

Approved: March 30, 2000 *Carl D. Holmes*
Date

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairman Carl D. Holmes at 9:14 a.m. on March 21, 2000 in Room 231-N of the Capitol.

All members were present except: Rep. Stanley Dreher

Committee staff present: Lynne Holt, Legislative Research Department
Mary Torrence, Revisor of Statutes
Jo Cook, Committee Secretary

Conferees appearing before the committee:

Others attending: See Attached Guest List

Rep. Alldritt distributed copies of a news release (Attachment 1) from Southwestern Bell Corporation's Richard Shank, Director of External Affairs. The news release was in response to the 911 disruptions in Harper County. Rep. Alldritt also distributed copies of a letter written by Janette Luehring, Chief of Telecommunications for the Kansas Corporation Commission (Attachment 2). The letter was to Southwestern Bell Corporation requesting information about the 911 disruptions in Harper County.

Rep. Loyd distributed copies of a Reuters news release from the Internet about VDSL (very high-speed digital subscriber line) (Attachment 3).

Chairman Holmes asked the committee be thinking about concerns they have that can be addressed by the Kansas Corporation Commission during the interim.

HR 6014 - Requesting study of increasing costs of petroleum products

There were no conferees. Chairman Holmes opened debate on the Resolution. Rep. Kuether moved to change the report date of the first day of the 2001 session. Rep. Vining seconded the motion. Motion carried. Rep. Sloan moved to table HR 6014. Rep. Myers seconded the motion, motion carried. Rep. Klein requested that his 'no' vote be recorded.

Meeting adjourned at 10:39 a.m.

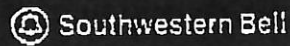
Next meeting will be Wednesday, March 22, 2000 at 9:00 a.m.

HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: March 21, 2007

NAME	REPRESENTING
Joe Duke	KCKBP
Joe Long	UCU
Jon Miles	KEC
Ken Peterson	KS Petroleum Council
Bob Krehbiel	KIOGA

Southwestern Bell Telephone



News Release

March 20, 2000

For more information contact

Statement by Richard Shank, Director-External Affairs, Southwestern Bell
1-800-660-5951

Southwestern Bell continues to work on the network problems that have caused intermittent disruptions in our service within Harper County. We are particularly concerned about delays that callers have experienced in dialing 911 and other emergency services.

To expedite a solution, our personnel are working closely with officials within the county's emergency preparedness department and Sheriff's office to resolve the problem.

Our number one priority is to seek a long term solution, not a short term fix.

To alleviate the problem, Southwestern Bell will be spending \$250,000 in new hardware to handle the increased capacity of our customers in Harper County. The orders have been placed for this extra equipment and it is our hope that all equipment needed for the upgrades will be operational by the first week of April. If at all possible, we will be working to speed up the process in any way possible.

In the meantime, we will continue to monitor our exchanges in Harper County in hopes that your telecommunications needs will be met.

HOUSE UTILITIES

DATE: 3-21-00

ATTACHMENT 1



Kansas Corporation Commission

Bill Graves, Governor John Wine, Chair Cynthia L. Claus, Commissioner Brian J. Moline, Commissioner

March 17, 2000

** Via Fax **

Southwestern Bell Telephone Company
Mr. Charlie Cleek, Executive Director - Regulatory
220 E. 6th Street, Room 500
Topeka, Kansas 66603

Dear Charlie:

I do appreciate Southwestern Bell's responsiveness to the 911 blockage situation in Harper County, as well as your personal involvement in this matter.

However, I am concerned as to *why* this condition was allowed to develop and *why* corrective action was not initiated sooner; before 911 service, and other services for that matter, were adversely affected. Southwestern Bell has traditionally been very vigilant and forward looking, with respect to Capacity Management and general quality of service surveillance activity. It appears, however, that in this situation at least some of that vigilance has been compromised and an essential service adversely impacted.

While Southwestern Bell's corrective actions in this matter are appreciated I am requesting an analysis of the cause(s) of this condition, an analysis of why this condition was not detected, or anticipated, sooner and an explanation of why corrective action(s) was not initiated sooner in Anthony. As part of your analysis, I would also ask that a broader examination of the events leading up to this situation be made so as to provide assurances that a reoccurrence in other Kansas locations will not occur.

