

Approved: 4-5-96  
Date

MINUTES OF THE HOUSE SELECT COMMITTEE ON TELECOMMUNICATIONS.

The meeting was called to order by Chairperson Doug Lawrence at 1:40 p.m. on February 20, 1996 in Room 313-S of the Capitol.

All members were present except: Rep. Carl Holmes - excused

Committee staff present: Lynne Holt, Legislative Research Department  
Bob Nugent, Revisor of Statutes  
Mary Ann Graham, Committee Secretary

Conferees appearing before the committee: Melanie Fannin, President, KS - Southwestern Bell  
Mike Reecht, Director State Government Affairs - AT&T  
Eva Powers, Local Counsel & Leg. Rep. - MCI  
Malcolm Clarrissimeaux, Vice President - Classic Communications

Others attending: See attached list

Chairman Doug Lawrence called the meeting to order at 1:40. He announced there was a bit of a scheduling problem today. With the continuation of hearing on HB 2994 time will not allow for the hearing on HB 2960, which will have to be rescheduled.

The Chairman opened public hearing on HB 2994.

**HB 2994: An Act concerning telecommunications services: relating to competition in rural areas: amending K.S.A. 66-1,187 and repealing the existing section.**

The Chair recognized Melanie Fannin, President Ks., Southwestern Bell. Ms. Fannin spoke in support of HB 2994, she followed an outline for the committee on this bill. She talked about the impact of the new federal law on consumers, how it will change the FCC/KCC role from supervisors of regulation to facilitators of competition and will leave room for state legislatures to adopt policies to meet each state's specific needs, especially rural-based states like Kansas. She discussed Universal Service, which will provide consumers with statewide affordable basic service and infrastructure deployment, which will provide each community with access to first-class network. She discussed how regulatory reform will protect consumers while allowing the competitive market to operate and how clear and fair rules are needed for a smooth transition to open the marketplace and encourage competition. (See Attachment 1)

The Chairman welcomed Mike Reecht, Director of state government affairs, AT&T. Mr. Reecht spoke in opposition to HB 2994. He feels that a number of entry barriers are introduced for small telephone companies which are not needed and that the Federal bill allows exemptions for small rural telephone companies. Also the KCC has already taken steps to exempt small companies from local exchange competition. (See Attachment 2)

The Chair welcomed Eva Powers, Local Counsel & Leg. Rep., MCI. Ms. Powers testified in opposition to HB 2994, she urged the committee to refrain from enacting legislation which provides detailed requirements and rules and to instead focus on providing broad directives to the Commission, such as those in SCR 1627. (See Attachment 3)

Chairman Lawrence recognized Malcolm Clarrissimeaux, Vice President, Classic Communications. Mr. Clarrissimeaux testified in opposition to HB 2994, He believes HB 2994 will not protect the people living in all non-urbanized areas of the state and will not pass the Federal requirements regarding barriers to entry.

## CONTINUATION SHEET

MINUTES OF THE HOUSE SELECT COMMITTEE ON TELECOMMUNICATIONS, Room 313 -S  
Statehouse, at 1:40 p.m. on February 20, 1996.

The majority of the provisions dealing with non-urbanized areas of the state are only attempts to protect small telephone companies from possible competitive activities. They do not deal with all the non-urbanized areas of the state. (See Attachment 4)

The Chairman announced that he and Rep. Bob Krehbiel, Ranking Minority Leader, had decided to set aside Monday, March 4, 1996, for questions of all the conferees on HB 2994 and asked the committee to start collating their questions. Conferees will be called out of the audience. He again mentioned rescheduling a hearing date for HB 2960, which will have to be after "turn around", February 29.

The Chairman called the committee's attention to the handouts that were distributed to them in today's meeting, a 1995 State Assessed Property Report. (See Attachment 5) Also two fiscal notes, from the Division of the Budget, for HB 2963 and HB 3046. A reminder that tomorrow the committee will take up two bills, the one on Slamming and the one on Internet Access. He announced that HB 3056 was introduced today, the Franchise bill, which was a compromise involving Sprint and the League of Municipalities and will be on the agenda for Thursday, February 22.

The meeting adjourned at 2:55 p.m.

The next meeting is scheduled for February 21, 1996.

HOUSE SELECT COMMITTEE ON  
TELECOMMUNICATIONS COMMITTEE GUEST LIST

DATE: 2-20-96

NAME	REPRESENTING
Mark C. Hunter	—
M. O'Malley	Classic Communications
C. Gallagher	SBC
Leslie Kaufman	Ks Farm Bureau
Bill Sneed	SW Bell
Ken Ecker	Comptel of Kansas
John Reinhardt	KPA
Fred Boerke	State of Kansas, Chief Info. Architect
Michael Ennis	CST/Comptel-Kansas
John Peterson	Comptel of Kansas
MIKE LURA	AT&T
Carol O'Keefe	AT&T
Mike Meacham	KCTA
Debra Peterson	Sprint
Lava Powers	MCI
Melissa Mungford	Ks Hosp Assn
Richard Lewison	Sprint/United
Stephen Minnis	Sprint/United
Jeff Ross	SPRINT

HOUSE SELECT COMMITTEE ON  
TELECOMMUNICATIONS COMMITTEE GUEST LIST

DATE: 2-20-96

NAME	REPRESENTING
George Barbee	RTMC
Doug Smith	SITA
BILL BLASE	SWBT
MARY GRAY	SWBT
MARK CAPLINGER	SITA
JAMES M. CAPLINGER	CAPLINGER CNTD
Bill Drexel	SWBT
Rogon Vonfeldt	Rural Telephone Service Co.
Steve Sackinger	Wamogo TEL Co, Inc.
RICHARD VEACH	PIONEER TELEPHONE
CARL KREHBIEL	MOUNDRIIBE TELEPHONE CO.
Tom Gleason	Independent Telecom. Group
ED SCHAUB	WESTERN RESOURCES INC
MELANIE FANNING	SWBT
<del>Bill Blase</del>	





KANSAS TELECOMMUNICATIONS COALITION

- 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.  
*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.

# HOUSE BILL 2994

**Testimony**  
**in Support of**  
**House Bill 2994**  
**by**  
**Melanie Fannin**  
**President-Kansas**  
**Southwestern Bell Telephone**

February 20, 1996

*House sel/comm. Telecomm.*  
*2-20-1996* P.O. Box 960  
Moundridge, Kansas 67107  
*Attachment 1*



# Impact of New Federal Law

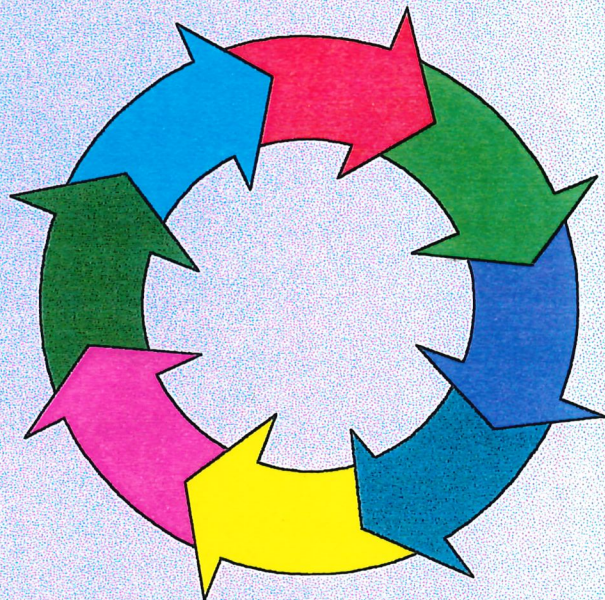
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- Opens the door for consumers to have choices in price, services and providers
- Refocuses FCC/KCC role from supervisors of regulation to facilitators of competition
- Leaves room for state legislatures to adopt policies to meet each state's specific needs--especially rural-based states like Kansas



# Necessary State Policies

- Universal Service
- Infrastructure Deployment
- Regulatory Reform
- Transition to Competition



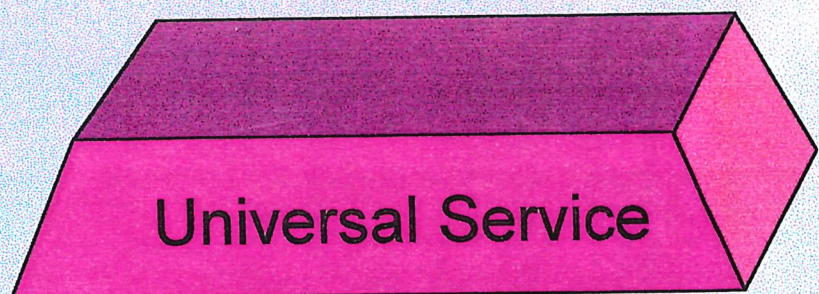
“A Delicate Balance”



# Universal Service

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- Like foundation; must be addressed up front
- Provides consumers statewide, affordable, basic service
- USF and Lifeline Program can make it happen

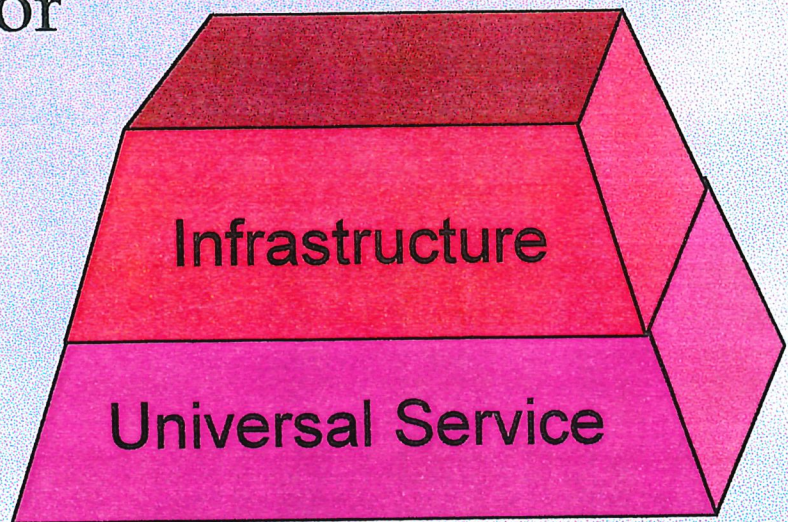




# Infrastructure Deployment

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- Every community will have access to first-class network
- Interconnected, state-of-the-art network in best interest of all Kansans
- Must provide incentives for investment statewide

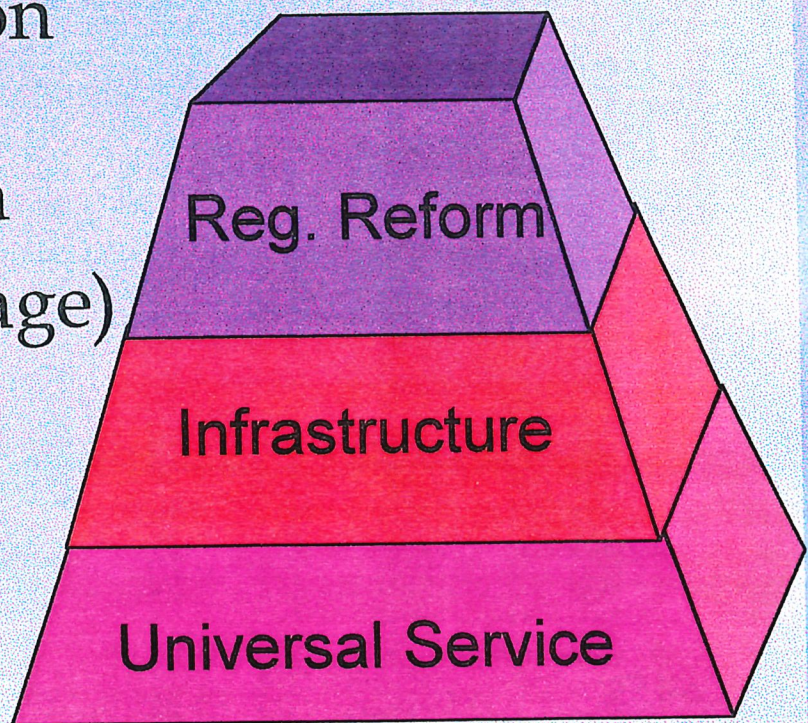




# Regulatory Reform

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- Provides incentive for infrastructure deployment in high-cost areas
- Refocuses regulation on facilitating competition  
(See next page)

