplace.

I appreciate this opportunity to testify and would be pleased to answer any questions.

FOR IMMEDIATE RELEASE: CONTACT: Greg Weiner

February 28, 1996

Erin Fogarty
Mike Marinello
(202) 224-6551 or
Press@kerrey.senate.gov

KERREY INITIATIVE BRINGS CLASSROOM OF FUTURE INTO TODAY UNL COURSES WILL SOON BE AVAILABLE ON-LINE

WASHINGTON -- A unique initiative joining partners as diverse as the University of Nebraska and the Central Intelligence Agency will soon allow Nebraskans and others to take accredited coursework from UNL via computer, erasing boundaries between citizens and the skills they need to thrive in the 21st Century job market, Senator Bob Kerrey announced today.

Kerrey announced this morning that he has successfully secured \$2.5 million in federal funding for the CLASS -- Communications, Learning and Assessment in a Student-Centered System -- project. Kerrey conceived the initiative after the 1994 CHALLENGE NEBRASKA conference he sponsored on education technology and has been working since then to bring partners and funding together to make the CLASS project a reality.

"What we are announcing today was science fiction just a few years ago," Kerrey said. "Today it becomes reality -- and Nebraskans' hopes for affordable education and bringing learning into the home are a step closer to reality as well. CLASS will harness the power of information technology to change the way Nebraskans learn. Time and distance will no longer be a barrier to learning. Adults will be able to take coursework in their homes. Those who cannot attend school in the classroom will be able to learn in the living room. The challenge starts today."

CLASS will start by offering four courses "on-line" from UNL's Department of Distance Learning, which specializes in long-distance and traditional print-based correspondence courses through its award winning Independent Study High School (ISHS), the only university-based, fully accredited independent study high school in the United States. The initial courses will include writing, geometry, Global Perspectives and chemistry. They will be taken for high school credit or for continuing professional education via innovative interactive electronic technology. Students can personalize each course by using the varied resources available to them through digital libraries from national, historical, scientific and research centers over the global and national information infrastructure that are accessible through the CLASS project.

The first course, Global Perspectives, will be available to the public in July 1996.

Kerrey put together a team of partners to make CLASS possible. UNL will

offer the coursework. The National Information Display Laboratory (NIDL) at the David Sarnoff Research Center in Princeton, New Jersey, nationally recognized for designing innovative telecommunications and networking technologies, will develop the technology. Nebraska Educational Telecommunications will handle production and distribution, and the Nebraska Department of Education will serve as the educational framework and subject area matter specialist. The Central Intelligence Agency will help develop the Global Perspectives course and help fund the technology. Kerrey is vice chairman of the Senate Select Committee on Intelligence.

The \$2.5 million in funding to develop and implement the project will come from the General Services Administration, whose funding Kerrey oversees as ranking Democratic member on the Treasury, Postal Service and General Government subcommittee of the Senate Appropriations Committee.

CLASS will offer a unique on-line interactive classroom setting for students who either must or prefer to take courses in a home or remote setting. Individuals will be able enroll in on-line classes and participate in a "virtual" classroom from their personal computers. Although they may be hundreds or thousands of miles away, students will be able to interact with their professors and fellow students, as well as access the enormous databases and resources provided through the CLASS program network.

"This is a major, revolutionary step forward in our efforts to harness the power of education technology to improve learning in Nebraska and bring education to places where distance might otherwise be an obstacle," Kerrey said. "This will also be a boon for education in our rural communities that do not have direct access to UNL. The diverse partnerships that made this project a reality are just the beginning. Now all Nebraskans must work together to make CLASS a success and to ensure that it meets their educational needs as it expands. This is truly an exciting day."

The CLASS project is part of the long-term development of a student-centered communications, learning and assessment system at the University which will be fully accessible to a national and international student body. Initially, the project will be available to federal agency employees and their dependents located outside the United States. The Department of Defense will be one of the first agencies benefitting from the CLASS project because it will be accessible to employees and their families through BosniaLINK, an existing Web site from the Department of Defense. The federal government will eventually use the technology being demonstrated by this project to train federal agency employees.

BosniaLINK, launched on December 27, 1995, is the official Department of Defense information system concerning U.S. military activities in Operation Joint Endeavor. It provides all publicly released government information about the operation and gives citizens the opportunity to send words of encouragement to our troops in Bosnia.



March 25, 1996

TESTIMONY ON SUBSTITUTE FOR HOUSE BILL 2728

CHAIRPERSON SALISBURY AND COMMERCE COMMITTEE
MEMBERS

MY NAME IS DUANE DYER. I AM EXECUTIVE DIRECTOR OF THE GALICHIA RESEARCH INSTITUTE LOCATED AT 551 NORTH HILLSIDE, SUITE 340, WICHITA, KANSAS. AS PART OF THE GALICHIA MEDICAL GROUP, OUR MISSION IS CLINICAL RESEARCH, TRAINING AND BEING A CONTINUING MEDICAL EDUCATION PROVIDER FOR PHYSICIANS IN KANSAS. WE HAVE BEEN FOLLOWING THE WORK OF THE TELECOMMUNICATIONS STRATEGIC PLANNING COMMITTEE AND SUBSTITUTE FOR HB2728 WITH INTEREST, SPECIFICALLY IN THE LANGUAGE ON PAGE 8, SECTION (6), PARAGRAPH (b), SUB-PARAGRAPHS 1 AND 2. THIS PORTION OF THE BILL ADDRESSES THE PROVISIONING OF EXISTING AND NEWLY ORDERED POINT-TO-POINT BROAD BAND SERVICES AT DISCOUNTED PRICES TO HOSPITALS AND INTEGRATED SERVICES DIGITAL NETWORK (ISDN) SERVICES AT PRICES WHICH ARE UNIFORM THROUGHOUT THE STATE.

OUR MEDICAL GROUP SERVES PATIENTS IN ABOUT 30 COMMUNITIES IN KANSAS. WE WERE THE FIRST LARGE SPECIALTY MEDICAL GROUP TO TAKE ULTRASOUND AND OTHER SPECIAL MEDICAL TECHNOLOGIES TO RURAL KANSAS. WE CURRENTLY HAVE SEVEN PHYSICIANS OUT IN THE

Board of Directors:

*Joseph P. Galichia, M.D., F.A.C.C.
President and Medical Director*

*Albert P. Michelbach, M.D.
Chairman*

*Duane L. Dyer
Executive Director*

James B. Devlin

James R. Kelly

Elizabeth B. Koch

Max R. Moss, D.V.M.

*Pat Patterson, R.N., B.S.N., M.H.S.
Director of Clinical Research*

W. G. ...

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SMALLER COMMUNITIES CARING FOR OVER 200 PATIENTS ON A WEEKLY BASIS. THE TRAVEL TIME FOR OUR PHYSICIANS IS ESTIMATED AT 15 HOURS PER WEEK, THE EQUIVALENT OF TWO WORKING DAYS. THE COSTS ARE SUBSTANTIAL. WE HAVE BEEN CONSIDERING TELEMEDICINE, TELERADIOLOGY AND TELECONFERENCING FOR THE PAST TWO AND ONE HALF YEARS AS A COST EFFECTIVE WAY TO EXPAND AND IMPROVE OUR PATIENT SERVICES IN KANSAS. THE PROBLEM HAS BEEN TWO-FOLD - THE LACK OF TELEPHONE INFRASTRUCTURE AND THE ASSOCIATED COSTS OF THE SERVICES. WE CAN SIT IN WICHITA AND DEVELOP HIGHLY TECHNICAL SYSTEMS AND INNOVATIVE WAYS TO DELIVER PATIENT CARE, BUT UNTIL ALL KANSANS HAVE ACCESS TO THE NEEDED TECHNOLOGY AT COST EFFECTIVE RATES WE WILL HAVE TO CONTINUE TO PROVIDE OUR VITAL MEDICAL SERVICES IN A HIGH COST INEFFICIENT MANNER. BEING LOCATED IN WICHITA AND IN THE METROPOLITAN AREA, WE WILL LIKELY EXPERIENCE THE BENEFITS OF NEW TECHNOLOGY INFRASTRUCTURE. THE LANGUAGE IN SUBSTITUTE FOR HB 2728 WILL PROVIDE THE SAME TECHNOLOGY AT AFFORDABLE RATES THROUGHOUT KANSAS, THEREFORE ALLOWING OUR MEDICAL GROUP TO DELIVER MORE EFFICIENT SERVICES TO ALL KANSANS. I THEREFORE RESPECTFULLY URGE YOUR COMMITTEE TO SUPPORT SUBSTITUTE FOR HOUSE BILL 2728.

Kansas Telecommunications Reform

"Rural" Kansas Hospitals need affordable telecommunication we can't survive without it. Here is what we are facing:

- Medicare Reimbursement Cuts
- Increased Cost of Technology
- Managed Care
- Physician Retention & Recruitment Problems
- Medical Legal Liability
- Increases in Supply Costs

As part of Lutheran Health Systems Network of Hospitals, Nursing Homes, and Home Health Agencies, we have seen the benefits of telecommunications. In one of the first projects of its kind for "Rural" Hospitals, LHS successfully completed a group purchase of Laboratory equipment involving 37 "Rural" Hospitals. **In Marion, Kansas, we have realized a savings of \$30,000 on the purchase price of the equipment alone. An additional savings of more than \$15,000 per year was also realized on reagent costs as well.** With CLIA and the new regulatory compliance issues more than taking that savings, think of the loses if that project had not been successful. For this process to come to completion, it took many **teleconferences**, meetings, **Email, education, and sharing of information**. If we had relied on more traditional methods of communication, the project would have failed. **If Fiber Optics had been available, additional savings would have been seen.** Many area's of Health Care can greatly benefit from affordable access to telecommunications that will be provided to Hospitals as described in **Section 6 of this bill**. Here are just a few examples of what kinds of opportunities we see.