I would appreciate your response to this request by Monday, April 3, 2000.

Sincerely,

A handwritten signature in cursive script that reads "Janette Luehring".

Janette Luehring
Chief of Telecommunications

cc: Rep. Richard Alldritt

HOUSE UTILITIES

DATE: 3-21-00



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Monday March 20, 3:31 pm Eastern Time

Next Level's VDSL service to battle cable TV

By Jessica Hall

NEW YORK, March 20 (Reuters) - Next Level Communications Inc. (NasdaqNM:[NXTV](#) - [news](#)) plans to transform simple, copper telephone wires into a powerful weapon to arm telephone companies in their battle against cable television operators.

Rohnert, Calif.-based Next Level's VDSL (very high-speed digital subscriber line) equipment turns traditional telephone lines into high-speed pipes able to transmit television, data and voice services.

The VDSL technology, which remains unproven on a broad scale, would allow the Baby Bell local telephone companies to offer packages of voice and entertainment services and to directly battle the cable television operators.

AT&T Corp. (NYSE:[T](#) - [news](#)), which will become the No. 1 U.S. cable television company through its purchase of MediaOne Group Inc. (NYSE:[UMG](#) - [news](#)), plans to offer local telephone and entertainment services over cable television wires.

AT&T's move will force the Baby Bells to fight back and expand their product portfolio to include video and entertainment services in order to preserve their customers and find new areas of growth, analysts said.

"We think the economics of staying in the voice business are not going to justify the market caps of these RBOCs (regional Bell operating companies). The AT&T factor is going to cause them to want to do it (VDSL services)," Next Level Chief Executive Pete Keeler said in an interview.

"If the (local telephone companies) are to truly compete with cable companies in the consumer market, it is imperative that they integrate voice, high-speed Internet access and video at a reasonable price point," research firm Dataquest said in a recent report.

"The real full-featured capability ultimately lies in VDSL, which still has some technological bumps to get past," the Dataquest report said.

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HOUSE UTILITIES

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ATTACHMENT 3

Next Level supplies VDSL equipment to local telephone company U S West Inc. (NYSE:[USW](#) - [news](#)), which provides the service in Phoenix and aims to expand VDSL to about 10 additional markets.

U S West's VDSL expansion plans, however, remain on hold temporarily. U S West's merger partner Qwest Communications International Inc. (NYSE:[Q](#) - [news](#)) said investment for the VDSL expansion must wait until their \$40 billion merger closes, which is expected in the third quarter.

Qwest and U S West also have been in talks to acquire a minority stake in Next Level, sources familiar with the situation previously told Reuters.

Buying a small stake in Next Level would allow Qwest and U S West to benefit from the growth in the technology and to guarantee priority service in getting VDSL equipment, sources said. The three companies declined to comment.

Next Level, which had \$57.6 million in 1999 revenues, would see a substantial boost in sales if the combined Qwest-U S West moved forward with the VDSL expansion, analysts said.

U S West already is the largest of Next Level's 29 customers, comprising about 75 percent of its business.

France Telecom , meanwhile, is testing Next Level's equipment in its labs, while Bell Canada International Inc. (Toronto:[BL.TO](#) - [news](#)) recently launched a field trial. Next Level also sees strong customer potential in the Asia-Pacific region.

GTE Corp. (NYSE:[GTE](#) - [news](#)), which plans to merge with No. 2 U.S. local telephone company Bell Atlantic Corp. (NYSE:[BEL](#) - [news](#)), has been using Next Level's equipment in a trial in Clearwater, Fla., Next Level said.

"We're hopeful that when the merger ends, that GTE and Bell Atlantic will want to be a video provider in some market areas. GTE was quite active in those areas," Keeler said.

"Three years from now, we think that most of the market areas in the United States will have competition by a twisted pair (telephone wire) offering full services," Keeler said.

The VDSL market, however, remains immature and the success of the technology depends on the local telephone companies expanding the reach of fiber optic networks closer to consumers' homes.

The Baby Bells must also see realize a payoff for their costly fiber upgrades. The local telephone companies would have incentives to upgrade their networks in markets threatened by cable competition, but rural markets likely will remain unserved by VDSL, analysts said.