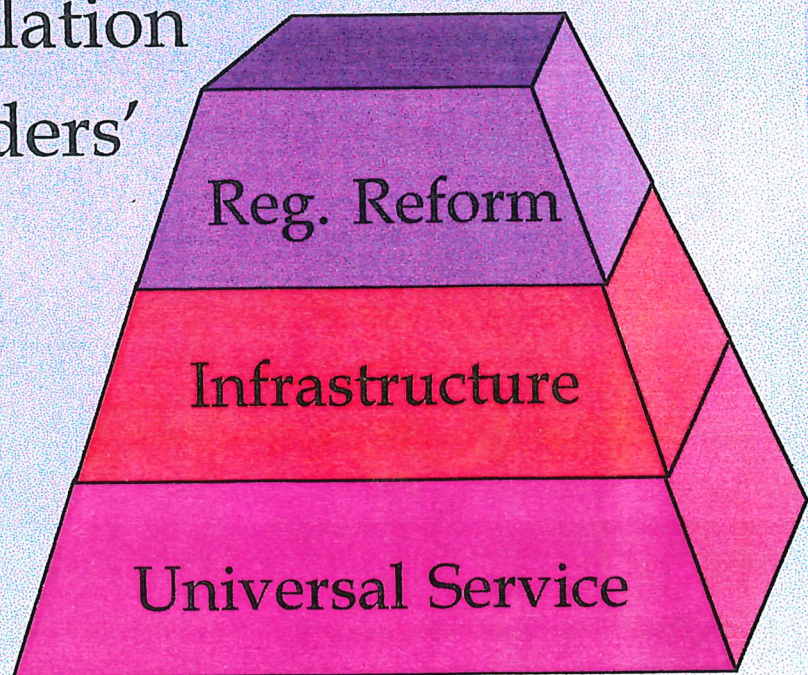




# Regulatory Reform (Continued)

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- Protects consumers while allowing competitive market to operate
- Price or rate of return regulation
- New providers' prices not regulated

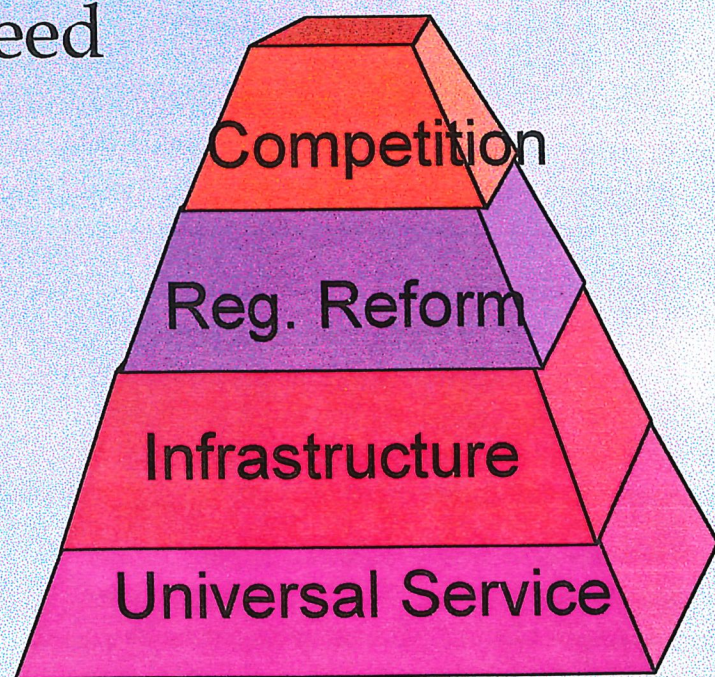




# Transition to Competition

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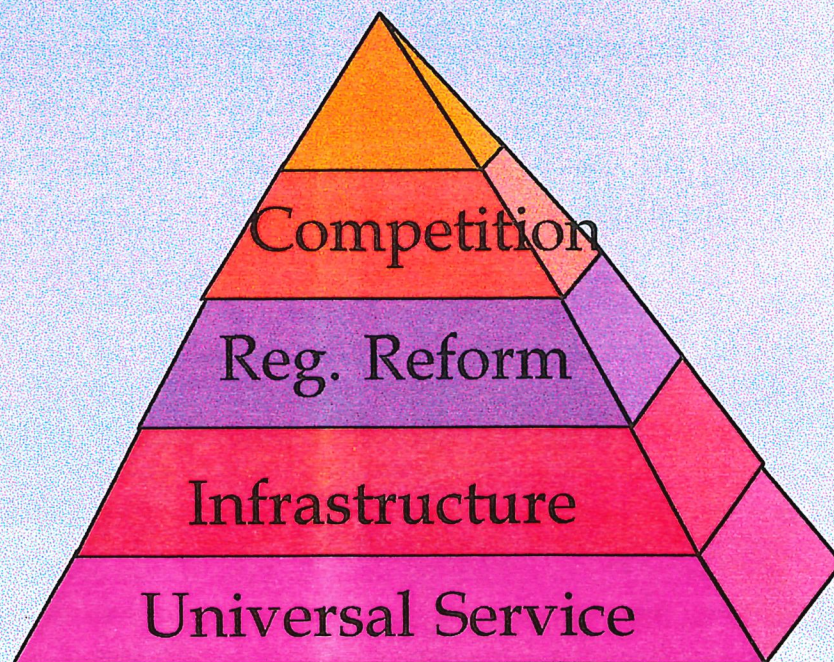
- Clear rules needed for smooth transition to open marketplace
- Fair rules needed to encourage robust competition
- Consumers need adequate safeguards





# HB 2994 Moves Kansas Toward the Vision

“Every Kansan will have access to a first-class telecommunications infrastructure that provides excellent service at an affordable price.”





# Who Benefits From HB 2994 & Why?

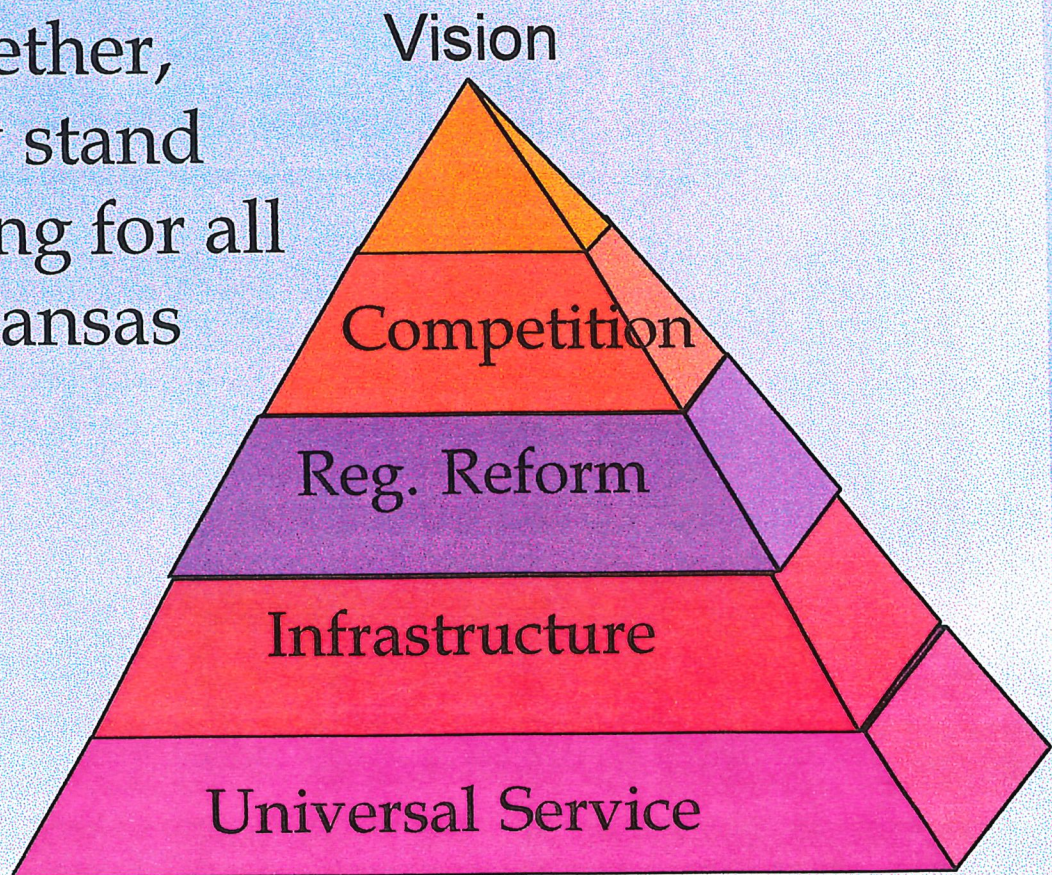
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- Consumers
- New Entrants
- KCC
- Independent Telcos
- SWBT



# HB 2994 Offers A Sound Structure To Achieve Vision

- Delicate balance of interrelated policies
- Together, they stand strong for all of Kansas







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State Government Affairs

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TESTIMONY ON BEHALF OF AT&T  
BEFORE THE SELECT COMMITTEE ON TELECOMMUNICATIONS  
HOUSE BILLS 2762, 2961 AND 2994  
FEBRUARY 20, 1996

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

MY NAME IS MIKE REECHT. I AM DIRECTOR OF STATE GOVERNMENT AFFAIRS FOR AT&T IN KANSAS.

I WELCOME THE OPPORTUNITY TO APPEAR BEFORE THIS COMMITTEE TO DISCUSS HB 2762, HB 2961 AND HB 2994.

BEFORE I DISCUSS THE ACTUAL BILLS I WOULD LIKE TO EMPHASIZE THE FACT THAT COMPETITION IS THE CORNERSTONE TO THE AMERICAN FREE ENTERPRISE SYSTEM. IT PROVIDES CUSTOMERS MORE CHOICES AT LOWER RATES AND IT SPURS THE COMPETITORS TO BE MORE INNOVATIVE WITH THE SERVICES THEY OFFER. WHILE AT THE SAME TIME, COMPANIES MUST FIND WAYS TO REDUCE COSTS AND BRING GREATER VALUE TO THE END CONSUMER.

THE 1994 LEGISLATURE RECOGNIZED THIS IMPORTANT PRINCIPLE WHEN IT PASSED SCR 1627 WHICH ACTUALLY SET POLICY REQUIRING THE KCC TO INITIATE DOCKETS WHICH WOULD ULTIMATELY OPEN ALL MARKETS TO COMPETITION.

"THE TELECOMMUNICATIONS ACT OF 1996" WAS SIGNED INTO LAW ON FEBRUARY 8. THAT FEDERAL BILL TURNED OUT TO BE A VERY BALANCED BILL WHICH BASICALLY REMOVES BARRIERS TO EFFECTIVE COMPETITION IN ALL REMAINING MARKETS WHICH HAD NOT PREVIOUSLY BEEN SUBJECT TO COMPETITION WHILE MAINTAINING THE PROTECTION OF UNIVERSAL SERVICE. THE FEDERAL BILL RECEIVED SUPPORT FROM LONG DISTANCE COMPANIES, RURAL TELEPHONE COMPANIES AND REGIONAL BELL OPERATING COMPANIES, ALIKE.