Physicians Assistants & Nurse Practitioners are being used in situations where limited access to Physicians is a problem. Fiber Optics would allow the PA's and Nurse Practitioners to have immediate help from their supervising Physician when difficult situations arise. As Physician recruitment & retention becomes more of a problem, how we handle these situations will mean "Life & Death." In Marion, we have two Physician Assistants with plans for a third to be added within the next year.

Home Health Agencies are one of the fastest growing areas of service in Healthcare. In many cases great expense is required to transport some of the patients to the facilities. Once again, Fiber Optics would give the Health Care Provider the ability to bring the Physician into the home with no "House Call." The ability to access the Physician can be an incredible tool that will both hold down unnecessary admissions, and provide the patient with "Quality Care" in the home. In the area of the special needs

Stuart A. Meador Information Services Coordinator / Laboratory Network Consultant
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Kansas Telecommunications Reform

patient, we have only tapped the surface. Affordable services to patients with mental and physical impairments would help give these people better and more complete care. St. Luke offers many Home Health services that have been added due to our unlimited resources within the Lutheran Health Systems Network.

Diagnostic Services such as Laboratory and Radiology will provide faster and higher quality testing through improved transfer of information from their department to the Physician at home, at the office, or on the go. Teleradiology will offer access to a Radiologist for reading x-ray's, instead of the general Physician waiting on the "Final" reading from the Radiologist. In emergency situations this could easily save a life. It can shorten the stay, and improve recovery. Laboratories with equipment problems can access service and support through telecommunications.

Continuing Education in a Rural Facility is like living on the moon! Limited access for isolated Health Care Providers make Fiber Optic telecommunication opportunities a must to keep our Staff on top of their game. Inexpensive access for required CME's would help reduce costs. Lutheran Health Systems through a program called the "Telenet Series" is providing this important service to our Staff members, but access to Fiber Optics would assist the value of the program.

Unlike many facilities in Kansas, **St. Luke has access to Internet.** This has helped provide many support opportunities at a cost savings. Hardware & Software support opportunities, Technical Training and Support for Technology, Networking with other facilities, Information Transfer with other agencies. Our LHS facilities share policies, ideas, and things that work with each other and the group.

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Testimony for the
Senate Commerce Committee

by
BEA BACON, VOLUNTEER AGING ADVOCATE

March 25, 1996
Room 313-S, 1:30p/m

Chairman Salisbury, distinguished members of the committee, thank you for this opportunity to appear before you in support of House Bill 2728.

My name is Bea Bacon and I have been a volunteer advocate for the aging for more than 20 years. I am a member of many local, state and national organizations on aging which work on issues of concern at the grassroots level and not at the direction of organizations in Washington. None of these grassroots organizations will receive any type of benefits from any telecommunications company because of my testimony. I appear here today simply because I think it is the right thing to do.

A vote in favor of HB 2728 is a vote for consumers of all ages, a vote for Kansas, and a vote for all the parties who will offer telecommunications services. There is no doubt consumers win. The bill addresses the needs of Kansans with low and fixed incomes through a Lifeline plan that would discount monthly basic service rates for those who meet a set of criteria. The aging are among those who will benefit from this service.

It also provides for Internet access in the rural areas and prevents "slamming" which is the unauthorized switching of customers to another provider of telephone service. Both of these issues are important to seniors as they are to the rest of the population.

HB 2728 provides rules that would "level the playing field" for all telephone companies. Without these rules, companies which have been allowed to "cherry pick" the most profitable customers from local phone companies would be allowed to continue this one-way practice, and leave the less profitable customers to current service providers, such as Southwestern Bell Telephone Co. While that may help some, like customers with big phone bills, it certainly could hurt the average or low income customers. As I understand it, this bill would make sure the rules don't favor one provider or another.

One national organization, AARP, does wonderful work for elderly, but they support the long distance companies' ability to provide local and long distance service as one-way competition; however, denying the local phone companies the same local/long distance service is wrong. The bill provides for competition

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statewide and makes sure that all Kansans have access to basic, affordable telephone service through its Universal Service provisions.

Opponents of this bill have indicated that local phone companies' rates have provided high earnings over the past seven (7) years. One local phone company, Southwestern Bell, has not raised its basic local service rates for 13 years. I know of no other business that has not raised its rates for such a long period of time. And in private industry (not government) a company must make a profit (if they don't they'll go bankrupt) as long as it provides good service at fair prices. Local phone companies have done that. This bill, HB 2728, has the possibility of reducing long distance rates. A reduction of long distance rates would give a net result of a total reduction of phone bills for most Kansans.

Lower phone bills are important for seniors because there are many of us who make a number of long distance calls - with a mobile society, we find our children and grandchildren far away. This bill would reduce the price of those calls. Affordable long distance calls to loved ones is important to the elderly who are often isolated.

HB 2728 is a very important piece of legislation. In fact, a House member wisely said after last week's passage in the House that the bill "was probably the single largest economic development bill the Kansas Legislature has ever considered".

But it does more than just provide jobs. It sets Kansas' telecommunications policy into the next century and positions our state for a tremendous ride on the information superhighway.

Finally, HB 2728 is great for your constituents. It is a fair and equitable bill that deserves your support.

Thank you for your consideration.

-/-



BEA BACON
11901 WEST 148 ST
OLATHE KS 66062

Debbie Snow
Communications Workers of America
Kansas Senate Commerce Committee
March 25, 1996

1 Madam Chair, Members of the Committee, good afternoon. My name
2 is Debbie Snow and I'm here representing the Communications
3 Workers of America Local 6401 (Topeka), part of a labor union
4 that in the State of Kansas has a membership 4,000 strong. Of
5 that number, some 3,000 of those working men and women find
6 employment with Southwestern Bell. Our fifteen locals span the
7 state, from Wichita to Hays, Topeka to Garden City, Salina,
8 Hutchinson, Parsons, metropolitan Kansas City and points in
9 between. As a labor union, we are charged with the
10 responsibility to press for issues that benefit our membership.
11 In that regard, we sometimes find ourselves at odds with our
12 employer, but not on this issue: we need a level playing field
13 in our industry. This may come from either universal, identical
14 regulation, or universal and equal deregulation.

15
16 It's now obvious that we will not return to the days of full
17 regulation in the telephone industry. The Bell System was
18 divided in 1984, never to be reunited, and now we must address
19 what to do with the remaining parts.

20
21 We are the work force who built, maintained and improved the
22 best communications network in the world. House Bill 2728 is a
23 way to ensure that network will survive and keep rural Kansas in
24 pace with this rapidly changing technology. This improved

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25 network will help nourish the roots of all Kansas communities,
26 to help all of us enter the new century on equal footing. We
27 want rural Kansas to succeed - our people live and work there.
28 We sit on your school boards, work in your community
29 organizations, contribute to your churches and charities,
30 enhance your tax bases, and put vital commerce into your local
31 economies. The wages and benefits won by CWA benefit all
32 Kansans through the ripple effect. Those who would come in to
33 compete in the local loop do not provide for their employees in
34 a like manner, nor do they demonstrate a desire to employ
35 Kansans in such areas as operator services. We want to live
36 here in Kansas. We want our children to have the opportunity to
37 live here, too. We want our kids to have an equal-access share
38 to the finest educational opportunities through advanced fiber
39 optics. We want to be a vital link in the information highway,
40 not just a country road detour from it.

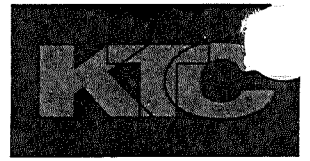
41

42 After a severe storm or other disaster, phone people
43 traditionally come into work early to get a jump start restoring
44 service. Our operators, so committed to service, have stayed
45 on their posts even during tornado warnings. They hold high
46 their charge as "weavers of speech". We want this bill to
47 guarantee quality phone service for all Kansans, not just the
48 most profitable ones. We pride ourselves in providing and
49 maintaining the best communication service on earth.

50

51 In my twenty-three years of service to Southwestern Bell, I have
52 watched my employer undergo a forced evolution from playing a
53 part in a highly regulated Bell System to standing alone as a
54 player in a rapidly changing marketplace. Our opponents now
55 want us to have one foot nailed to the floor then fire the
56 pistol to start the race for the future of telecommunications.

57 In closing, we have always held high commitment to customer
58 service in Kansas. We are loyal Kansans with a stake in the
59 future of our state. We helped bring you this far, please help
60 us continue to provide the communication network Kansans
61 deserve.