Next Level, which is majority-owned by Motorola Inc. (NYSE:[MOT](#) - [news](#)), currently leads the emerging VDSL market but faces competition from other equipment makers such as France's Alcatel and Texas Instruments Inc. (NYSE:[TXN](#) - [news](#)), which recently announced VDSL products, analysts said.

In addition to VDSL, Next Level also is developing on privacy protection features for entertainment and marketing services and specialized optical networking services.

Energy Executive Daily – March 15, 2000

COMPETITIVE MARKETS THREATEN RELIABILITY OF ELECTRICITY GRID,
RICHARDSON TELLS CITIES

Policymakers have not kept pace with rapid changes in the electric utility industry, and the reliability of the U.S. electricity grid is "faltering," Energy Secretary Bill Richardson told the National League of Cities March 13.

That same day Richardson's department released the final report of a study group that said that, because of the spread of retail competition in electricity supply, "the mechanisms that protected electric reliability in the past need to be changed along with ongoing market developments."

The report urged a series of actions by the federal government, including: creation of a new organization to promote system reliability; facilitating the establishment of regional groups to make siting decisions on new electrical facilities; and removal of barriers to the greater use of new distributed generation equipment sometimes called "backyard generators."

Richardson told the National League of Cities that electricity restructuring may deliver "positive results." However, he said, "there have been some bumps along the way."

He urged support for the administration's proposed restructuring bill, which includes new provisions to protect reliability.

Both the House and the Senate are considering federal electricity restructuring bills (H.R. 2944, S. 2098) that include a reliability title that is relatively uncontroversial. However, there are growing doubts about whether Congress will be able to enact comprehensive restructuring legislation. Both bills contain many complex provisions, and to date they have not attracted consensus support inside or outside Congress.

Meantime, many states are moving ahead with restructuring plans that involve competition in electricity supply, with consumers able to choose between rival suppliers. Transmission and distribution remain as regulated monopolies, but the greater use of the existing transmission system, as well as the growing diversity of electricity suppliers, are placing a much greater strain on a system that traditionally has relied on voluntary safeguards to prevent overloading.

Urgency Stressed

Richardson stressed the urgency of federal restructuring legislation. "Making the electric grid more reliable is the main reason that I believe we need to push Congress to [enact comprehensive electricity restructuring legislation]," he told league members. Twenty-four states and the District of Columbia had acted to allow consumers to choose their power suppliers, he said. "It is high time for Congress to act on this," he added.

Richardson described the reliability report his department issued as "a blueprint" for avoiding power outages. "We've got to start worrying about next summer," he said.

The House Commerce Committee is expected soon to take up H.R. 2944, but Rep. John Dingell (D-Mich), the ranking committee Democrat, is unenthusiastic about federal restructuring legislation. Richardson was asked as he left the National League of Cities meeting about the possibility of persuading Dingell to change his mind.

"Congressman Dingell and I have honest differences on this issue," Richardson replied. "I hope we can work together, so that legislation moves. We have not been able to persuade him, but his concerns are sincere. ... But we've talked to a number of other Democrats, and we think there's a good chance that this could be a good bipartisan bill."

'Momentum Going.'

Richardson also said he was "intensifying" his discussions with members of Congress, including House Majority Whip Tom DeLay (R-Texas), "and I think we've got a little momentum going."

Richardson said "we're heading in the direction of more power outages unless we take action on the restructuring bill, so that utilities can invest and improve their distribution system, and so there can be more competition."

He said, however, that he would not favor taking the reliability provisions out of comprehensive restructuring legislation and trying to enact them separately.

The report of the Power Outage Study Team (POST) put forward a group of 12 main recommendations: promoting market-based approaches to ensure reliable service; enabling customer participation in competitive electricity markets; removing barriers to distributed energy resources; support for mandatory reliability standards for bulk-power systems; sharing of information on "best practices;" enhancing preparedness for power outages; promotion of best reliability practices at federal utilities; reliability research and development related to the needs of a restructuring industry; regional solutions to siting decisions for electricity facilities; promoting public awareness of reliability issues; assessing reliability vulnerabilities; and encouraging energy efficiency.

The text of the POST report is at <http://www.policy.energy.gov> on the Internet.