THE TELECOMMUNICATIONS INDUSTRY IS GOING THROUGH A PERIOD OF RAPID CHANGE. CERTAIN AREAS IN TELECOMMUNICATIONS LIKE

LONG DISTANCE AND CUSTOMER PREMISES EQUIPMENT HAVE BECOME FULLY COMPETITIVE OVER THE LAST DECADE. TODAY IN KANSAS THERE ARE OVER 150 LONG DISTANCE COMPANIES CERTIFICATED TO DO BUSINESS. VIRTUALLY EVERY CUSTOMER IN KANSAS HAS THE ABILITY TO ACCESS NUMEROUS LONG DISTANCE PROVIDERS OF THEIR CHOICE. ADDITIONALLY, CONSUMERS CAN GO TO MANY RETAIL STORES AND PURCHASE TELEPHONE SETS AND ACCESSORIES OF NUMEROUS KINDS AND VALUE. THESE CHOICES ARE MADE FOR A VARIETY OF REASONS; PRICE, LOYALTY, SERVICE OPTIONS, AND QUALITY OF SERVICE JUST TO NAME A FEW.

THE ONE MAJOR AREA OF TELECOMMUNICATIONS SERVICE WHICH HAS WITNESSED VIRTUALLY NO ACTUAL COMPETITION IS LOCAL EXCHANGE SERVICE. KANSAS CONSUMERS ARE STILL FORCED TO OBTAIN THEIR LOCAL SERVICE, THEIR DIAL TONE, FROM A SINGLE MONOPOLY PROVIDER. 100% OF BASIC LOCAL SERVICE, IN KANSAS, IS SUPPLIED BY SOUTHWESTERN BELL, UNITED OR ANOTHER INDEPENDENT TELEPHONE COMPANY. THEY STILL HOLD A MONOPOLY POSITION IN THE LOCAL EXCHANGE MARKET. THEY WILL CONTINUE TO BE MONOPOLY PROVIDERS UNTIL SUCH TIME AS THERE IS CLEAR AND DEMONSTRABLE COMPETITION IN THE LOCAL EXCHANGE. YOU WILL KNOW WHEN THIS MARKET HAS BECOME COMPETITIVE WHEN YOU ACTUALLY HAVE A CHOICE OF LOCAL SERVICE PROVIDERS OFFERING A VARIETY OF SERVICES AT VARIOUS PRICES.

AS A RESULT OF THIS MONOPOLY POSITION, LOCAL EXCHANGE TELEPHONE COMPANIES (LECS) ARE REGULATED BY THE KANSAS CORPORATION COMMISSION (KCC). THE PURPOSE OF REGULATION IS TO INSURE THAT WHILE THE LEC RETAINS ITS MONOPOLY POSITION, THE PRICES OF ITS SERVICES, THE QUALITY OF SERVICE IT PROVIDES AND THE ARRAY OF SERVICES IT MAKES AVAILABLE SIMULATE WHAT WOULD OCCUR IF THERE WERE COMPETITIVE FORCES AT PLAY.

THE ROLE OF REGULATION HAS SERVED THE CAPTIVE RATEPAYER WELL THROUGH THE YEARS WHETHER WE ARE TALKING ABOUT ELECTRIC SERVICE, NATURAL GAS, OR TELECOMMUNICATIONS. IT IS ESSENTIAL THAT REGULATION PLAY A KEY ROLE IN TELECOMMUNICATIONS ESPECIALLY DURING THE TRANSITION FROM A MONOPOLY LOCAL EXCHANGE ENVIRONMENT UNTIL SUCH TIME AS COMPETITION OFFERS CUSTOMERS MEANINGFUL CHOICES. THE KCC MUST BE PERMITTED TO PLAY A MAJOR ROLE IN THIS TRANSITION.

HB 2762 WAS DEVELOPED IN THE TELECOMMUNICATIONS STRATEGIC PLANNING COMMITTEE AND WAS NOT RECOMMENDED BY THAT COMMITTEE TO BECOME STATUTE. HB 2961 REPLACED THE UNIVERSAL

SERVICE PROVISIONS IN HB 2762. HB 2994 ADDED ENTRY RESTRICTIONS FOR SMALL LOCAL EXCHANGE COMPANY TERRITORIES.

I SPEAK IN OPPOSITION TO HB 2762 FOR VARIOUS REASONS. FIRST, THIS BILL WILL NOT FOSTER LOCAL EXCHANGE COMPETITION. IN FACT, THE BILL NOT ONLY CONTINUES ENTRY BARRIERS FOR NEW COMPETITIVE LOCAL EXCHANGE COMPANIES, SUCH AS RESTRICTIONS ON RESALE AND UNBUNDLING BUT ACTUALLY PROVIDES BENEFITS TO SOUTHWESTERN BELL BY DEREGULATING THEIR PRICES WITHOUT OVERSIGHT BY THE KCC ON APPROXIMATELY 33% OF THEIR REVENUES. ALL OF THIS AT THE EXPENSE OF A COMPETITIVE MARKET. AN ADDITIONAL 25% OF THEIR DEREGULATED REVENUES ARE ASSOCIATED WITH TOLL WHICH IS SUBJECT TO LIMITED COMPETITION.

AS I MENTIONED, THE "TELECOMMUNICATIONS ACT OF 1996" HAS JUST BECOME LAW, AND IT WILL TAKE SEVERAL MONTHS TO FULLY ANALYZE THE EFFECTS OF THE BILL AND CARRY OUT THE REQUIRED ACTIONS BY THE FCC AND THE STATE REGULATORY COMMISSIONS, "THE TELECOMMUNICATIONS ACT OF 1996" IS DEFINITELY IN CONFLICT WITH THE BILL BEING DISCUSSED TODAY. FOR INSTANCE, THE FEDERAL BILL REQUIRES RESALE NOW.

**Section 251(b)(1), imposes on all LECs:**

**"The duty not to prohibit, and not to impose unreasonable or discriminatory conditions or limitations on, the resale of its telecommunications services."**

**Subsection 251(c)(4), imposes on incumbent local exchange carriers the duty:**

**“(A) to offer for resale at wholesale rates any telecommunications service that the carrier provides at retail to subscribers who are not telecommunications carriers; and  
(B) not to prohibit, and not to impose unreasonable or discriminatory conditions or limitations on, the resale of such telecommunications service...”**

THE FEDERAL BILL ALSO REQUIRES LECS TO BEGIN UNBUNDLING THEIR NETWORKS ON A COST BASIS NOW.

**Subsection 251(c)(3), states incumbent local exchange carriers have:**

**"The duty to provide, to any requesting telecommunications carrier for the provision of a telecommunications service, nondiscriminatory access to network elements on an unbundled basis at any**

**technically feasible point on rates, terms, and conditions that are just, reasonable, and nondiscriminatory in accordance with the terms and conditions of the agreement and requirements of this section and section 252. An incumbent local exchange carrier shall provide such unbundled network elements in a manner that allows requesting carriers to combine such elements in order to provide such telecommunications service."**

THE FEDERAL BILL GOES INTO MUCH MORE DETAIL ON ELIMINATION OF ENTRY BARRIERS INTO THE LOCAL EXCHANGE MARKET. PRIME EXAMPLES ARE THE RULES RELATING TO INTERCONNECTION AND THE VERY SPECIFIC GUIDELINES FOR NEGOTIATION AND ARBITRATION. MANY OF THE FEDERAL REQUIREMENTS WILL PREEMPT SEVERAL PROVISIONS OF THE BILL YOU ARE CONSIDERING THIS AFTERNOON.

HB 2762 PROVIDES THAT THE KCC SHALL DEVELOP A PROCESS FOR SUPPORTING UNIVERSAL SERVICE. LEAVING THIS DECISION TO THE COMMISSION IS VERY IMPORTANT. FAILURE TO ALLOW THE KCC TO TAKE AN ACTIVE ROLE IN THE DEVELOPMENT OF UNIVERSAL SERVICE WILL DEFAULT THESE DECISIONS TO THE FCC. "THE TELECOMMUNICATIONS ACT OF 1996" INCLUDES SECTION 254 WHICH IS DEVOTED TO UNIVERSAL SERVICE. WITHIN THE NEXT MONTH, A FEDERAL STATE JOINT BOARD WILL BEGIN WORKING ON A UNIVERSAL SERVICE PLAN. ANY STATE PLAN IS REQUIRED TO BE CONSISTENT WITH THE FEDERAL PLAN. HOWEVER, HB 2962 AND HB 2994 WOULD SEVERELY RESTRICT THE COMMISSION'S ABILITY TO COMPLY WITH THE UNIVERSAL SERVICE STANDARDS IN THE FEDERAL BILL.

"THE TELECOMMUNICATIONS ACT OF 1996" ALLOWS STATE COMMISSIONS TO EXEMPT SMALL TELEPHONE COMPANIES FROM SOME PROVISIONS OR SET ADDITIONAL REQUIREMENTS BEFORE ALLOWING COMPETITION IN A RURAL MARKET. I WOULD EXPECT THE KCC TO BE VERY LENIENT IN EXEMPTING SMALL COMPANIES IN KANSAS. JUST RECENTLY, THE KCC AMENDED ITS PREVIOUS COMPETITION ORDER TO EXEMPT THE SMALL LECS FROM THE REQUIREMENTS OF IMPLEMENTING LOCAL COMPETITION AT THIS TIME.

OBVIOUSLY, NO ONE HAS HAD A LOT OF TIME TO STUDY THE FEDERAL BILL AND MUCH INVESTIGATION WILL BE REQUIRED IN THE FUTURE REGARDING THE ISSUES INCLUDED IN THAT BILL. THERE ARE MANY TIMING AND DEFINITION PROBLEMS WHICH MUST BE RESOLVED IN THE NEXT SEVERAL MONTHS. THAT IS WHY IT IS SO IMPORTANT TO NOT RUSH TO LEGISLATION WHICH COULD DENY KANSANS THE BENEFITS OF A COMPETITIVE MARKET WHILE NEIGHBORING STATES ARE

IMPLEMENTING A COMPETITIVE MARKET STRUCTURE. I URGE YOU TO LEAVE MARKET ENTRY PROVISIONS WITH THE KCC SO THAT THEY HAVE THE FLEXIBILITY TO PROTECT THE LONG TERM NEEDS OF KANSAS RURAL CONSUMERS.

FINALLY, WHAT IS LEFT IN HB 2762, AFTER THE COMPETITIVE AND UNIVERSAL SERVICE ISSUES, APPEARS TO BE THE QUESTION OF HOW TO REGULATE LOCAL EXCHANGE COMPANIES. THE BILL BEFORE THE COMMITTEE WOULD DEREGULATE MONOPOLY SERVICES IMMEDIATELY. CONSUMERS WILL BE AT THE MERCY OF THE INCUMBENT LOCAL EXCHANGE COMPANIES UNTIL COMPETITION IS FULLY DEVELOPED WHICH MAY TAKE SEVERAL YEARS. IN FACT, THE VERY DEVELOPMENT OF THAT COMPETITION WILL BE IMPEDED AND MAY BE FORESTALLED BY THE PREMATURE DEREGULATION OF MONOPOLY SERVICES. THE BILL REMOVES THE KCC FROM ANY DECISION MAKING ABILITY RELATING TO THE PRICES THAT WILL BE CHARGED TO CONSUMERS. IN FACT, THE BILL WILL ALLOW COMPANIES TO PRICE THE SAME SERVICE TO ONE CUSTOMER AT A HIGHER OR LOWER RATE THAN TO ANOTHER CUSTOMER. IT WOULD ALLOW SOUTHWESTERN BELL TO RAISE PRICES IN ONE AREA TO OFFSET COMPETITIVE LOSSES IN ANOTHER. DEREGULATION OF PRICES PRIOR TO EFFECTIVE COMPETITION WILL THWART COMPETITIVE ENTRY IN KANSAS.