KANSAS TELECOMMUNICATIONS COALITION

TESTIMONY ON BEHALF OF THE KANSAS TELECOMMUNICATIONS COALITION BEFORE THE SENATE COMMERCE COMMITTEE

KENDALL S. MIKESELL

MARCH 25, 1996

Chairperson Salisbury and Members of the Committee:

Thank you for giving me the opportunity to testify before you today.

My name is Kendall Mikesell. I manage Southern Kansas Telephone Company, headquartered in Clearwater, about 15 miles southwest of Wichita. My company has been owned and operated by the Mikesell family since 1940, and I represent the third generation of family management. Southern Kansas Telephone is a certificated local exchange carrier serving approximately 4,300 customers across seven counties of south central Kansas.

Before I begin, I would like to extend a special greeting to my colleagues from the Telecommunications Strategic Planning Committee (TSPC): Senator Salisbury; Senator Downey; and Senator Feliciano.

I feel fortunate to have been chosen to participate in the TSPC process. Our 18 months of work was completed in December of 1995 and summarized in a report to the Governor, the 1996 Legislature, and the Kansas Corporation Commission. I am pleased with the work of the committee, and as I stated in a concurring report, the TSPC framework implementing competition, modified with an appropriate Universal Service and Infrastructure policy, can assure all Kansans of affordable access to advanced telecommunications technology.

I'm here today, on behalf of the Kansas Telecommunications Coalition (Coalition) to speak as a proponent of Substitute for HB 2728, a bill that couples the basic TSPC policy framework with a Universal Service and Infrastructure plan designed to assure all Kansans of accessibility to advanced telecommunications services at reasonable rates.

The Coalition, as you know by now, is an alliance of 35 small Kansas independent telephone companies and Southwestern Bell. We are bound by a long history of providing Universal Service to all parts of the State of Kansas. I believe, as does the Coalition, that the Kansas Legislature should establish telecommunications policy for the State, and the role of the Kansas Corporation Commission (KCC) is to implement that policy. Other Coalition members will be discussing various aspects of Substitute for HB 2728 during the hearing. My remarks today will focus on the Universal Service provisions of the bill as they relate to rural telephone companies.

Senate Commerce March 25, 1996 P.O. Box 960 Moundridge, Kansas 67107

Attachment 10 thru 10 - 3

- Blue Valley Telephone Company Home
Columbus Telephone Company
Craw-Kan Telephone Coop., Inc. Girard
Cunningham Telephone Company, Inc. Glen Elder
Elkhart Telephone Company, Inc.
Golden Belt Telephone Assn., Inc. Rusb Center
Gorham Telephone Company
H&B Communications, Inc. Holyrood
Haviland Telephone Company, Inc.
Home Telephone Company, Inc. Galva
JBN Telephone Company, Inc. Wetmore
KanOkla Telephone Assn., Inc. Caldwell
LaHarpe Telephone Company, Inc.
Madison Telephone Company, Inc.
MoKan Dial, Inc. Louisburg
Moundridge Telephone Company, Inc.
Mutual Telephone Company Little River
Peoples Mutual Telephone Company LaCygne
Pioneer Telephone Assn., Inc. Ulysses
Rainbow Telephone Coop. Assn., Inc. Everest
Rural Telephone Service Company, Inc. Lenora
S & A Telephone Company, Inc. Allen
S & T Telephone Coop. Assn. Breuster
South Central Telephone Assn., Inc. Medicine Lodge
South Central Telecommunications of Kiowa, Inc. Medicine Lodge
Southern Kansas Telephone Co., Inc. Clearwater
Southwestern Bell Telephone Company Topeka
Sunflower Telephone Company, Inc. Dodge City
Totah Telephone Company, Inc. Ochelata, OK
Tri-County Telephone Assn., Inc. Council Grove
Twin Valley Telephone, Inc. Miltonvale
United Telephone Association, Inc. Dodge City
Wamego Telephone Company, Inc.
The Wheat State Telephone Co., Inc. L'dall
Wilson Telephone Company, Inc.
Zenda Telephone Company, Inc.

Substitute for HB 2728 begins by declaring it will be the public policy of the State to ensure that **every Kansan will have access to a first-class telecommunications infrastructure that provides excellent services at an affordable price.** The Universal Service provisions of the bill are designed to assure achievement of this visionary statement and they include the following features:

- 1) Definitions of Universal Service and Enhanced Universal Service, with a method for evolving the definitions in the future.
- 2) A methodology for rural telephone companies, as carriers of last resort, to implement network infrastructure plans to meet the Universal Service and Enhanced Universal Service definitions.
- 3) A rate restructuring provision, calling for rural telephone companies to bring their intrastate access charges into parity with their interstate rates. Any cost savings to long distance providers is required to be passed through to end users in the form of lower toll rates, and the fundamental concept of geographically averaged toll rates statewide is preserved.
- 4) A Kansas Lifeline Service Fund (KLSF) designed to maintain basic local exchange service at affordable rates to persons with low-income or special needs.
- 5) A Kansas Universal Service Fund (KUSF), designed to provide support to rural telephone companies serving high-cost areas, to assist them in providing Universal Service to customers at reasonable rates. The fund initially would replace revenues lost in the access rate restructure.
- 6) A methodology allowing for future supplemental KUSF support to rural telephone companies in response to a variety of circumstances, including required investment in infrastructure to meet an evolving definition of Universal Service.
- 7) A methodology for the elimination of KUSF support.
- 8) A mechanism for funding the KLSF and KUSF through a per minute surcharge assessed to the providers of all intrastate retail-billed toll minutes and similar services. This mechanism allows for the surcharge to be collected from the end user.
- 9) A methodology for KLSF and KUSF administration, including the use of a competitive bid process to select a neutral, bonded, third-party fund administrator.
- 10) And finally, a streamlined mechanism for rural telephone companies to seek local rate increases from the KCC.

In summary, Substitute for HB 2728 is a comprehensive bill which establishes telecommunications policy for Kansas to implement competition while preserving and enhancing Universal Service. It is built on many of the original TSPC policy framework points, with modifications and enhancements that have come about through compromise over the last two years. It features the introduction of equitable competition for all players, the assurance of ongoing Universal Service at reasonable rates for every Kansan, and the affordable deployment of advanced infrastructure over the entire state. It has been carefully crafted to comply with Federal law. It is not a perfect bill from any one player's perspective, but it is realistic, forward looking, and fair in balancing the interests of all parties. And most importantly, it is a bill that will serve both urban **and** rural Kansans well.

Once again, I would direct you to the vision statement at the beginning of the bill: **Every Kansan will have access to a first class telecommunications infrastructure that provides excellent service at an affordable price.** The Coalition companies, including Southern Kansas Telephone, stand ready and willing to make this vision a reality. All that remains is to make us able. I ask that you join 95 of your colleagues in the House, and support the passage of Substitute for HB 2728, enabling us to move forward in a predictable regulatory environment as we continue our heritage of investing in rural Kansas.

Thank you for your time and attention.



KANSAS TELECOMMUNICATIONS COALITION

- Blue Valley Telephone Company
Home
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- Elkhart Telephone Company, Inc.
- Golden Belt Telephone Assn., Inc.
Rush Center
- Gorham Telephone Company
- H&B Communications, Inc.
Holyrood
- Haviland Telephone Company, Inc.
- Home Telephone Company, Inc.
Galva
- JBN Telephone Company, Inc.
Wetmore
- KanOkla Telephone Assn., Inc.
Caldwell
- LaHarpe Telephone Company, Inc.
- Madison Telephone Company, Inc.
- MoKan Dial, Inc.
Louisburg
- Moundridge Telephone Company, Inc.
- Mutual Telephone Company
Little River
- Peoples Mutual Telephone Company
LaCygne
- Pioneer Telephone Assn., Inc.
Ulysses
- Rainbow Telephone Coop. Assn., Inc.
Everest
- Rural Telephone Service Company, Inc.
Lenora
- S & A Telephone Company, Inc.
Allen
- S & T Telephone Coop. Assn.
Brewster
- South Central Telephone Assn., Inc.
Medicine Lodge
- South Central Telecommunications
of Kiowa, Inc.
Medicine Lodge
- Southern Kansas Telephone Co., Inc.
Clearwater
- Southwestern Bell Telephone Company
Topeka
- Sunflower Telephone Company, Inc.
Dodge City
- Totah Telephone Company, Inc.
Ochelata, OK
- Tri-County Telephone Assn., Inc.
Council Grove
- Twin Valley Telephone, Inc.
Miltonvale
- United Telephone Association, Inc.
Dodge City
- Wamego Telephone Company, Inc.
- The Wheat State Telephone Co., Inc.
Udall
- Wilson Telephone Company, Inc.
- Zenda Telephone Company, Inc.

SUBSTITUTE FOR HOUSE BILL 2728

Testimony in Support of Substitute for House Bill 2728

by Richard Veach, General Manager of Pioneer Telephone
Ulysses, Kansas

Good afternoon Madam Chairperson and Committee members. I'm Richard Veach, General Manager of Pioneer Telephone, a local exchange carrier headquartered in Ulysses, Kansas. I am here on behalf of the Kansas Telecommunications Coalition. I was a member of the Telecommunications Strategic Planning Committee together with your fellow committee members Senators Salisbury, Feliciano and Downey. We were joined by three members of the House and representatives of the telecommunications industry, small and large business, state government, health care and the general public.