A SIGNIFICANT FLAW IN THE BILL IS THAT IT CONTAINS A SO CALLED PRICE CAP PLAN. THE BILL WOULD SET STARTING PRICES AT TODAY'S RATES WITHOUT ANY ANALYSIS AS TO THEIR RELATIONSHIP TO COST. IN ADDITION, THE BILL WOULD ALLOW THE LECs TO INCREASE RATES, BASED ON THE CONSUMER PRICE INDEX, ON THEIR MONOPOLY SERVICES. THIS IS IN THE FACE OF CLEAR EVIDENCE THAT THEY ARE IN AN INDUSTRY THAT HAS AND WILL CONTINUE TO ENJOY SIGNIFICANTLY DECLINING COSTS. IT IS INCONCEIVABLE THAT CONSUMERS WILL BE ASKED TO PAY HIGHER PRICES BASED ON A FLAWED INDEX WHICH IS WIDELY CONSIDERED ACROSS THE ECONOMIC AND POLITICAL SPECTRUM TO OVERSTATE THE EFFECT OF INFLATION.

TELEKANSAS II (HB 3039) PROTECTS SOUTHWESTERN BELL FROM PRICE REDUCTIONS RESULTING FROM EARNINGS REVIEWS UNTIL MARCH, 1997. THERE IS ABSOLUTELY NO NEED TO PASS THIS BILL. NOTHING SHOULD BE DONE WHICH WOULD LIMIT THE KCC'S CURRENT ABILITY TO DEAL WITH REDUCED REGULATION, COMPETITIVE MARKETS AND UNIVERSAL SERVICE.

I WOULD NEXT LIKE TO DISCUSS HB 2961 AND HB 2994. IN ADDITION TO INCLUDING THE PROVISIONS IN HB 2762, THESE BILLS INCLUDE NEW LANGUAGE DEALING WITH UNIVERSAL AND LIFELINE SERVICES.



UNIVERSAL SERVICE IS NO LONGER DEFINED AS BASIC LOCAL EXCHANGE SERVICE. IT HAS BEEN EXPANDED TO INCLUDE CUSTOM CALLING FEATURES, ISDN CAPABILITY AND BROADBAND CAPABLE FACILITIES TO ALL SCHOOLS, HOSPITALS, LIBRARIES, STATE AND LOCAL GOVERNMENT AGENCIES.

THIS MEANS THAT CUSTOMERS THROUGHOUT THE STATE WILL BE FUNDING SERVICES BEYOND BASIC LOCAL EXCHANGE SERVICE. THIS NOT ONLY EXPANDS THE DEFINITION OF UNIVERSAL SERVICE, BUT ALSO , GREATLY INCREASES THE FUNDING REQUIREMENTS WHICH WOULD FALL TO ALL KANSAS INTRASTATE LONG DISTANCE USERS.

ALL OF THE ABOVE AND MUCH MORE WILL BE FUNDED THROUGH THE KANSAS UNIVERSAL SERVICE FUND (KUSF). THE MUCH MORE INCLUDES SUCH THINGS AS NATURAL DISASTERS, INTERSTATE AND INTRASTATE ACCESS CHANGES AND INFRASTRUCTURE IMPROVEMENTS. IN ADDITION, DUAL PARTY RELAY SERVICE WILL BE FUNDED THROUGH THE KANSAS LIFELINE SERVICE FUND (KLSF).

THE ACTUAL FUNDING OF UNIVERSAL SERVICE AND THE LIFELINE SERVICE FUND WILL BE 100% THE RESPONSIBILITY OF ALL LONG DISTANCE USERS IN KANSAS. THIS MEANS THAT KANSAS LONG DISTANCE RATES WILL RECEIVE A SUBSTANTIAL INCREASE DUE TO THESE FUNDING MECHANISMS. THE LECS TALK ABOUT ECONOMIC DEVELOPMENT, BUT HB 2961 AND HB 2994 PUT KANSAS AT A GREAT DISADVANTAGE IN ATTRACTING BUSINESSES WHICH RELY HEAVILY ON INTRASTATE TELECOMMUNICATIONS. THIS PLAN IS NOTHING MORE THAN A WELFARE PLAN FOR SMALL LOCAL EXCHANGE COMPANIES WITHOUT REGARD TO THEIR FINANCIAL NEED OR A DETERMINATION OF THE LONG DISTANCE CUSTOMERS' ABILITY TO PAY.

FOR EXAMPLE, TODAY, DUAL PARTY RELAY SERVICE IS FUNDED BY ALL TELECOMMUNICATIONS USERS ON THE BASIS OF TOTAL USAGE AND LOCAL EXCHANGE ACCESS LINES. APPROXIMATELY 85% OF THE USAGE OF THE RELAY CENTER IS ATTRIBUTABLE TO LOCAL EXCHANGE USAGE WHILE 15% IS ATTRIBUTABLE TO LONG DISTANCE USAGE. THE FUNDING FOR THE CENTER IS CURRENTLY ALLOCATED ON THAT BASIS. THESE BILLS WILL SHIFT ALL FUNDING TO LONG DISTANCE CARRIERS AND, CONSEQUENTLY, TO LONG DISTANCE USERS.

THE UNIVERSAL SERVICE FUND APPROACH IN THESE TWO BILLS IS IN DIRECT CONFLICT WITH THE FEDERAL BILL.

**Section 254(b)(4) states:**

**"EQUITABLE AND NONDISCRIMINATORY CONTRIBUTIONS - All providers of telecommunications services should make an equitable and nondiscriminatory contribution to the preservation and advancement of universal service."**

**Section 254(f) states:**

**"State Authority. - A State may adopt regulations not inconsistent with the Commission's rules to preserve and advance universal service. Every telecommunications carrier that provides intrastate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, in a manner determined by the State to the preservation and advancement of universal service in that State."**

A FINAL POINT I WANT TO MAKE WHICH IS LIMITED TO HB 2994 IS THAT A NUMBER OF ENTRY BARRIERS ARE INTRODUCED FOR SMALL TELEPHONE COMPANIES WHICH SIMPLY ARE NOT NEEDED. THE FEDERAL BILL ALLOWS EXEMPTIONS FOR SMALL RURAL TELEPHONE COMPANIES. AS PREVIOUSLY MENTIONED, THE KCC HAS ALREADY TAKEN STEPS TO EXEMPT SMALL COMPANIES FROM LOCAL EXCHANGE COMPETITION. THESE PROVISIONS ARE SIMPLY NOT REQUIRED.

IN SUMMARY;

- KANSANS WILL BENEFIT FROM ALL TELECOMMUNICATIONS MARKETS BEING OPENED TO COMPETITION.
- THE 1994 LEGISLATURE PREVIOUSLY DIRECTED THE KCC TO MAKE PREPARATIONS TO OPEN ALL MARKETS TO COMPETITION WHICH THEY ARE IN THE PROCESS OF IMPLEMENTING.
- "THE TELECOMMUNICATIONS ACT OF 1996 " CONFLICTS WITH NUMEROUS PROVISIONS IN THESE BILLS.
- HB 2762 IS CORRECT IN LEAVING UNIVERSAL SERVICE ISSUES TO THE KCC.
- THE UNIVERSAL SERVICE AND LIFELINE PROVISIONS ADDED BY HB 2961 AND HB 2994 ARE AN EXPANSION OF THE SCOPE OF UNIVERSAL SERVICE, A CHANGE IN FUNDING AND ARE IN CONFLICT WITH THE NEW FEDERAL LAW.
- THE KCC SHOULD CONTINUE TO REGULATE INCUMBENT LOCAL EXCHANGE COMPANY PRICES UNTIL SUCH TIME THAT THERE IS EFFECTIVE COMPETITION IN THE LOCAL EXCHANGE MARKET.
- SOUTHWESTERN BELL IS PROTECTED FROM COMMISSION ACTION RESULTING FROM AN EARNINGS REVIEW UNTIL MARCH, 1997.
- THE ENTRY RESTRICTIONS ADDED IN HB 2994 ARE UNNECESSARY AND NOT IN THE PUBLIC INTEREST.

THIS CONCLUDES MY TESTIMONY.



**TESTIMONY MCI TELECOMMUNICATIONS CORPORATION  
BEFORE HOUSE SELECT COMMITTEE  
ON TELECOMMUNICATIONS**

**House Bill No. 2994**

**EVA POWERS  
February 19, 1996**

I am Eva Powers appearing before you on behalf of MCI Telecommunications Corporation. I testified before you already on January 22, 1996 regarding MCI's position on the Telecommunications Strategic Planning Committee Policy Framework which now is incorporated into H.B. 2994. MCI's position regarding that Report has not changed, however the passage of the Telecommunications Act of 1996 has brought a different perspective to those recommendations.

One of MCI's major concerns about the Policy Framework was its insistence on facilities based competition and the virtual preclusion of reliance on resale in the early stages of competition. The Act requires the Bell Operating Companies to resell and specifies how resold services should be priced. Independent local exchange companies are not required to resell service initially and clear criteria are established for when and how such resale might eventually occur. MCI believes that is unwise and premature to address unbundling and pricing of those elements, interconnection issues and pricing of resold services since they are addressed by the Federal Act, and the FCC will not have rules in place until six months after the Act becomes law.

The Telecommunications Act of 1996 addresses Universal Service in Section 254. A Joint Board is to be convened to make recommendations to the FCC. Those

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recommendations are to include the definition of the services to be supported by the Federal Universal Service Support Mechanism. The FCC must complete its proceedings on Universal Service within 15 months of the date of enactment of the Act. The Act specifies that all providers shall make an equitable and nondiscriminatory contribution to the fund for preservation and advancement of Universal Service. The Federal Act is very detailed and states may, but are not required to adopt regulations not inconsistent with the FCC's rules to preserve and advance Universal Service. The Act further requires that all telecommunications carriers that provide intrastate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, in a manner determined by the state to the preservation and advancement of Universal Service in that state.

As a provider of toll services, MCI submits that this requirement invalidates the provision in Section 7 of H.B. 2994 which specifies recovery based only on all intrastate retail billed toll minutes, excluding local service minutes from assessment. The provision in Section 7 is not, in MCI's opinion, equitable and nondiscriminatory. Requiring that all Universal Service support come from toll service will by necessity increase rates for such services. Spreading the support over all services will minimize the support provided by any one service and make it more equitable in that customers who use very little toll also would make a contribution. Including local service in the calculation would require that it be based on something other than minutes since local service is not provided on a measured basis in Kansas. Revenues from the various services would be appropriate. The mechanism proposed in Section 7 would exclude

some telecommunications carriers that provide intrastate telecommunications services, in violation of the 1996 Act, since the independent local exchange companies generally do not provide toll services.

H.B. 2994 would restrict payment from the Universal Service Fund in a manner that also violates the Act of 1996 inasmuch as payments are restricted to "telephone companies" as defined by H.B. 2994. Only local exchange companies currently providing service would be eligible for support, whereas the federal Act would allow support to be paid to any "eligible carrier". Designation of an eligible carrier is reserved to the state Commission and certain specific requirements are spelled out for designation of an eligible carrier in an area served by a rural telephone company. Subsection (f) of Section 254 states "A state may adopt regulations not inconsistent with the Commission's rules to preserve and advance Universal Service." Since these FCC rules regarding Universal Service will not be finalized for 15 months it seems premature to now enact state legislation on this matter. The more prudent course of action would seem to be to await the FCC's determination and allow the KCC to continue with its development of a Universal Service Fund and its rules. Thus the provisions of new Section 5(c)(3) which specify what rural telephone companies may seek KUSF funding for, may end up violating rules promulgated by the FCC. It seems clear that an interim fund could be established but flexibility would be required if it conflicts with the rules established by the FCC. Those rules are due out in May of 1997 right at the time when the 1997 Legislature will adjourn. Therefore, any legislative enactment which conflicts with those rules could put a legislatively enacted

funding mechanism in jeopardy until the following legislative session before a correction could be made.