The TSPC spent countless hours over eighteen months studying the existing telecommunications atmosphere in Kansas, conducting a user needs assessment and formulating a vision for telecommunications that would carry Kansas into the twenty-first century. The product of the TSPC's work is the Telecommunications Policy Framework.

I need to correct something that was said during your briefing last Friday. The report that was produced by the TSPC was just that, a TSPC report. It was not the "Weber-Temin Report". Joe Weber and Peter Temin were the consultants that provided recommendations to the TSPC. The TSPC report used some of the recommendations made by Weber-Temin but there were other components of the report that were a product of the committee process.

In many ways, much of the TSPC report was incorporated into House Bill 2728. I'd like to visit briefly about what is essentially the same in both the TSPC proposal and House Bill 2728. Another conferee will speak with you about elements of 2728 that were not contained in the TSPC proposal.

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P.O. Box 960
Moundridge, Kansas 67107

Attachment 11 thru 11-3

The TSPC recommendation of simultaneity of 1+ intraLATA dialing parity with the provision of interLATA toll service by Southwestern Bell has been maintained in the bill.

The TSPC recommendation that each local exchange carrier file a network infrastructure plan to be approved by the KCC is a part of House Bill 2728. This will require the implementation of the minimum standards of universal service within two years and enhanced universal service within five years.

Universal service includes single party two-way voice grade calling (believe it or not, there are still some areas of Kansas where party lines still exist); stored program controlled switching with vertical service capability (this is essentially computerized switching that includes the capability of such services as call waiting, three-way calling, speed dialing, call forwarding, etc. . .); E-911, enhanced 911, capability (the type of 911 that when an emergency call is made, the public safety or law enforcement agency can identify the address or location of the call); tone dialing (commonly called "touch tone"); access to telephone operator services; access to directory assistance (often called "information"); and equal access to long distance services (the ability to choose who will be your long distance carrier).

Enhanced universal service includes signaling system seven capability with CLASS service capability (this somewhat cryptic title includes a number of advanced services, the most well known of which is caller identification but in the future it will provide the ability to provide a number of other services not being offered today); basic and primary rate ISDN capability (ISDN which means integrated services digital network, provides for faster data transmission rates as well as voice transmission simultaneously over a telephone line); full-fiber connectivity between telephone central switching offices; (fiber optic connectivity provides large capacity for the transmission of voice and data and is the medium of choice for broad band services such as video and high data rates); broad band capable facilities to all schools, hospitals, public libraries and state and local government facilities that request broad band services (this is the provision that will take our schools and libraries into the twenty-first century's information age).

The TSPC report recommended and the bill adopted a regulatory reform plan. There were some changes to this plan and the changes will be discussed by another conferee.

Southwestern Bell's basic service prices will continue to be capped as they have been since the implementation of TeleKansas. State long distance access prices will be reduced to and linked to the interstate price. Local exchange carriers electing price cap regulation will have the ability for individual case based pricing as a means to provide the customer with the most competitive rate. This pricing flexibility will put the customer first. Southwestern Bell will impute long distance access costs to itself. Statewide average long distance rates will be maintained (long distance calls anywhere in Kansas will be priced the same regardless of where they originate or terminate). Cost studies will be performed to determine price floors for local exchange carriers that elect price cap regulation. New entrants, competitors, will not be subject to price regulation. Any long distance access reductions are required to be passed through to Kansas consumers in the form of decreased long distance rates.

The Kansas Telecommunications Coalition has said, and you may hear it more than once today, that the public policies embodied in this bill strike a delicate balance between a number of interrelated policies. Several amendments were added to House Bill 2728 that have the potential to throw this balance out of kilter. You have heard or will hear about this today and tomorrow. With a few adjustments, House Bill 2728 will be the vehicle to move Kansas into the twenty-first century of telecommunications.



American Association
of Retired Persons

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TESTIMONY on HB 2728

SENATE COMMERCE COMMITTEE

**JAN KRUH
VICE CHAIR
STATE LEGISLATIVE COMMITTEE
AARP of KANSAS**

March 25, 1996

AARP's interest in Substitute for HB 2728 came late in the House Committee process, after published reports by the Chairman of the Select Committee on Telecommunications indicated that the bill would have a negative impact on "Grandma" and elderly people in the state. The Substitute bill was circulated less than 24 hours before hearings. It appeared to be a comprehensive plan, complex and technical, which preserved market share for the local exchange companies without adverse consequence to the revenues they earned as monopolies. The Substitute bill was hastily passed out of committee, over the objection of AARP and others, that it would negatively impact the working families and the elderly of the state. On the House floor, several consumer directed amendments were made to the bill. Because the Substitute bill contains complex provisions drafted by Southwestern Bell and the other independent companies, AARP is not sure that the amendments will produce the consumer benefits which are needed. Hopefully, the Senate Commerce

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Committee will permit careful debate on the bill to counteract the "law of unintended consequences" and to permit appropriate action (which may mean letting the federal legislation fall into place) and avoid adverse impact to the 300,000 members of AARP in Kansas.

AARP's principle objection to the Substitute measure in its original form was the inflexible pricing mechanism in the bill. This provided for a series of price caps, starting with existing monopoly prices, and continued with automatic escalators, using the CPI with a productivity offset of only 1.5%, considerably lower than that of other states. These provisions restricted the Corporation Commission's ability to change the pricing structure. This pricing would have allowed Southwestern Bell to increase its charges for local service by as much as \$1.50 per month per year over the next three years to a total of \$4.50/month. After that period, local service would be increased by the CPI minus a 1.5% productivity standard. Additionally, the pricing mechanism would have given Southwestern Bell the ability to selectively increase and decrease prices for individual service without review by the Corporation Commission. Some customers would then be charged lower rates than others for the same services. This ability to selectively price would permit rates for individual customers to exceed the price caps, as long as the total revenue stream did not exceed the overall price cap limitations.

AARP is not a group with considerable utility expertise. Its objection to this legislation is based on a fear that its elaborate structure will produce long term results that the consumer cannot anticipate. The bill prevents the Corporation Commission from conducting any review of the larger companies' earnings. No audit or rate case can be conducted by the Commission, despite the sophisticated pricing provisions in the bill. AARP questions the use of existing

prices, given the monopoly context in which these rates were established. AARP believes it would be better for the Commission to have rate-making authority. Monopoly pricing can prevent both competition and lower prices.

HB 2728 provides only limited use of cost studies. AARP believes that restricting the use of cost studies, at the same time the Commission is not allowed to conduct any audit, is like buying "a pig in a poke". Cost studies are necessary to establish fair and equitable prices for resale and interconnection. For example, the debate over how much of any overhead should be assigned to a product requires some use of cost studies. Otherwise, telephone companies can price products with disproportionate amounts of overhead assigned to the less competitive markets and preserve more competitive markets with lower overhead costs. Some customers will then absorb an unfair amount of overhead costs.

AARP also has concerns over the unplanned and complete deregulation of the third basket in New Section 6 (g). Within this basket are all telephone services other than basic service and exchange access. For example, these services are like the \$60.00 per hour installation charge and the three free directory assistance calls. The deregulation of these services will begin with the introduction of dialing parity. Unfortunately, the Commission has limited control over this process. Consumers could experience substantial increases in some services. Although deregulation may bring about lower prices, why shouldn't the Commission be given some discretion over which services are to be completely deregulated and the timing for this deregulation?

Another point to be made is the ability of Southwestern Bell to draw from the Universal Service Fund. Under the bill, a surcharge to long distance toll would be implemented to fund Universal Service. A question exists as to why

Southwestern Bell should be able to receive subsidies at the expense of long distance customers.

There are numerous issues which are beyond our ability to address. Hopefully, this Committee will proceed to do the best for consumers. In our testimony before the House Telecommunications Committee on March 12, we raised several issues concerning the productivity factors, the discount for resale and the automatic increases for rural telephone companies. I have attached a copy of that testimony.

Hopefully, you will give careful consideration as to whether any legislation is necessary during this session. AARP believes that it would be in the best interest of the consumers to delay action on this far-reaching telecommunications bill that will affect future costs of every residential and small-business person in Kansas. However, if you build on the changes made to Substitute for H.B. 2728, which was amended by the House to provide more balance for consumers, please address the pricing issues which would give the telephone companies unlimited discretion over the pricing of individual services under the residential and small business price cap.

Thank you for the opportunity to address this Committee.



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**TESTIMONY OF JAN KRUH
VICE CHAIR
STATE LEGISLATIVE COMMITTEE
FOR AARP OF KANSAS**

March 12, 1996

AARP's interest in Telecommunication's Legislation grew with published comments by the Chairman of the Select Committee On Telecommunications and his observations that this bill, now Substitute for H.B. 2728, would have a negative impact on Grandma and elderly people in the state. With heightened awareness, AARP attempted to obtain a copy of the new language in the bill for closer review. Unfortunately the bill was not available until the day before public hearings, causing concern that close consideration would not be given to the complex and technical language which appears to favor Southwestern Bell and the other local exchange companies to the detriment of working families and the elderly. AARP hopes that the committee will not rush to judgment and will carefully consider the adverse affect this bill will have on consumers and the 300,000 members of AARP.

Although the bill professes to protect consumers, it appears that several

provisions are directed at protecting the pocket books of the local exchange companies. The bill presumes that the existing prices of the telephone companies are reasonable. It authorizes up to \$4.50 in local service increases over the next three years without an opportunity to review the earnings of the companies that automatically can increase their local rates. This procedure will result in most Kansas residential customers paying more for their telephone service than they presently do. After three years, the companies are guaranteed cost of living increases with unreasonably low offsets for productivity.

The productivity offset is 1.5% significantly lower than in other states.

The productivity offset for certain other states is shown below:

- (a) California, GTE - 4.6%
- (b) Colorado - legislation sets a productivity factor not to exceed 5%
- (c) Delaware, Bell Atlantic - 3%
- (d) Georgia - 1995 legislation established 3%
- (e) Illinois, Ameritech - 4.3%
- (f) Iowa, 1995 legislation established 2.6%

Additionally, although the bill states that it benefits customers, it arbitrarily restricts the discount for resale to 10%. Is there any reason that a larger percentage was not included? Would it not be in the best interests of consumers to have a greater leeway in setting wholesale prices? For example, should it be 20%, 30% or 40%?

Another concern with the legislation is the fact that no cost studies are

allowed to determine rates. Yet, the bill would impose cost increases on consumers and guaranteed revenues for companies without the slightest hesitation. Is the Committee afraid to inquire into what the earnings of these companies would be? Does this serve the public interest? Moreover, by using the "clear and convincing standard" to lower resale purchases, the bill makes it virtually impossible to set aside the 10% figure for resale, especially when cost studies are disallowed in determining rates. Why does the Committee feel that an ordinary standard of proof is not appropriate? Do you not need cost studies to verify the reasonableness of the rates which are imposed?

The bill also approves automatic increases for rural telephone companies in the amount of an annual monthly increase of a \$1.50. Does this serve the public interest?

The bill appears to have been drafted by telephone companies in order to sustain their earnings and profits without benefit to consumers. AARP hopes that the Committee will consider some of the more controversial provisions of the bill. AARP members feel that the benefits of the federal legislation are restricted with the substitute language. AARP proposes price caps being set by the Kansas Corporation Commission with the benefit of cost studies. AARP opposes rebalancing without some verification that the process will permit just

and reasonable rates. AARP desires that the Committee give the Kansas Corporation Commission more leeway in implementing the federal legislation and allowing for greater competition. Finally, the AARP wishes to have a productivity factor that compares with other states and the elimination of any automatic price increases without review by the Kansas Corporation Commission.

**Testimony and Proposed Amendments
on behalf of Multimedia Hyperion Telecommunications
Before the Senate Commerce Committee
House Bill No. 2728**

by
Brian Lippold
March 25, 1996

Madam Chair. Members of the Committee. Thank you for allowing me the opportunity to address you today. My name is Brian Lippold and I am General Manager of Multimedia Hyperion Telecommunications. Multimedia Hyperion is one of only two providers currently competing with Southwestern Bell Telephone for the provision of access services in the state of Kansas. We have been offering service for just over 2 years in the greater Wichita area. Through a 140 mile self-healing fiber optic network, Multimedia Hyperion provides access connections between long distance carriers and their end-users and between two different locations of the same customer.

As a result of the 1994 Legislature's directives to the Kansas Corporation Commission which are contained in Senate Concurrent Resolution No. 1627, and as a result of the passage of the federal Telecommunications Act of 1996; Multimedia Hyperion has hopes to offer the full scope of local telecommunications services, in addition to the access services we provide today. House Bill No. 2728, if enacted as currently written, may dash the hopes and plans which were fostered by this very Committee, two short years ago.

Multimedia Hyperion does not believe that there is a need for any state legislation this year. The KCC is only now close to completing the work which this Committee directed it to perform as part of SCR 1627, TeleKansas II does not expire until March of 1997 and the FCC has only just begun the work of implementing the federal policy which was defined as part of the Telecommunications Act of 1996. Multimedia Hyperion believes that state legislation is premature and that HB 2728 creates more problems than it addresses. We believe that this bill is in direct conflict with federal legislation, is anti-competitive and anti-consumer.

In the interest of time, I will leave the conflicts with federal legislation and anti-consumer issues to other conferees. Today, I would like to address the anti-competitive aspects of the bill.

New Sec. 6. (b) (1)

A commitment to provide existing and newly ordered point-to-point broadband services to any [rural] hospital ~~as defined in K.S.A. 65-425, and amendments thereto~~, school accredited pursuant to K.S.A. 72-1101 *et seq.*, and amendments thereto, public library or other state and local government facilities at discounted prices close to, but not below, long-run incremental cost; and,

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The stricken language would include the Via Christi Regional Medical Center's St. Francis Hospital and St. Joseph Hospital, and the HCA Wesley Medical Center in Wichita. Multimedia Hyperion has invested 100's of thousands of dollars in risk capital to construct redundant, broadband, fiber optic facilities into each of these locations in order to provide the services which each of these institutions has requested, at rates less than those offered by SWBT.. The Via Christi organization competes directly with the HCA Wesley Hospital and each organization has the wherewithal to fund their telecommunications needs.

The stricken language, if allowed to remain, will have the effect of allowing SWBT to construct identical facilities at the expense of ratepayers and potentially strand the investment of Multimedia Hyperion. This language is in direct conflict with the policy goals delineated in New Sec. 1. (b) which states that it is the public policy of the state to: (b) ensure that consumers throughout the state realize the benefits of competition through increased services and improved telecommunications facilities and infrastructure at reduced rates.

This language will penalize Multimedia Hyperion for bringing the benefits of competition to the consumers of Kansas and will provide a windfall, by default, of all governmental business to the entrenched monopoly provider.

These 6 words (any hospital as defined in K.S.A. 65-425) have an enormous hidden meaning. What other as yet undiscovered areas of this bill, have similar implications?

New Sec. 6. (d)

... Prices for individual services and for services to individual customers may be reduced within a basket. An entire basket, if desired by the local exchange carrier, may be priced below the cap. No service shall be priced below long-run incremental cost which shall serve as a price floor. Access charges equal to those paid by telecommunications carriers to local exchange carriers shall be imputed as part of the price floor for toll services offered by such local exchange carriers on a total toll service basis. [Unbundled local loop and switching facility charges equal to those paid by telecommunications carriers to local exchange carriers shall be imputed as part of the price floor for local telephone services offered by local exchange carriers on a total local service basis.]

The sentence which reads, "Access charges equal to those paid by telecommunications carriers to local exchange carriers shall be imputed as part of the price floor for toll services offered by such local exchange carriers on a total toll service basis.", provides protection for toll service providers from unfair pricing practices by local exchange carriers.

With the addition of the underlined language above, telecommunications carriers purchasing unbundled local loop and/or switching facility components will be protected from unfair pricing practices by local exchange carriers in an identical manner. If the local exchange carriers are not required to impute the cost of these unbundled components in the price of their local service offering, local service competition will be seriously impeded.

New Sec. 6. (d) continued -

~~Any downward adjustment in the price of services within a price cap not otherwise reflected in existing tariff rates or rate charges shall be presumed lawful and shall become effective upon seven days' notice, or such shorter time as the commission shall approve, if the tariff applicant has a good faith basis to believe the price reduction is necessary to meet the price offered by an alternate provider to the customer, or in the area for which the new price applies. Any other downward adjustment in rates or rate ranges for an individual service or for services to individual customers shall be effective upon 14 days' notice, or such shorter time as the commission shall approve, and shall not be suspended for more than 90 days pending any final order of the commission. [must be approved by the commission. The commission, as directed in Senate Concurrent Resolution No. 1627, shall continue to investigate the level of competition for each regulated or flexibly regulated telecommunications service under its jurisdiction. In addition the commission should:~~

i) Periodically assess the level of competitiveness of such services and emerging services with the intent of encouraging development of effective competition for telecommunications services where feasible, including the removal of barriers to entry;

ii) establish a classification system for telecommunications services based on the degree of competition faced by the providers of the particular service;

iii) establish standards and procedures by which the rates, terms and conditions of telecommunications services are regulated in accordance with their classification as in clause (ii) above; and

iv) ensure that regulated services will not subsidize competitive or unregulated services.]

The stricken language gives local exchange carriers, who today control virtually 100% of the local service market, far too much flexibility to offer prices lower than emerging competitors. A more balanced approach, which would conform to the policy goals delineated in New Sec. 1. (b) which states that it is the public policy of the state to ensure that consumers throughout the state realize the benefits of competition; would be to incorporate the language from Senate Concurrent Resolution No. 1627, which addresses this very issue.

Through SCR 1627, this very Committee recognized the need to transition the market from monopoly to competitive, in a manner in which the incumbent local exchange carriers would not have an opportunity to squash emerging competitors before they have an opportunity to gain a foothold.

Two years ago, this Committee took a bad bill, and transformed it into something which was palatable to Multimedia Hyperion. The referenced language from SCR 1627 was instrumental in creating an environment in which Multimedia Hyperion felt there was an opportunity to bring competition to Kansas in an economically viable manner. Without it, our course must be re-examined and may be reversed.