H.B. 2994 also contains language regarding competitive entry into the service area of a small telephone company. Such competitive entry criteria are also established in the Telecommunications Act of 1996. MCI believes it is unnecessary and potentially confusing for state and federal legislation to address the very same issue. It will by necessity require an entrant to examine both state law and federal law as well as any FCC regulations in order to determine the specific criteria which apply for entry into such a small company's territory. It is also likely to foster litigation over perceived conflicts. The federal Act reserves certain determinations to state commissions in accordance with certain federally specified criteria, thus minimizing the chance of conflict.

In conclusion I would urge you again on behalf of MCI to refrain from enacting legislation which provides detailed requirements and rules and to instead focus on providing broad policy directives to the Commission, such as those in SCR 1627. The enactment of the Telecommunications Act of 1996 and the directives therein to the FCC for promulgation of rules makes it even more likely that a state legislative enactment specifying the details pursuant to which telecommunications services may be provided will lead to such confusion as to make potential entrants leery of coming into Kansas. Such a result would not be in the best interest of Kansas telecommunications service users.

**HOUSE SELECT  
TELECOMMUNICATIONS COMMITTEE**

**Testimony Presented by  
Malcolm Clarrissimeaux  
on behalf of  
CLASSIC COMMUNICATION  
February 19, 1996**

Mr. Chairman, Members of the Committee

My name is Malcolm Clarrissimeaux and I am a Vice President of Classic Communications. We provide services to over 600,000 people living in some 300 non-urban small towns in Texas, Oklahoma, Missouri, Arkansas, and Kansas. In Kansas, we serve 66 communities, the largest of which has a population of 8893. Our cable TV operational headquarters is located in Plainville, Kansas, a town with a population of 2458. This office employs over 100 people and provides customer services 24 hours a day, 7 days a week. Our telephone operational headquarters is just getting organized in WaKeeney, a small town in Western Kansas, where we expect to employ some 30 people before year's end.

My purpose in telling you all of that, is to illustrate why Classic feels it understands the plight of citizens living in sparsely populated areas of the state. Almost every Classic executive either lives in, or was brought up in, a small town. Furthermore, it should be quite apparent that it is in Classic's best self-interest to see the non-urbanized communities of this state grow and prosper.

Today, I would like to share some thoughts with you about how this committee can ensure that people, living in the non-urbanized areas of the state, do not have to face the same type of adverse results from telecommunications deregulation as they did with the deregulation of the airline industry. While it can be proven that airline deregulation has resulted in more flights, greater competition, and lower ticket prices, those benefits apply only to major urbanized airports. For the people who live in the non-urbanized

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areas, airline deregulation has resulted in either the total loss of air service or the reduction of the service to a few flights on small, propeller driven commuter planes. And, adding insult to injury, these reduced service flights cost far more on a per mile basis than those from the urbanized airports. I don't think there is anyone in this room who will disagree with my statement that we must not let this type of thing happen in telecommunications.

Classic believes House Bill 2994 will not protect the people living in all non-urbanized areas of the state and will not pass the Federal requirements regarding barriers to entry. The majority of the provisions dealing with non-urbanized areas of the state are only attempts to protect small telephone companies from possible competitive activities. They do not deal with all the non-urbanized areas of the state. Let me illustrate my point. Under HB 2994, AT&T would effectively not be able to go into competition with my company, Classic Telephone, in WaKeeney, a town with a population of about 2400, but it would be OK for them to enter the market in Plains, a town with 1044 residents. Likewise, it would be OK for someone to provide competitive telephone service in Florence with a population of 729, and it would be OK in Peabody with 1479, and in Stockton with 1825; but competition would be effectively eliminated in Ellis with 2062 residents, or in Russell with 5427, or even Junction City, a town with over 21,000 residents. Why some and not others? The Telecommunications Act of 1996 and House Bill 2994 make it all a matter of who currently owns the telephone company. It does not have one thing to do with the density or size of the population in a given geographic area. If you live in a town of 250 and Southwestern Bell provides the telephone service, open competition, 100% dependent on resale, is OK. But, if you live in a town of 21,000 and the company serving you is defined as a rural provider, competition is restricted. Classic urges another course of action. A course of action which will ensure that all of the people living in sparsely populated areas of the state will have the greatest possible access to the benefits of competition, while protecting them from the ravages of excessive competitive enthusiasm. To accomplish this goal and still pass Federal anti-competitive review, this committee must define exactly what it wants to do with regard to the non-urbanized areas of the state and write legislation that will accomplish those goals in all areas of the state.



Classic strongly supports efforts to provide some level of protection to the citizens served by small telephone companies. But, we would caution against trying to make those protections too broad in order to ensure the survival of some non-economically realistic organizations. To do so will most certainly lead to Federal intervention. Classic thinks the Legislature's first priority should be to develop policy that protects all citizens living in non-urbanized areas of the state from unwanted consequences of competition, while at the same time making sure, that the competitive market benefits of new technology, innovative new services, and lower prices are readily available to all citizens of Kansas.

Classic does not think these two policy objectives are inconsistent with each other. Where the difficulty lies is in enunciating these policy objectives in a way that will not bring Federal preemption of the rules and therefore a loss of all control over telecommunications activities in the non-urbanized areas of the state. At the appropriate time Classic intends on providing the committee legislative language that will meet these criteria. But for now, let me just outline the concepts we believe will provide an appropriate level of small company protection and at the same time, meet the needs of the non-urbanized citizens of Kansas.

One of the main differences between telecommunications companies and airlines is that an airline can transfer its main assets from one part of the country to another in a matter of hours. On the other hand, telecommunications company assets are for the most part fixed. When it became economically beneficial for an airline to leave a particular area, all it did was fly its planes to another airport; never to return. Telecom providers don't have that latitude. Once they invest in an area they are going to be there for a long time. If they are not, the cost of leaving is going to be very dear indeed. Obviously, a telecom provider who depends only on resale has little or no investment and would be just like the airlines; free to cut and go with little adverse impact on themselves. While the Act clearly mandates resale in urbanized areas, Classic believes the Telecom Act of 1996 contemplated the problems total resale could bring to non-urbanized areas and granted the State specific remedies. Section 253 (b) of the Act expressly allows the State to impose requirements that preserve and advance the concept of providing all citizens access to basic telecommunications services and to ensure the continued quality of

telecommunications services. However, this section also says that these State rules must be competitively neutral and consistent with the universal service provisions in section 254 of the act. This same section 253, at subsection (f) says that a State may also require companies who want to provide telephone exchange service or exchange access in a non-urban area, to meet the requirements in section 214 (e) (1) which would require the new provider to provide services throughout the entire exchange area. This right is restricted however, by the provision of section 253 (f) (1) which says, rules can not be adopted that prevent a competitor from meeting this requirement. This right is further restricted by subparagraph (A) of section 214 (e) (1) which says, the new entrant may meet the requirement of serving the entire exchange area either by using its own facilities or a combination of its own facilities and the resale of another carrier's service. These are the provisions that Classic thinks enable the State to require some level of facilities based competition in non-urbanized areas and thereby ensuring that any newcomer to an area will have to make a substantial investment before going into business. However, Classic believes that the Act prohibits the State from requiring 100% facilities based competition, but the State can require facilities to be built to serve 70% of the exchange and not violate the intent of the Act.

By requiring a competitive provider to make a sizable investment in the area he proposes to serve, the Legislature would go a long way in preventing the "cherry-picking" small companies are so concerned about. Additionally, this provision would afford small companies protection from a company entering a market that was too small to support two telecom providers, because any new entrant will have to justify spending of millions of dollars to his banker and stockholders before making such a move. Mr. Chairman, I can assure you and the members of this committee, that the bankers are not going to approve making such an investment if the return on that investment is in question. The demand for telecom investment dollars will be far too great to allow marginal investments of questionable return. Classic's invest first approach will also eliminate the cut and go competitors from the non-urbanized areas of Kansas and ensure the continued availability of advanced services in the years ahead.

Further proof of the new Act's being concerned about the problems of non-urbanized areas can be found at paragraph (2) of section 214 subsection (e). This provision mandates the KCC to name more than one USF eligible carrier in urbanized areas and gives the KCC the right to name more than one carrier in non-urbanized areas if the KCC finds it in the public interest. We think that the benefits of requiring facilities based competition, as we have described it in non-urbanized areas, clearly meets the public interest test. Classic also believes that the contemplated KUSF would need to have these same provisions in order to be consistent with the Act.

I would now like to turn our attention briefly to another part of HB 2994 that has a direct impact on the quality and availability of advanced telecommunications in those parts of the state my company serves. Under the Kansas Universal Service Fund provisions of the Bill, KUSF is the sole property of the current small local exchange carriers which would include Classic. HB 2994 calls for the KCC to establish the fund and that the terms of the fund must be unanimously agreed to by only those companies who held a certificate from the State before January 1, 1996. This provision must be changed to allow newly certified providers a voice in the deliberations. Also, requiring a unanimous agreement between 30 to 40 participants dooms any process either to failure or to a work product that makes unwise public policy just in order to get the approval of some single minded self interest. This requirement must also be changed.

The provisions regarding KUSF also need to be expanded to include all advanced telecommunications service providers who are not local exchange carriers or access providers. The type of company we have in mind is one who is providing services such as two-way telemedicine, interactive distance learning, and other non-telephone services. These advanced services are contemplated in both the TSPC report and in HB 2994's proposed definition of services to be covered by KUSF, but neither contemplates anyone other than the incumbent LECs participating in the KUSF. Here too, Classic will provide the committee with legislative language to correct this omission.

One last comment. I have included with my testimony and ask it be made a part of my testimony, a copy of an article from the March 4, 1996 issue of Fortune magazine entitled, First blood in the telecom wars. I think you will find the article very interesting

reading and I would like to draw your particular attention to the comments of Thomas Benedict, a member of Connecticut's state utility commission. Mr. Benedict states that "[the Connecticut Commission] felt there wouldn't be true and effective competition unless people had a choice of an alternate provider. And if [Connecticut] wanted to get out of regulation, [they] couldn't have [only] one wire."

I want to thank you for listening today and stand ready to answer any questions.

Mark S. Beck, Director  
Division of Property Valuation  
Robert B. Docking State Office Building  
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Division of Property Valuation

**TO:** Representative Phill Kline, Chairperson  
Taxation Committee

**FROM:** Mark S. Beck, Director Division of Property Valuation

**DATE:** Friday, February 16, 1996

**SUBJECT:** 1995 State Assessed Property Report

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Enclosed is a report listing all state assessed property for the most current year and for the three years immediately preceding. The report is made pursuant to K.S.A. 74-2441a and K.S.A. 74-2441b.

Should there be any questions regarding this report, please do not hesitate to call or write this office.