New Sec. 6. (g)

This paragraph should be removed entirely for the same reasons as identified in New Sec. 6. (d) which I just discussed. Deregulation of a particular service when the local exchange carrier begins offering I+ intraLATA dialing parity or when there is an alternative provider of the service, in no way ensures that competition is available or in any way effective. Again, the language which we propose to incorporate from SCR 1627 is much more conducive toward achieving the goals which this paragraph (g) was intended to address.

New Sec. 6. (h)

This paragraph should be removed entirely. Again, the language which we propose to incorporate from SCR 1627 is much more conducive toward achieving the goals which this paragraph (h) was intended to address.

New Sec. 6. (I)

The commission shall require that for all local exchange carriers all ~~such price deregulated~~ intraLATA toll services be geographically averaged statewide **and all local exchange services be averaged based upon exchange density as approved by the commission** ~~and not be priced below long-run incremental cost.~~

The stricken language should be removed as it is more appropriately addressed by the provisions we request be incorporated from SCR 1627 and discussed previously. By including the language "and all local exchange services be averaged based upon exchange density as approved by the commission", consumers and emerging competitors will be assured that local exchange carriers do not lower rates where competition is present and raise rates in other areas to make up for competitive losses. In order to transition to a competitive local service marketplace, rate deaveraging cannot be allowed.

New Sec. 9. (c) (3)

This section allows rural telephone companies to recover funds necessary to rebuild plant arising from damages caused by natural disasters. Any reference to recovering funds due to natural disasters should be removed from this bill. This is what insurance is for.

In summary, I urge this Committee to stay the course. Let the KCC complete the mission which you provided for in SCR 1627. Let the FCC implement the recently enacted federal legislation. If, you find it necessary to move House Bill No. 2728 to the Senate floor, do so only after the bill is modified to insure a fair and lasting transition to a competitive marketplace.

Thank you.

State of Kansas
Senate Commerce Committee
March 25, 1996

Testimony by Michael C. Burrus
President, Multimedia Cablevision, Inc.

Senator Salisbury and distinguished members of the Committee, my name is Mike Burrus. I am President of Multimedia Cablevision, whose national headquarters is in Wichita. I appreciate having the opportunity to briefly present several points of view regarding the sweeping telecommunications legislation that you are now considering.

To say that I am concerned about the probable impact which telecommunications legislation would have on our business if it is in a form similar to that which passed last week in the House, would be a gross understatement. I have often addressed the governing bodies of the 160 communities to whom we provide cable television service on matters of local concern. I have even testified before the Federal Communications Commission when issues of national significance have been considered. However, this is the first time in the eleven years during which I've had direct responsibility for Multimedia's cable operations that I have found

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it necessary to personally address a legislative body representing any of the five states in which we do business. I want you to know how serious I consider the issues at hand to be for Multimedia, and for other potential competitors to the incumbent local telephone companies operating in Kansas.

Several years ago, another company of which I serve as President, Multimedia Security, conducted a search for a city in which to locate the national headquarters for its rapidly expanding operations. The finalists were Oklahoma City, Kansas City, Missouri and Wichita. As a native of Wichita, I was thrilled when we selected it as the winner. One of the biggest factors in making that decision was that Kansas' leaders have always valued its homegrown companies and have provided an outstanding climate in which to do business. The State has encouraged new companies to enter its boundaries, to offer new products, and to improve the quality of existing products being manufactured or provided by the established companies. With the provisions contained in H.B. 2728, I regret to conclude that this healthy attitude toward business might be deteriorating.

Frankly, if telecommunications legislation passes in any form similar to that which is presently being considered, my conclusion may well be that there are other

states in which we operate that are more worthy of Multimedia's future investments dollars.

Allow me to be more specific. H.B. 2728 overwhelmingly favors the entrenched local telephone companies. Deregulation of most of their services would occur prior to potential competitors having the opportunity to develop and offer similar services. Multimedia Cablevision is one of the most likely of these potential competitors. We are prepared to provide residential and commercial dialtone service if and when the economics justify the investment. A critical ingredient that is missing in our analysis is market demand. With the bill's provision that allows the incumbents pricing flexibility within their service baskets, even to the extent of decreasing rates on an Individual Cost Based (ICB) method, it is impossible to project that sufficient market demand can be created in order for an alternative service to survive. If the economics don't work for a company like Multimedia, I daresay that there won't be facilities based competition for the incumbent LEC's.

There are numerous other provisions of H.B. 2728 with which I have serious concerns, and I trust that they will be adequately covered by other interested

parties. My underlying concern is that competition must be allowed to develop.

To deregulate the incumbent LEC's prior to there being effective competition will only benefit those existing telephony providers. This legislation involves very complex issues, ones which are of vital importance for the future of telecommunications in our state. The issues became even more complicated by virtue of the Federal legislation that passed last month and the various actions that will be required at the state level. It makes no sense to rush such critical legislation! However, if the Committee and the full Senate desire to do so during the short time remaining in this session, I urge you to carefully consider the points presented in the testimony of those parties, like Multimedia, who have valid and valuable perspectives which differ from the incumbent Local Exchange Carriers'.

Thank you for your consideration.

CompTel-Kansas

*Competitive TELECOMMUNICATIONS
Kansas ASSOCIATION*

TESTIMONY ON BEHALF OF COMPTEL-KANSAS
SENATE COMMERCE COMMITTEE
HOUSE SUBSTITUTE BILL NO. 2728
MARCH 26, 1996

Madam Chair, Members of the Committee, my name is Michael Ensrud and I am pleased to appear on behalf of CompTel-Kansas. CompTel-Kansas (CompTel) is a trade association which represents the interests of small long distance companies who operate in Kansas. Our membership is comprised of CGI¹, LDDS-WORLDCOM, Westel, and Valu-Line of Kansas.

CompTel opposes Substitute HB 2728 for the following reasons: #1) the bill conflicts with the existing Federal Act #2) it is premature since the federal rulemaking has yet to commence #3) it is adverse to the interest of consumers #4) it is unfair to emerging competitors and #5) it strips the Kansas Corporation Commission (KCC) of its responsibility. The bill also contains ambiguities that need clarification.

REASONS TO REJECT SUBSTITUTE HB 2728

#1) HB 2728 Conflicts With Federal Act

Kansas will not be well served by the passage of conflicting legislation that creates terms and conditions at odds with the contents of the Federal Act. Such conflict will inevitably lead to litigation and delay the benefits of competition to the public.

Example: HB 2728 subjects only long distance services to the quasi-tax needed for the Universal Service Fund (USF) and the Kansas Lifeline Service Fund (KLSF). Federal Act requires a much broader base to pay into these funds. CompTel suggests Substitute HB 2728 be modified to conform to the federal requirements. It also more equitable to all parties in the industry to expand the services being taxed (beyond long distance services) as the source of funding.

¹The president of CGI is David L. Jones who was a member of The Telecommunications Strategic Planning Committee

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#II) HB 2728 Is Premature Since FCC Rulemakings Have Yet To Commence

It is premature to pass Kansas legislation because the Federal Act requires compliance with forthcoming FCC rulings. Some of those FCC rulings have the potential to remain undecided for 15 months after the signing into law of the Federal Act, which occurred February 8, 1996.

CompTel has provided a copy of the FCC schedules of various federal rule making. We have highlighted the dates which orders are expected to be issued. This document clearly demonstrates the fact that all the federal requirements are still in the process of being defined. It is impossible to comply with yet-to-be drafted federal rules.

#III.) HB 2728 Is Adverse To The Interest Of Customers

1. *Indexing - rates go up automatically, no questions asked*

The bill allows for miscellaneous service (example: call forwarding, call waiting, etc.) rates to be increased simply because of the Consumer Price Index increases. This index reflexes a conglomeration of increases in a wide variety of items. It in no way measures the cost of providing miscellaneous telecommunications service.

CompTel has provided an analysis showing that if the index provision had been in effect between 1985 and 1994, the customer's miscellaneous services could have increased by 30% merely because of the index. Using real costs as the criteria, Local Exchange Companies (LECs) in other states have been required to **REDUCE** rates during that same time frame. These reductions are proof telecommunications is a declining cost industry.

2. *Miscellaneous services are not subject to any controls on the price charged after 1+ presubscription is implemented*

The bill allows a local exchange carrier to charge whatever it believes the market will bear for miscellaneous services once 1+ presubscription is established. There should be a clear alternative provider prior to the existing local exchange carrier being given the freedom to price as they want.

This provision of the bill should be eliminated. The ability of an alternative long distance provider is to have its customers merely dial "one" - plus the number desired, when placing an intraLATA

call, is the definition of "1+ subscription" . The ability to offer 1+ presubscription is totally unrelated to a customer having any choice as to who provides "Call Forwarding" or "Call Waiting" services.

#IV) HB 2728 Is Unfair To Emerging Competitors

Example: HB 2728 allows LECs to "cut" individual customers special rates where they believe it is advantageous to do so and allows them to recover any revenue losses from monopoly customers. This flexibility in quoting rates to a specific customer who is approached by a competitor is unfair to the competitor. More importantly, it is unfair to the other, similarity-situated customers who remain at the higher rates simply because the incumbent provider chose not to offer the lower rate. Those who have an opportunity to use the services of others will likely enjoy lower prices than those who have no choice.