CC: Representatives:

Hayzlett	Lawrence	Shore	McKinney
Aurand	Mays	Vickrey	✓Petty
Donovan	Ott	Larkin	Welshimer
Empson	Pottorff	Goodwin	Wempe
Franklin	Powell	Kirk	
Graeber	Pugh	Krehbiel	

MB/RMB/RMB

94H 74-2441b puReport

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**Table II - Comparative Statement of Assessed Valuation of  
State Appraised Railroads and Public Utility Companies for the Years  
1992 thru 1995**

	1992 Valuation	1993 Valuation	1994 Valuation	1995 Valuation
<b>BARGE LINES</b>				
ALTER BARGE LINE, INC.	1,246	1,370	1,368	1,368
AMERICAN COMMERCIAL TOWING COMPANY	8,786	OUT OF BUSINESS		
BLASKE MARINE, INC.	3,220	3,542	3,766	3,766
HUFFMAN TOWING COMPANY	4,734	5,207	5,207	5,207
MAGNOLIA MARINE TRANSPORTATION COMPANY	1,983	354	336	2,332
MERCHANT GRAIN & TRANSPORTATIONS, INC.	NO OPERATIONS	NO OPERATIONS	NO OPERATIONS	NO OPERATIONS
MISSISSIPPI MARINE TRANSPORT CO.	3,359	NO OPERATIONS	13,970	6,361
RAMSEY TRANSPORTATION COMPANY, INC.	NO OPERATIONS	NO OPERATIONS	NO OPERATIONS	NO OPERATIONS
<b>TOTAL</b>	23,328	10,473	24,647	19,034
<b>CELLULAR TELEPHONES</b>				
ACC/MCCAW RCC COMM. OF KC (MCI AIRSIG.)	263,638	LOCALLY ASSESSED		
AIRPHONE INC.	7,937	LOCALLY ASSESSED		
AIRTOUCH CELLULAR OF KS ( FORMERLY PACTEL & MIDWEST CELLULAR)				1,650,000
CMT PARTNERS (FORMERLY MCF, INC. & MIDWEST CELLULAR)			3,505,326	6,648,893
KAMO CELLULAR (NEW IN 1995)				778,998
KANSAS #4 CELLULAR L. P. (NEW 1993)		148,500	165,000	NOW PART OF
KANSAS #9 CELLULAR L. P.	90,000	147,989	165,000	KAMO CELLULAR
KANSAS #10 CELLULAR L. P.	270,000	429,000	429,000	
KANSAS CITY SMSA L. P.	2,178,799	3,166,587	5,581,351	9,731,084
KANSAS RSA 5B2	107,979	204,648	251,877	363,000
KANSAS RSA #15 L. P. (NEW IN 1993)		132,000 1	165,000	247,500
KAR KALL	13,500 1	13,200 2	2,310	1,650
KIN NETWORK	3,000,000 2	4,455,000	4,950,000	4,038,194
LETT ELECTRONICS INC.	11,400	LOCALLY ASSESSED		
LIBERTY CELLULAR	2,002,552 3	5,445,000	5,940,000	7,260,000
McCAW RCC OF WICHITA, INC.	90,000	LOCALLY ASSESSED		
MCF, INC. (MCCAW)	165,000	264,000	NOW CMT PARTNERS	
MIDWEST CELLULAR (NOW AIRTOUCH CELLULAR OF KS)	3,502,110	4,464,050	AND PACTEL	
MISCELLCO COMMUNICATION	760,742	910,312	899,741	1,577,862
MOBILE RADIO COMMUNICATIONS INC.	34,500	LOCALLY ASSESSED		
MOBILFONE OF KANSAS, INC.	75,000	LOCALLY ASSESSED		
MOBILFONE OF WESTERN KANSAS	6,000	LOCALLY ASSESSED		
PACTEL CELLULAR INC. OF KANSAS (FORMERLY MCF, INC. & MIDWEST CELLULAR)			660,000	NOW AIRTOUCH
PAGE-COMM	11,400 4	LOCALLY ASSESSED		
PARSONS MOBILE PAGING INC.	13,800	LOCALLY ASSESSED		
S.T. PAGING	43,500	LOCALLY ASSESSED		
STAR COMMUNICATIONS INC.	1,500 5	LOCALLY ASSESSED		
TEAM ELECTRONICS	23,100	LOCALLY ASSESSED		
TOPEKA CELLULAR TELEPHONE CO.	195,000	198,000	280,500	528,000
TOPEKA SMSA L. P.	540,000	1,031,250	1,047,698	1,749,000
TWO WAY RADIO COMM. CO. OF KANSAS INC.	45,671	LOCALLY ASSESSED		
WICHITA SMSA L. P.	810,000	1,430,009	2,825,564	3,531,000
<b>TOTAL</b>	14,263,128	22,439,545	26,868,367	38,105,181
1992-1 ADDED VALUATION 01-26-92			1992-5 ADDED VALUATION 01-26-92	
1992-2 ADDED VALUATION 01-26-92			1993-1 ADDED VALUATION 02-01-94	
1992-3 SUPPLEMENTAL VALUATION OF \$52,552 01-26-92			1993-2 ADDED VALUATION 02-01-94	
1992-4 ADDED VALUATION 01-26-92				
<b>ELECTRIC POWER COMPANIES</b>				
ALFALFA ELECTRIC COOPERATIVE INC.	430,410	441,375	439,135	448,241
ARK VALLEY ELECTRIC COOP., ASSN., INC.	3,225,000	3,580,500	3,712,500	3,564,000
BOWERSOCK MILLS & POWER COMPANY	40,500	44,550	49,500	44,550
BROWN ATCHISON ELECTRIC COOP ASSN INC.	450,000	608,850	825,000	1,023,000
BUTLER RURAL ELECTRIC COOP., ASSN.	2,100,000	2,557,500	2,904,000	3,069,000
C & W RURAL ELECTRIC COOP., INC.	840,000	1,105,500	1,287,000	1,237,500

**Table II - Comparative Statement of Assessed Valuation of  
State Appraised Railroads and Public Utility Companies for the Years  
1992 thru 1995**

	1992 Valuation	1993 Valuation	1994 Valuation	1995 Valuation
<b>ELECTRIC POWER COMPANIES (CONT'D)</b>				
CANEY VALLEY ELECTRIC COOP., ASSN., INC.	2,700,000	3,102,000	3,135,000	3,168,000
CMS ELECTRIC COOPERATIVE INC.	2,624,160	3,035,071	3,332,037	3,431,077
DONIPHAN ELECTRIC COOP., ASSN., INC.	330,000	396,000	462,000	495,000
DS&O RURAL ELECTRIC COOP., ASSN., INC.	1,500,000	1,716,000	1,749,000	1,749,000
EMPIRE DISTRICT ELECTRIC COMPANY	12,706,406	13,907,586	13,706,372	12,862,724
FLINT HILLS RURAL ELECTRIC COOP ASSN INC	2,100,000	2,442,000	2,409,000	2,376,000
JEWELL-MITCHELL COOP., ELECTRIC CO.	1,350,000	1,501,500	1,501,500	1,485,000
KANSAS CITY POWER & LIGHT CO.	347,170,260	371,946,762	369,359,892	357,478,853
KANSAS ELECTRIC POWER COOP.	38,207,754	42,527,414	46,502,552	46,588,587
KANSAS GAS & ELECTRIC COMPANY	441,798,750	491,249,880	501,997,330	502,379,034
KAW VALLEY ELECTRIC COOP COMPANY, INC.	3,750,000	4,488,000	5,445,000	5,610,000
LANE-SCOTT ELECTRIC COOPERATIVE INC.	960,000	1,089,000	990,000	1,039,500
LEAVENWORTH-JEFFERSON ELEC., COOP., INC.	2,430,000	2,772,000	2,970,000	3,267,000
LYON-COFFEY COUNTY ELECTRIC COOP INC.	2,775,000	3,184,500	3,300,000	3,630,000
MIDWEST ENERGY INC.	32,930,931	36,300,000	37,950,000	35,310,000
N.C.K. ELECTRIC COOPERATIVE INC.	1,170,000	1,221,000	1,221,000	1,221,000
NEMAHA-MARSHALL ELECTRIC COOP. ASSN. INC	1,470,000	1,650,000	1,914,000	2,013,000
NINNESCAH RURAL ELECTRIC COOP. ASSN. INC	1,680,000	1,881,000	1,848,000	1,848,000
NORTHWEST KANSAS ELECTRIC COOP ASSN INC	1,350,000	1,485,000	1,320,000	1,485,000
NORTON-DECATUR COOPERATIVE ELEC. CO. INC	3,630,000	4,290,000	3,795,000	3,465,000
PIONEER ELECTRIC COOPERATIVE INC.	8,100,000	9,438,000	10,560,000	11,550,000
PR&W ELECTRIC COOP., ASSN., INC.	1,380,000	1,584,000	1,650,000	1,567,500
RADIANT ELECTRIC COOPERATIVE INC.	1,260,000	1,386,000	1,551,000	1,817,000
SEDGWICK COUNTY ELECTRIC COOP. ASSN. INC	1,980,000	2,145,000	2,277,000	2,376,000
SEKAN ELECTRIC COOPERATIVE ASSN., INC.	1,230,000	1,353,000	1,452,000	1,650,000
SMOKY HILL ELECTRIC COOP., ASSN., INC.	1,500,000	1,650,000	1,584,000	1,353,000
SOUTHWESTERN PUBLIC SERVICE COMPANY	337,689	373,200	392,812	382,140
SUMNER-COWLEY ELECTRIC COOP., INC.	2,760,000	3,036,000	3,201,000	2,640,000
SUNFLOWER ELECTRIC COOPERATIVE INC.	52,304,753	33,000,000	57,090,000	57,750,000
TWIN VALLEY ELECTRIC COOP., INC.	900,000	1,056,000	1,221,000	1,221,000
UNITED ELECTRIC COOPERATIVE INC.	2,250,000	2,607,000	3,003,000	3,300,000
UTILICORP UNITED (MO PUBLIC SERVICE)	18,002,376	19,963,075	20,962,640	20,745,698
VICTORY ELECTRIC COOP., ASSN., INC.	1,980,000	1,815,000	1,815,000	1,914,000
WESTERN COOPERATIVE ELECTRIC ASSN., INC.	3,270,000	3,630,000	3,300,000	2,310,000
WESTERN RESOURCES (ELEC. DIVISION)	314,353,973	352,669,583	337,448,311	338,491,346
WESTERN FARMERS ELECTRIC COOP.	36,097	38,634	38,491	36,722
WESTPLAINS ENERGY	48,771,410	54,120,000	50,160,000	50,160,000
WHEATLAND ELECTRIC COOPERATIVE INC.	11,690,359	12,199,365	11,208,769	12,528,112
<b>TOTAL</b>	<b>1,381,825,828</b>	<b>1,500,586,845</b>	<b>1,523,039,841</b>	<b>1,511,880,584</b>
<b>PIPE LINE COMPANIES</b>				
AMERICUS GAS COMPANY, INC.	18,000	23,100	33,000	33,000
AMOCO PIPELINE COMPANY INC.	8,280,922	8,499,883	8,073,949	9,168,073
AMOCO CUSHING-CHICAGO PIPELINE CO. (NEW 1993)		820,335	619,392	665,547
ANADARKO GATHERING INC. (NEW 1993)		5,651,437	6,600,000	7,392,000
ANR PIPELINE COMPANY	23,153,760	25,685,352	25,510,389	24,832,922
ARCO PIPE LINE COMPANY	1,528,821	1,798,220	1,717,313	1,666,978
ARKLA ENERGY RESOURCES (NEW IN 1994)			1,636,767	NOW NOR-AM GAS
ARKLA INC.	3,947,475	4,291,073	3,114,293	SOLD TO PEOPLES
ASSOCIATED NATURAL GAS	345,000	528,000	396,000	396,000
BENSON MINERAL GROUP INC.	195,000	214,500	247,500	247,500
CASHE CREEK CORPORATION & SUBSIDIARIES	594,493	653,951	1,024,289	1,252,148
CENTANA (ANADARKO)	1,500,000	1,004,582	654,174	660,000
CHASE COUNTY GAS SERVICE COMPANY	58,500	NOW GREELEY GAS		
CHASE TRANSPORTATION COMPANY	5,473,802	6,280,846	7,195,447	6,431,345
CHISHOLM PIPELINE COMPANY (NEW IN 1995)	1,389,713	1,495,053	1,632,212	1,620,855
CIMARRON RIVER SYSTEM (NEW IN 1995)				660,000
CLEAR CREEK INC.	1,044,987	NOW PART OF NCRA		
COASTAL REFINING COMPANY INC.	330,000	297,000	33,000	22,110

**Table II - Comparative Statement of Assessed Valuation of  
State Appraised Railroads and Public Utility Companies for the Years  
1992 thru 1995**

	1992 Valuation	1993 Valuation	1994 Valuation	1995 Valuation
<b>PIPELINES (CONT'D)</b>				
COASTAL GAS MARKETING	18,000	OUT OF BUSINESS		
COLORADO INTERSTATE GAS COMPANY	13,072,590	16,770,758	15,853,687	14,701,408
CONOCO PIPE LINE COMPANY (FORMERLY CONTL PL)	3,106,335	2,278,095	2,508,475	3,110,422
COTTONWOOD GAS GATHERING (MAPLE/FOOR)	37,500	49,500	49,500	99,000
DELHI GAS PIPELINE INC.	690,000	660,000	528,000	NOW WESTERN GAS RESOURCES
EMERALD PIPELINE CORP.	65,355	80,286	88,934	82,516
ENERGY DYNAMICS, INC	120,000	82,500	72,600	66,000
ENRON LIQUIDS PIPELINE COMPANY	5,466,864	6,353,407	6,894,856	6,538,960
EXXON CORPORATION	63,000	64,350	66,000	LOCALLY ASSESSED
FARMLAND INDUSTRIES, INC.	861,623	969,713	1,017,280	964,806
FLINT HILLS GAS COMPANY, INC.	3,900	4,290	4,290	4,290
GETTY GAS GATHERING INC.	930,000	759,000	792,000	924,000
GPM GAS CORP. (NEW IN 1994)			57,750	198,000
GRANT GATHERING COMPANY	1,290,000	1,584,000	1,650,000	1,650,000
GREAT EASTERN ENERGY & DEVELOPMENT CORP	78,000	115,500	LOCALLY ASSESSED	
GREELEY GAS COMPANY	3,841,098	4,196,461	4,556,957	4,685,470
HAVANA GAS DEVELOPMENT	75,000	57,750	29,700	26,400
HEARTLAND PIPELINE CO.	865,324	1,034,594	974,480	870,174
HUGOTON CAPITAL LIMITED PART.	1,950,000	2,145,000	924,000	1,320,000
HUGOTON CAPITAL LIMITED PART.	2,700,000	2,970,000	396,000	0
HUGOTON GATHERING INC.	6,300,000	NOW ANADARKO		
JAYHAWK PIPELINE CORP.	7,091,348	7,900,461	7,900,844	7,602,832
K. N. ENERGY, INC.	14,122,028	18,046,121	19,155,282	2,674,624
K-N GAS GATHERING	398,479	398,000	429,000	8,598,633
KANEB PIPE LINE COMPANY	9,578,024	12,040,659	13,294,116	13,376,920
KANSAS GAS GATHERING CO., INC.	6,000	6,600	6,600	6,600
KANSAS GAS SUPPLY CORPORATION	4,350,000	4,950,000	4,620,000	3,953,949
KANSAS NATURAL INC. (PHENIX)	3,450,000	4,521,000	6,600,000	8,910,000
KANSAS PIPELINE COMPANY L.P.	1,740,000	3,003,000	4,884,000	7,260,000
KANSAS PUBLIC SERVICE (UTILICORP UNITED)	2,025,000	2,640,000	3,630,000	3,465,000
KAW PIPE LINE COMPANY	2,220,000	2,706,000	1,980,000	1,980,000
KB GATHERING CO. (NEW IN 1993)		19,800	42,900	46,200
KN INTERSTATE GAS TRANSMISSION CO. (NEW IN 1995)				10,915,562
KOCH GATHERING SYSTEMS, INC.	3,150,000	4,290,000	3,960,000	3,960,000
KOCH PIPELINES, INC.	4,449,897	3,860,275	5,155,175	6,324,714
KOCH HYDROCARBON CO.			2,640,000	1,980,000
LAGG INC.	5,100	5,775	6,600	6,600
MAC COUNTY GAS INC.	159,000	198,000	148,500	135,300
MAPCO AMMONIA PIPELINE, INC.	2,419,056	2,821,185	2,426,426	2,503,502
MAPCO FRACTIONATOR INC.	3,450,000	3,795,000	3,795,000	3,795,000
MIAMI PIPE LINE COMPANY	90,000	108,900	108,900	90,750
MID AMERICA PIPELINE COMPANY-DIV. MAPCO	19,556,868	24,287,974	22,183,118	20,973,530
MID-GULF, INC. (NEW IN 1994)			2,970	2,970
MIDWEST ENERGY (GAS)	1,230,000	1,353,000	1,419,000	1,188,000
MIDWEST GRAIN PIPELINE INC.	330,000	437,250	495,000	627,000
MOBIL OIL CORPORATION (HICKOK FACILITY)	2,250,000	2,475,000	2,475,000	2,475,000
MOBIL PIPE LINE COMPANY	991,452	1,018,383	NOW PART OF KAW PIPELINE	
NATIONAL COOPERATIVE REFINERY ASSOC.	210,000	363,000	429,000	429,000
NATURAL GAS PIPELINE COMPANY OF AMERICA	17,098,200	22,790,064	22,344,036	23,068,238
NEMAHA PIPELINE CORP. (FORMARLY ENEX)	67,500	75,900	99,000	99,000
NGP PIPELINE CO. (DIV. OF ENRON)	1,125,137	970,188	990,318	1,083,163
NIMROD NATURAL GAS CO.	420,000	462,000	330,000	330,000
NOR-AM GAS TRANSMISSION CO. (NEW IN 1995, ARKLA ENERGY RESOURCES)				255,420
NORTHERN NATURAL GAS CO. (ENRON CORP)	59,263,200	73,857,792	82,977,206	82,000,958
OSAGE PIPELINE COMPANY, DIV. GETTY OIL	3,349,035	3,593,593	3,600,044	3,601,538
PANHANDLE EASTERN PIPELINE COMPANY	32,919,900	54,755,102	68,633,819	73,743,516
PAN GAS STORAGE COMPANY (SOUTHWEST GAS)	10,500,000	11,302,500	10,725,000	8,250,000
PEOPLES NATRL. GAS (DIV. OF UTILICORP UNITED)	8,583,246	8,269,158	9,627,004	15,184,868
PHILLIPS PIPE LINE COMPANY	15,492,405	18,086,112	20,799,240	18,215,848
PLATTE PIPE LINE COMPANY	1,606,651	1,601,315	1,328,795	869,946



**Table II - Comparative Statement of Assessed Valuation of  
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	1992 Valuation	1993 Valuation	1994 Valuation	1995 Valuation
<b>PIPELINES (CONT'D)</b>				
PONDEROSA RESOURCE CO.	52,500	52,800	39,600	33,000
PONDEROSA RESOURCE CO. II	40,500	44,550	44,550	44,550
PRAXAIR INC. (FORMERLY UNION CARBIDE CORP.)		41,250	46,200	46,200
REPUBLIC NATURAL GAS CO. (FORMERLY SUNRISE ENERGY)				957,000
RICHFIELD GAS STORAGE (NEW 1993)		990,000	2,970,000	1,650,000
RIVERSIDE PIPELINE COMPANY, L.P.	242,807	413,068	547,259	553,277
SANTA FE MINERALS C/O PROPERTY TAX SVC.	30,000	31,680	33,000	33,000
SEVERY GAS COMPANY	18,000	19,800	19,800	23,100
SHAMROCK PIPELINE CORP.	82,832	92,505	91,128	82,231
SINCLAIR PIPELINE CO. (NEW IN 1995)				130,198
STANTON JOINT VENTURE (NEW IN 1994)			438,900	438,900
STROUD OIL PROPERTIES	22,500	24,750	26,400	26,400
SUNRISE ENERGY CORPORATION	685,736	785,407	957,000	NOW REPUBLIC NATURAL GAS
SYCAMORE VALLEY GATHERING, LTD.	75,000	82,500	LOCALLY ASSESSED	
TEXACO PIPELINE INC. (GETTY, WESCO)	3,508,644	3,894,706	4,046,929	4,351,024
TEXACO EXPLORATION & PRODUCTION INC (KS GAS GAT)	60,000	49,500	51,150	51,150
TEXACO TRADING & TRAN. INC. (GCGI-OIL)	3,300,000	3,300,000	2,640,000	2,640,000
TOTAL PIPELINE CORP. (POTWIN)	68,354	95,700	PROPERTY ABANDON	
TOTAL PIPELINE CORPORATION	212,318	113,014	172,884	192,111
TRIDENT NGL., INC.	900,000	990,000	NOW KOCH HYDROCARBON	
TRIDENT NGL. INC. (OXY CITIES SERVICE NGL, INC.)	252,000	277,200	290,400	290,400
TWIN COUNTY GAS CO., INC.	48,000	72,600	85,800	74,250
UNION CARBIDE CORPORATION	37,500	NOW PRAXAIR INC.		
UNITED CITIES GAS	11,619,600	12,383,580	15,862,620	15,495,873
UNITED CITIES GAS STORAGE	1,250,804	2,653,924	3,285,765	3,210,082
UNOCAL	263,561	225,365	157,937	140,833
WACO PIPELINE SYSTEM	40,500	77,550	LOCALLY ASSESSED	
WESTERN GAS RESOURCES (NEW IN 1995, FORMERLY DELHI GAS)				330,000
WESTERN RESOURCES (GAS DIV.)	61,149,353	69,424,478	108,372,686	69,123,404
WILLIAMS NATURAL GAS COMPANY	49,321,838	56,996,212	57,684,046	62,861,337
WILLIAMS PIPE LINE COMPANY	12,753,440	13,536,427	12,832,934	12,532,278
<b>TOTAL</b>	<b>469,128,375</b>	<b>561,094,203</b>	<b>634,891,115</b>	<b>605,584,703</b>
1992-1 AMENDED VALUE 6-18-93			1993-3 ADDED VALUATION 02-01-94	
1993-1 ADDED VALUATION 02-01-94			1995-1 ADDED VALUATION 02-05-96	
1993-2 ADDED VALUATION 02-01-94				
<b>RAILROAD COMPANIES</b>				
ATCHISON, TOPEKA & SANTA FE RAILROAD CO.	30,885,776	26,769,049	34,809,491	35,460,586
BURLINGTON NORTHERN RAILROAD, INC.	9,349,927	8,283,828	11,022,375	10,353,798
CENTRAL KANSAS RAILWAY (NEW FOR 1993)		1,166,761	1,445,553	1,288,512
DENVER & RIO GRANDE WESTERN RAILROAD CO.	1,778,528	1,381,040	3,917,764	PART OF SOUTHERN PACIFIC
DODGE CITY FORD & BUCKLIN	180,000	125,000	112,500	100,000
GARDEN CITY WESTERN RY. CO.	300,000	250,000	250,000	225,000
HUTCHINSON & NORTHERN RY. CO.	75,000	57,500	57,500	60,000
KANSAS & MISSOURI RY. & TERMINAL CO.	120,000	MERGED WITH KANSAS CITY SOUTHERN		
KANSAS CITY SOUTHERN RY. CO.	1,474,226	1,039,634	1,538,644	1,507,857
KANSAS CITY TERMINAL RY. CO.	1,209,097	990,801	1,061,885	1,064,124
KANSAS SOUTHWESTERN RAILROAD	1,500,000	991,500	1,015,500	954,570
KYLE RAILROAD CO.	1,741,434	1,004,520	1,195,200	1,146,190
MISSOURI & NORTHERN ARKANSAS RR (NEW IN 1993)		28,604	30,034	33,967
NORFOLK SOUTHERN RAILWAY CO.	111,819	110,277	60,005	34,629
NORTHEAST KANSAS & MISSOURI RAILROAD	399,895	337,898	352,120	376,610
SOO LINE RAILROAD COMPANY	23,990	17,651	21,578	19,262
SOUTH KANSAS & OKLAHOMA RAILROAD	1,147,577	777,902	795,390	698,002
SOUTHEAST KANSAS RAILROAD	102,404	81,013	119,505	163,928
SOUTHERN PACIFIC RAILROAD	5,720,247	4,642,371	5,588,490	8,437,057