Example: The bill calls for the LECs to be reimbursed (via the USF) for reductions in federal compensation, reimbursed for reducing access charges to "federal parity" (meaning federal and state access rates are the same), reimbursed for the cost of government requiring the deployment of facilities (bill requires the deployment of ISDN state-wide) and reimbursed for damage to the network caused by natural disasters.

Reimbursing the LECs for this activity is unfair since long distance companies can not be reimbursed for damage caused by natural disasters or government requiring the deployment of facilities. This is true even though we are the primary contributors to the fund.

Example: The bill states access rates may be reduced. However, the bill states the revenue reduction may be recaptured by the USF. The USF tax is limited to only long distance services. It is possible any access reductions that lowers the customer's toll rates, will result in that same toll customer paying a higher USF surcharge.

#V) HB 2728 strips the Kansas Corporation Commission (KCC) of its ability to provide a just balance between the interests of consumers and the interests of providers of telecommunications service.

The bill puts many types of rate increases beyond the control of the KCC. These increases are not "tied" to reasonable criteria.

There is a "one size fits all" aspect of this bill which is totally inappropriate. There is too much diversity among and between the various parties who comprise the industry. It is better to deal

with these diverse entities on an individual case basis. This diversity among providers may be the strongest argument to let the KCC address the unique needs and situation of each of the various parties.

POTENTIAL CONFLICTS WITHIN THE BILL ITSELF

The bill contains ambiguities that need clarification.

Example: Sec 6 (d) contains:

"After the initial three years of rate rebalancing, and except for any subsequent authorized rate rebalancing, no adjustment to an individual service price within the residential and single-line business service basket shall increase more than the consumer price index."

This remaining section implies the consumer price index still can drive up the price cap for local service rates. Yet the bill seems to require the KCC to approve any proposed increase to the price cap for residential and single-line business basket. (see Sec 6 (e))

Another conflicting phrase is Sec 6 (l), which contains:

"No audit, earning review or rate case shall be performed with reference to the price cap plan and the initial prices filed as required herein."

It is unclear whether the KCC has the authority to disapprove a local service increase, if that increase is equal to or less than the consumer price index. It would appear the KCC is forbidden from using the LEC's earnings level, no matter how excessive, as the criteria to deny the increase.

CompTel suggests the law be clarified by adding the following sentence to the end of Sec 6 (d).

"The Commission shall weigh the merits of any such increase using the criteria which the commission believes appropriate."

To further clarify, Sec 6 (l) should be eliminated entirely.

We appreciate the opportunity to appear before you today and will be pleased to answer any questions.

Senate Commerce Committee

Submitted by: Bill Peterson (913)263-1363
901N. Buckeye
Abilene, KS 67410

As a member of the Silver Haired Legislature and life-long Kansan, I would like to speak in favor of Substitute House Bill 2728.

While I believe this bill, as a whole, is good for all of Kansas, there are two areas I feel are key to the legislation:

1. Internet provision - as I see the development of the telecommunications highway, it is imperative that the Internet be available to all Kansans. This will enable people in and around Abilene to have access at a set rate every month. This will allow me and all the other people in Kansas to gain access to the World Wide Web of today, as we enter tomorrow. I will have access, as will our schools and public libraries.

This will serve as an invaluable tool to our area schools, as it will bring the far reaches of the world right into our class rooms. The information will better equip them to succeed in the global market place, and as they seek employment in the 21st Century.

Our libraries can become gateways to the world around us; giving all Kansans unlimited resources to enhance their way of life and expand their personal knowledge.

2. I believe my phone service in Abilene to be of excellent quality and at a very reasonable charge. Thanks to Tele-Kansas my community has state of the art equipment. This bill will continue to encourage investments in towns like Abilene, thereby, keeping us all in touch with the world. I have asked a few questions concerning this bill and strongly agree that incentive regulation, is a must for that investment to continue and the Kansas Corporation Commission will still play an important role. This legislation is well-balanced and continues to protect the consumer, with price regulation for existing local telephone companies and the Life Line provision for fixed and low income Kansans. It also allows new companies to enter the local market without the same regulation, which will stimulate competition and increase jobs in Kansas.

*Senate Commerce
March 25, 1996
Attachment 16 thru 16-2*

Again, I would state that substitute House Bill 2728, will be good for all of Kansas - from the Cities and Towns - to the Farms and Ranches. I ask that you favorably pass this bill from your committee.

Thank you for your time and consideration of this matter for Kansas.

Respectfully Submitted,

A handwritten signature in black ink that reads "Bill Peterson". The signature is written in a cursive, flowing style.

Bill Peterson

COMMENTS BY C. CLYDE JONES, MANHATTAN, KANSAS, RE: HOUSE
SUBSTITUTE BILL NO. 2728

My name is Clyde Jones. I retired from Kansas State University in December, 1986, as a Professor of Management in the College of Business Administration. As an economic historian, I have studied and taught regulation of utilities and government policies toward business for almost fifty years. Since retirement, I have remained active in community affairs. Most recently, I have served as a member of a committee trying to position Manhattan for full participation in the communications networks of the future. This effort, known as the Community On-line Resource Exchange, has heightened my interest in the State's role in transforming State policy to meet Federal changes and to assist all citizens in the transition into the newer technologies which are already here.

From my understanding of this complex proposed legislation, I am fully supportive of the intention of the bill. I believe that it recognizes the major changes which are occurring in the telecommunications industry and seeks to change the face of regulation to meet these new conditions. The objective for seeing to it that all Kansans have access to quality and affordable services is essential; the bill appears to do that through the universal service plan. The objective for bringing Kansas onto the contemporary national telecommunications scene is also vital. Daily, I read about some new service available to computer users with high-speed communications capabilities. I want to see progress toward encouraging full access to these newer technologies, not only for Manhattan but for people statewide. I believe that this legislation moves in that direction.

At the same time, the Kansas Corporation Commission retains many of its regulatory functions designed to serve the public interest. I have always believed that regulatory bodies need to focus more on regulating competition and less on regulating the individual competitors. This bill appears to move in that direction.

The legislation which passed the House of Representatives, with a number of compromise provisions, still basically reflects the thinking of the Telecommunications Strategic Planning Committee. Many months of meetings and discussions have gone into the process of crafting this legislation.

Opponents of the bill have argued that it is anti-consumer and anti-competitive. As I look at the overall intent of the legislation, both consumers and competition are winners. The proposed legislation will increase the availability of technologically advanced services to all parts of the State. Schools and local governmental offices will benefit greatly from this enhanced access to telecommunications services.

As an older citizen (age 73), I fully support the legislation. Thank you for this opportunity to express my views.



C. Clyde Jones
2015 Rockhill Circle
Manhattan, KS 66502

*Senate Commerce
March 25, 1996
Attachment 17*

March 25, 1996

Senate Commerce Committee
Kansas Legislature
Capitol Building
Topeka, KS 66612

Dear Committee Members:

My name is DeVere Brage. I've been a member of AARP for about 10 years now. I'm President of the Labette County Chapter, AARP, number 2313. I'm on the board of S.C.O.O.P., which stands for Senior Citizens' Organization of Parsons, which I helped found in about 1987. I'm also a telephone company retiree. I worked 40 years for Southwestern Bell Telephone. For the last 32 of those years I was an engineer designing network installations in rural southeast Kansas.

I'll start with a little phone company information. It was very expensive then, it is expensive today and it always will be expensive to provide telephone service in rural areas because of the low customer density. What the residence customer paid was kept low, not just in rural areas but in cities too, thanks to subsidies from other services, like long distance and some others. That was all part of an idea called Universal Service. It was a good idea, especially when the phone company didn't have to worry about losing any customers.

I don't think the high cost of serving rural areas is going to change. But one big change I've noticed in the years since my retirement is competition. Businesses are putting up satellite dishes to bounce calls back and forth, instead of using the telephone network. People are putting cellular phones in their cars or their pockets, and using them instead of a pay phone. If you use a pay phone for a long distance call, you don't know what company is going to carry that call or how much you might get billed.

I've been reading about companies installing a few lines in the big cities. They do this to go after the big business customers so they can bypass the local telephone company. I can't begin to name all the long distance companies in Kansas now competing with my old company, which, by the way, still isn't allowed to carry a call from Parsons to Topeka, let alone across a state line.

And, now I read that the local phone companies are going to have to just let other companies come in and use their lines and switches. It doesn't seem fair to the local companies. But, it also can be bad for the customers, because in every one of these examples, this competition cuts into the subsidies that provide Universal Service.

*Senate Commerce
March 25, 1996*

Attachment 18 thru 182

Yes, things have changed and they are going to change more than we can imagine. It doesn't seem to me that regulation is keeping up with these changes. I'm not asking you to stop competition, because we shouldn't, and we couldn't even if we wanted too. But it is time to let the local companies fight back.

I think it's good that Substitute for House Bill 2728 carries Universal Service into the future. I also think it's good that the legislation wants to lower long distance in Kansas. I know a lot of senior citizens in rural Kansas who will like paying less for long distance. You see, in rural areas your local calling area is smaller, so you can end up using more long distance than folks in the cities who have big calling areas.

Since it is subsidy that is making long distance high, it also seems reasonable that when long distance is lowered, the local service should make up for it. It's just asking the local service to pick up a little more of the cost of providing the service. Local telephone service will still be well below cost in rural areas and still one of the best bargains of any service going today.

I'd now like to mention a couple things about AARP. I think its a good organization, but I sometimes wonder about the things that come out of headquarters. I've read where they are against Substitute H.B. 2728 for several reasons.

They said they don't think it will lower long distance. That's completely wrong. One of the main things H.B. 2728 will do is bring long distance inside the state (what is called IntraState), down to the level of what goes outside the state (InterState).

They talk about a local increase, but they don't mention that it's because long distance is going down. Another thing they don't tell you is that phone company doesn't get to make any more money in this shift, or that most customers won't see much change in their total bill. What this shift actually creates is the potential for many customers to have lower total bills if they use enough long distance.

In this case, the AARP headquarters position, isn't shared by me, nor did they ask for my opinion. What they don't realize, if they succeed in getting Southwestern Bell held back, is they're just helping to give all those competitors more advantage and that's hurting the customers. It's also hurting some of the best companies Kansas has, and those are the local telephone companies.

Sincerely,



DeVere Brage
220 N. 30th St.
Parsons, KS 67357



LABETTE

COMMUNITY COLLEGE

200 South Fourteenth • Parsons, Kansas 67357

March 25, 1996

Telephone (316) 421-6700

Senate Commerce Committee
Kansas Legislature
Capitol Building
Topeka, KS 66612

As president of Labette Community College in Parsons, I'd like to express my support for Substitute for House Bill 2728. This legislation offers educational benefits that are highly important to furthering education in southeast Kansas and throughout the state.

The plan proposes high-speed video and data services at discounted prices to Kansas schools, hospitals, libraries and government offices. Advanced telecommunications services would help Labette Community College provide better services to its students, especially those we serve through our satellite centers in neighboring communities. Telecommunications can help us share resources with other colleges in Kansas, and, if we choose, the nation or world.

But, it's not just education that benefits.

Certainly, the viability of Labette Community College depends upon the economic health of southeast Kansas. Business and economic development have always depended on telecommunications. Recently, we've seen the role of telecommunications explode into an information revolution.

The availability of advanced and high-tech services are vital to the continued health and development of southeast Kansas and to all parts of the state. Sophisticated telecommunications services are important to retaining and attracting business and industry. These businesses and industries are future employers for the graduates of Labette Community College.

Substitute House Bill 2728 will ensure that there is a modern telecommunications infrastructure in all parts of Kansas, with fiber optic connections between communities and new services for business and residential customers. And, the universal service protections ensure that basic services will remain affordable and available throughout the state.

*Senate Commerce
March 25, 1996*

Attachment 19 thru 19-2

Beyond education and economic development, advanced telecommunications reach to the very quality of life for Kansans.

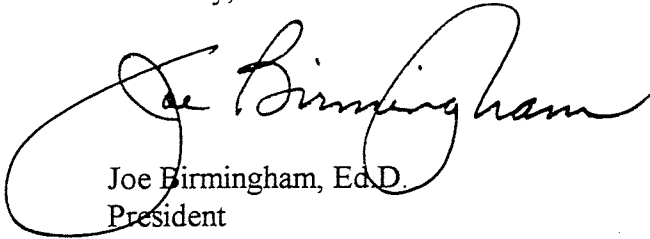
Of great importance in enabling all of these benefits to occur is the creation of a fair environment in which telecommunications competition will flourish.

The infrastructure deployment and service discounts that will be offered by the companies will be costly to provide, so it is important that we don't penalize them with forced price reductions in other areas. From my perspective, current prices for telecommunications services in Kansas are very reasonable. Competition will create a big enough opponent for the local companies; let's not add disadvantage with more regulation.

The federal telecommunications act mandates competition to occur and opens Kansas markets to any company interested in providing telephone service. It is all the more imperative that Kansas act now, to ensure that this state's telecommunications regulation allows local companies to have an opportunity to competitively respond to these new market entrants, so that the most benefit reaches customers.

I urge you to support the Substitute House Bill 2728, and the benefits it will bring, not just to education, but to economic development and the quality of life for all Kansans.

Sincerely,



Joe Birmingham, Ed.D.
President

(p:tel325)

**MAX V. SNODGRASS
P.O. BOX 744
IOLA, KANSAS 66749**

March 23, 1996

*Kansas Senate Commerce Committee
State Capital
Topeka, Kansas*

RE: Testimony in Support of Substitute for House Bill 2728

Dear Committee Members:

I've long been involved in working for the economic development of my community and for this area of southeast Kansas. I can attest to the importance prospective businesses place on good telecommunications infrastructure and services, as well as our existing businesses and industries.

We have been fortunate in Iola to have benefitted from the installation of digital switching equipment and the deployment of fiber optic interoffice connections by Southwestern Bell Telephone under the TeleKansas improved regulatory plan. I'm convinced the regulatory incentives of TeleKansas brought these sophisticated services to Iola far faster than they would have in the absence of such a plan.

With the passage of the federal telecommunications legislation, we are now entering a new era of high competition among telephone companies. It is crucial that we establish Kansas specific rules that allow the local companies in our state to respond to these competitors, which will have little or no regulation.

I write today in support of Substitute House Bill 2728. This legislation establishes a framework that encourages new telecommunications competitors to come into Kansas, while giving the existing local companies the freedoms to respond to that competition.

The proposals for deploying fiber optics and new services statewide also ensure that all areas of the state and all customers will benefit as the telecommunications industry moves into a more fully competitive era.

An advanced telecommunications network will help all areas of Kansas have the ability to retain and grow existing businesses and attract new businesses. Having ISDN services priced for the residential market will allow and encourage people to work from their homes with telecommunications links to their offices, which may be in a metropolitan center.

*Senate Commerce
March 25, 1996*

Attachment 20 thru 20-2

Quality of life is important to economic development and telecommunications also plays a role there. I'll be the first to point out that you can't beat the quality of life in southeast Kansas. This is something we promote very highly with a prospective business. When a business locates in a community, owners, managers and employees also will come. They and their families will want access to new telecommunications services that are convenient at home, and those that benefit education and health care. Substitute House Bill 2728 calls for a statewide network that will make available new services like Caller ID, and low-cost Internet access for residential and school users.

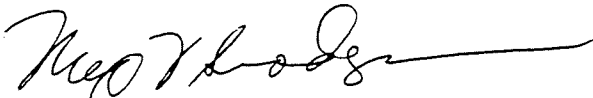
The broadband connections for use by schools, hospitals and libraries will add to the quality of life benefits. Certainly education is already being enhanced in many parts of Kansas through the use of interactive video distance learning. Health care can be improved in much the same way, with video and data links between a rural hospital and the health care specialists in the metropolitan areas. The urban area also benefits in this situation, because the health specialists in the cities are able to extend their reach into the rural areas. Traffic goes both ways on the information highway.

Earlier I noted that TeleKansas provided incentives for Southwestern Bell to accelerate its investment in the Kansas network. That was back in 1990. A lot has changed since then. Competition and the federal legislation now make it imperative that instead of incentives, we provide the local companies of Kansas the ability to compete against the new companies that are already here and those that will soon be coming.

Substitute House Bill 2728 has the ability to accomplish this, provided we don't hinder the local companies with more regulation that forces price reductions when current prices in Kansas are extremely reasonable.

Please support Substitute House Bill 2728. It will help the entire state to move forward in economic development.

Sincerely,



Max V. Snodgrass, CPA

MVS:ab

**Testimony to the
Senate Commerce Committee
Presented by Clarence Arndt, Advocate for the Aging
March 25, 1996**

Chairman Salisbury and members of the Senate Commerce committee, thank you for this chance to speak to you in support of House Bill 2728.

My name is Clarence Arndt of Overland Park, Kansas. I am chairman of the Johnson County Silver Hair Legislature, past Speaker of the House and treasurer of the Kansas Silver Hair Legislature, and president of Aging Forum, Inc. I am also the Third District delegate to the National Silver Hair Congress and a past delegate to the White House Conference on Aging.

I've given you my list of credentials because I want you to know that I think I am close to the pulse of much of the senior community in Kansas. And as such, I think I can speak for many of my senior constituents when I say that HB 2728 is a good bill for us in many ways.

First of all, it helps those who are on low or fixed incomes with its provisions for a Lifeline plan. This plan would discount monthly service rates for those who qualify and as I'm sure you know, many older Kansans fit into this category.

I also like the part about Internet access. Those of us in Johnson County have this capability already, but I know there are many parts of the state that don't and this would help them tremendously. Besides, we need to be able to communicate with one another.

Another part of the bill I like is the lowering of long distance rates. I have a daughter who used to work for a long distance company and so I know a little bit about that business. But any plan that lowers these rates, while still keeping local rates affordable and available to all, has to be good policy.

That's why I have trouble understanding why some organizations have come down so hard on this bill. They have stated this bill would continue local phone company monopolies and that it would increase local service rates. I just don't see that happening. In fact, I see just the opposite. Local phone companies will have competition with this bill and if you add in the long distance rate decreases, then perhaps a typical Kansan's bill will go down and not up.

I truly believe HB 2728 is pro-consumer and that goes for all types of Kansans. . . young and old. It gives access to basic telephone service no matter where they live in the state. Consumers will have more choices for local and long distance service and it also would establish basic quality of service standards.

*Senate Commerce
March 25, 1996*

Attachment 21 thru 21-2