**Table II - Comparative Statement of Assessed Valuation of  
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	1992 Valuation	1993 Valuation	1994 Valuation	1995 Valuation
<b>RAILROAD COMPANIES (CONT'D)</b>				
T & P RAILROAD CORP.	300,000	337,500	OUT OF BUSINESS	
UNION PACIFIC / MISSOURI PACIFIC RR. CO.	71,183,243	65,229,336	91,904,383	79,595,260
WICHITA UNION TERMINAL RY. CO.	156,618	124,661	125,522	126,137
<b>TOTAL</b>	<b>127,759,781</b>	<b>113,746,846</b>	<b>155,423,439</b>	<b>141,645,489</b>
1992-1 ADDED VALUATION 01-26-93			1995-2 ADDED VALUATION OF \$25,706 02/05/96	
1993-1 ADDED VALUATION 02-01-94			1995-2 ADDED VALUATION OF \$11,022 02/05/96	
1995-1 ADDED VALUATION OF \$22,821 02/05/96				
<b>TELEPHONE COMPANIES</b>				
AMERICAN TELEPHONE & TELEGRAPH COMPANY	32,989,200	33,179,190	29,546,748	29,071,350
ASSARIA TELEPHONE EXCHANGE INC.	330,000	363,000	COMBINED WITH HOME TELEPHONE	
BENKELMAN TELEPHONE COMPANY INC.	33,299	45,051	48,769	49,753
BLUE VALLEY TELEPHONE COMPANY	1,413,033	1,717,105	1,993,025	2,333,926
CABLE & WIRELESS COMMUNICATION	12,056	OUT OF BUSINESS		
CENTRAL STATES MICROWAVE TRANSMISSION CO	187,263	201,313	87,023	83,445
COLUMBUS TELEPHONE COMPANY	960,000	990,000	990,000	1,188,000
CONTEL OF MISSOURI, INC.	75,235	82,635	NOW GTE MIDWEST	
COUNCIL GROVE TELEPHONE COMPANY	510,000	561,000	627,000	660,000
CRAW-KAN TELEPHONE COOP., ASSN., INC.	7,787,107	9,103,172	10,243,304	10,701,703
CUNNINGHAM TELEPHONE COMPANY INC.	990,000	1,122,000	1,221,000	1,353,000
DILLER TELEPHONE COMPANY	9,749	9,367	7,885	7,392
ECON-A-CALL, INC.	30,000	24,067	33,000	58,100
ELKHART TELEPHONE COMPANY, INC.	466,835	515,499	565,584	549,848
FEIST LONG DISTANCE SERVICE (NEW IN 1993)		99,000	130,024	137,197
GTE NORTH	24,420	25,740	NOW GTE MIDWEST	
GOLDEN BELT TELEPHONE ASSN. INC.-BURDETT	3,000,000	3,564,000	3,729,000	3,696,000
GORHAM TELEPHONE COMPANY	102,000	115,500	132,000	115,500
GREAT PLAINS COMMUNICATIONS	25,421	28,869	30,467	29,402
GTE MIDWEST, INC. (NEW IN 1994, FORMERLY GTE NORTH)			109,794	112,200
H & B COMMUNICATIONS INC.	630,000	726,000	742,500	693,000
HARTMAN TELEPHONE EXCHANGE INC.	35,842	52,108	52,582	57,127
HAVILAND TELEPHONE COMPANY INC.	1,500,000	1,683,000	1,683,000	1,617,000
HOME TELEPHONE COMPANY INC.-(GALVA)	1,080,000	1,485,000	1,749,000	1,650,000
INDEPENDENT COMMUNICATIONS INC.	1,050,000	1,155,000	957,000	990,000
J.B.N. TELEPHONE COMPANY INC.	1,200,000	1,320,000	1,650,000	1,485,000
KAN-OKLA TELEPHONE ASSOCIATION INC	1,562,960	1,842,910	1,844,006	1,822,083
LA HARPE TELEPHONE COMPANY INC.	114,000	118,800	148,500	198,000
LDDS COMMUNICATIONS, INC.	192,788	337,636	354,184	284,130
LINCOLN TELEPHONE & TELEGRAPH COMPANY	27,924	32,607	34,947	34,353
MADISON TELEPHONE COMPANY INC.	585,000	693,000	792,000	792,000
MCI TELECOMMUNICATIONS CORPORATION	2,672,208	1,522,043	3,339,105	3,931,389
MID-AMERICA COMMUNICATION CORP.	17,790	12,918	10,382	MERGED INTO LDDS
MIDWEST TELEPHONE SERVICE, INC.	54,000	23,760	39,600	39,600
MO-KAN DIAL COMPANY INC.	753,734	1,104,674	1,223,728	1,443,540
MOUNDRIDGE TELEPHONE COMPANY	1,125,000	1,353,000	1,650,000	1,716,000
MUTUAL TELEPHONE COMPANY	195,000	198,000	191,400	181,500
PEOPLES MUTUAL TELEPHONE COMPANY	675,000	750,750	808,500	940,500
PIONEER TELEPHONE ASSOCIATION INC.	9,450,000	10,494,000	11,517,000	10,534,558
RAINBOW TELEPHONE COOP. ASSN. INC.	960,000	1,221,000	1,320,000	1,320,000
RTSC COMMUNICATIONS INC. (NEW IN 1992)	750,000	825,000	825,000	825,000
RURAL TELEPHONE SERVICE COMPANY INC.	6,600,000	7,854,000	8,250,000	7,557,000
S & A TELEPHONE COMPANY INC.	390,000	429,000	478,500	528,000
S & T TELEPHONE COOPERATIVE ASSN.	2,479,158	3,398,243	3,801,725	3,474,864
SOUTH CENTRAL TELEPHONE ASSN., INC.	907,249	1,155,962	1,167,302	1,462,401
SOUTHEAST NEBRASKA TELEPHONE CO.	2,051	2,241	2,213	2,084
SOUTHERN KANSAS TELEPHONE COMPANY INC.	1,200,142	1,830,856	1,964,368	1,976,671
SOUTHWESTERN BELL TELEPHONE COMPANY	283,104,420	325,929,582	330,441,953	322,756,434
SUNFLOWER TELEPHONE COMPANY INC.	2,601,089	3,153,778	3,104,009	2,363,331

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	1992 Valuation	1993 Valuation	1994 Valuation	1995 Valuation
<b>TELEPHONE COMPANIES (CONT'D)</b>				
THE COMMUNIGROUP OF KANSAS CITY	332,559	587,007	705,502	603,984
TOTAH TELEPHONE COMPANY INC.	982,375	942,785	982,722	1,152,171
TRICOUNTY TELEPHONE ASSN., INC.	1,830,000	2,062,500	2,128,500	2,128,500
TWIN VALLEY TELEPHONE INC.	1,245,000	1,485,000	1,782,000	2,013,000
U.S. SPRINT	17,382,975	19,023,180	23,396,918	28,507,545
UNITED TELEPHONE ASSOCIATION INC.	4,650,000	6,154,500	5,900,248	5,900,387
UNITED TELEPHONE CO. OF EASTERN KANSAS (NEW 1993)		23,430,000	24,750,000	27,390,000
UNITED TELEPHONE COMPANY OF KANSAS INC.	21,000,000	24,189,000	23,100,000	20,460,000
UNITED TELEPHONE OF SOUTH CENTRAL KANSAS (NEW 1993)		5,940,000	5,940,000	5,610,000
UNITED TELEPHONE OF SOUTHEASTERN KANSAS (NEW 1993)		1,468,190	1,495,068	1,556,709
UNITED TELEPHONE OF ARKANSAS	4,680,000	NOW UNITED TELE. OF SOUTH CENTRAL KS		
UNITED TELEPHONE OF IOWA	18,750,000	NOW UNITED TELE. OF EASTERN KS		
UNITED TELEPHONE OF MISSOURI	1,349,964	NOW UNITED TELE. OF SOUTH EASTERN KS		
VALU-LINE OF KANSAS, INC.	128,147	118,226	135,527	133,753
VYVX, INC. (NEW IN 1995, FORMERLY PART OF WILTEL)				175,849
WAMEGO TELEPHONE COMPANY INC.	1,230,000	1,683,000	1,881,000	1,980,000
WHEAT STATE TELEPHONE COMPANY INC.	1,140,000	1,485,000	1,650,000	1,633,500
WILLIAMS TELECOMMUNICATIONS	6,102,150	5,502,965	6,246,504	6,683,663
WILSON TELEPHONE COMPANY INC.	1,080,000	1,188,000	1,287,000	1,386,000
ZENDA TELEPHONE COMPANY INC.	150,000	165,000	214,500	214,500
<b>TOTAL</b>	<b>452,894,143</b>	<b>517,875,729</b>	<b>531,232,616</b>	<b>528,349,942</b>
1993-1 AMMENDED VALUATION			1995-1 ADDED VALUATION 02/05/96	
<b>WATER PLANTS</b>				
BARTON HILLS WATER DIST.	1,950	2,640	3,300	3,960
CALDWELL UTILITIES (NEW 1992)	90,000	89,100	89,100	95,700
CEDAR BLUFF WATER PIPELINE	4,200	4,785	4,785	4,785
CENTRAL KANSAS UTILITIES (FORMERLY CENTEL)	660,000	742,500	742,500	759,000
CHEROKEE COOPERATIVE WATER CORP., INC.	1,500	1,650	1,650	1,650
COLONIAL GARDEN MOBILE HOME PARK	7,800	10,230	10,230	10,230
D & W WATER COMPANY INC.	3,000	3,300	3,300	2,970
DEEP CREEK WATER COMPANY INC.	4,200	4,620	OUT OF BUSINESS	
DUBS DREAD WATER COMPANY	21,000	OUT OF BUSINESS		
EL PASO WATER COMPANY, INC.	765,950	849,912	866,933	1,122,000
FAIRMONT KONZA VALLEY RURAL WATER CO (NEW NAME)	28,500	49,500	49,500	49,500
McCRACKEN WATER CO., INC. (NEW IN 1992)	30,000	34,650	34,650	34,650
NORTH ARMA WATER CORPORATION	2,100	2,310	2,310	LOCALLY ASSESSED
ONION CREEK WATER INC.	5,700	OUT OF BUSINESS		
RIVERTON WATER CO., INC. (NEW IN 1992)	10,500	36,300	36,300	6,050
SANDOTT LUMBER	7,500	OUT OF BUSINESS		
SCOTSMAN ESTATES ASSN., INC.	3,000	3,300	3,300	3,300
SUBURBAN WATER	83,400	99,000	99,000	99,000
TUTTLE CREEK WATER CO.	3,900	5,280	5,280	5,280
VALLEYWOOD IMPROVEMENT DISTRICT	9,000	8,910	OUT OF BUSINESS	
WILSON LAKE ESTATES, INC.	1,560	2,640	2,640	2,640
<b>TOTAL</b>	<b>1,744,760</b>	<b>1,950,627</b>	<b>1,954,778</b>	<b>2,200,715</b>
1992-1 ADDED VALUATION 01-26-93			1993-1 ADDED VALUATION 02-01-94	
1992-2 ADDED VALUATION 01-26-93			1993-2 ADDED VALUATION 02-01-94	
1992-3 ADDED VALUATION 01-26-93			1994-1 ADDED VALUATION 02-05-96	
1992-4 ADDED VALUATION 01-26-93			1995-1 ADDED VALUATION 02-05-96	
<b>GRAND TOTAL</b>	<b>2,447,639,343</b>	<b>2,717,704,268</b>	<b>2,873,434,803</b>	<b>2,827,785,648</b>