

Approved: March 31, 2003 *Carl D. Holmes*
Date

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairman Carl D. Holmes at 9:06 a.m. on January 31, 2003 in Room 526-S of the Capitol.

All members were present except: Representative Eric Carter
Representative Cindy Neighbor

Committee staff present: Mary Galligan, Legislative Research
Dennis Hodgins, Legislative Research
Mary Torrence, Revisor of Statutes
Jo Cook, Administrative Assistant

Conferees appearing before the committee:
John Smith, Pixius Communications
Carol Woolbright, Greenbush Interactive Distance Learning Network
Ann Lundy, South Central Kansas Distance Learning Network
Carol Swinney, Southwest Plains Regional Service Center
Tom Gleason, Kansas Rural Independent Telephone Companies

Others attending: See Attached List

**HB 2019 - State Corporation Commission prohibited from regulating high speed Internet access/
broadband service**

John Smith, Chief Information Officer for Pixius Communications, testified before the committee in a neutral position to **HB 2019 (Attachment 1)**. Mr. Smith provided background information about the company. He also stated that it is important for the members to know that there are alternative solutions to the challenge of bringing broadband service to rural communities and that wireless broadband was one of those alternatives.

Carol Woolbright, appearing on behalf of the Greenbush Interactive Distance Learning Network, addressed the committee as a neutral party to **HB 2019 (Attachment 2)**. Ms. Woolbright told the committee of their concerns that SBC will be disconnecting the analog sites that are required to provide the distance learning classes. Included with Ms. Woolbright's testimony is a map of the state showing the locations of the various distance learning networks.

Ann Lundy, Director of the South Central Kansas Distance Learning Network, also addressed the committee as a neutral party to **HB 2019 (Attachment 3)**. Ms. Lundy told the committee that the continuing need for distance learning is critical for the school districts and the decision by SBC to implement new technology has caused frustration.

Carol Swinney, Director of Distance Learning at Southwest Plains Regional Service Center, appeared before the committee as a neutral party to **HB 2019 (Attachment 4)**. Ms. Swinney also spoke of the changes SBC has initiated. She told how their energies were focused on replacing the analog technology in the appropriate time frame to guarantee the continuation of distance learning throughout our state.

Tom Gleason, appearing on behalf of the Kansas Rural Independent Telephone Companies, spoke to the committee as a neutral party regarding **HB 2019 (Attachment 5)**. He stated they have concern about potential effects of the bill in the area of unintended consequences. Specifically, Mr. Gleason told the committee they felt there had been strained interpretations of selective phrases of the 1996 Telecommunication Act and feel that selective advancement of certain aspects of policy, at the expense of other goals, can do more harm than good to rural customers and they are not anxious for that to occur under a new law.

Mr. Smith, Ms. Woolbright, Ms. Lundy, Ms. Swinney, and Mr. Gleason responded to questions from the committee.

Chairman Holmes closed the hearing on **HB 2019**.

The meeting adjourned at 10:25 a.m. The next meeting is Monday, February 3, 2003 at 9:00 a.m.

HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: January 31, 2003

NAME	REPRESENTING
Steve Montgomery	MCI Worldcom
Neal Larsen	MCI Worldcom
John Pinegar	State Independent Telephone Assn
Wanita Browne	AT&T
Mike Reecht	AT&T
Robert M. Bedevork	DOR - 8 VJ
BRIAN LIPPOLD	ADELPHIA BUSINESS SOLUTIONS
Bob Jayroe	SBC
Susan Mahony	SBC
RANDY TOMLIN	SBC
TIM PICKERING	SBC
Bret Lawson	KCC
Andy Shaw	Worldnet LLC
Melton Krueger	Everest Connections
Carol Woolbright	Greenbush
Ann Lundy	So Central KS Distance Learning Network
Carol Swanson	SW Plains Reg. Serv. Center Sublette
George Barber	RTMC
Mike Murray	Sprint
John Smith	Rixus

HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: January 31, 2003

NAME	REPRESENTING
Karl Dunson	Dixius
Jim Garbner	SBC
Tom Gleason	Independent Telecom Group
ALAN COBB	KCCT
Debra Schmitt	Woodnet LLC
MIKE LURA	CURB
Tom Day	KCC

Testimony before the House Utilities Committee

Thank you Mr. Chairman and members of the committee for allowing me to testify today.

My name is John Smith. I am Chief Information Officer for Pixius communications, LLC in Wichita. I have over 30 years experience in the communications industry including Southwestern Bell, Brite Voice Systems and WorldPages. My role at Pixius is to develop the business plan and select and implement the technology that allows Pixius to fulfill its vision of bringing reliable broadband data communications service to rural Kansas.

First, let me tell you about Pixius as a company. We are based in Wichita, KS and we were founded in September 2000. Our mission is to provide "Last Mile" data communication solutions to rural Kansas.

In Kansas we provide service in 65 communities. These communities represent both urban and rural populations. In many of the rural communities we are the only provider of local Internet access. As you can see from the map, we provide service to a broad geographic area.

Our customer base includes approximately 14,000 customers in Kansas and 7,000 in Minnesota.

The Minnesota operation was acquired in August 2002. In addition to data communication services such as dial-up, DSL and landline data services, we provide web design and hosting services for a large number of the Fortune 500 companies. These web services are also available to our customers in Kansas.

As of December 31, 2002 we have \$5+ million in assets. As owners, we have contributed in excess of \$3 million to grow the business. We back our commitment to the provision of "Last Mile" data communication solutions with our capital.

In addition to the capital invested by numerous successful businessmen and women in Wichita, we have received financial support for our *AeroGrain* project from Kansas Technology Enterprise Corporation (KTEC). The *AeroGrain* project will benefit a large number of grain storage operators in rural Kansas. KTEC supports our efforts because Pixius supports rural Kansas.

Our growth in rural markets will be partially funded from a \$6,755,000 loan from the US Department of Agriculture – RUS fund. Loan proceeds are earmarked for the deployment of broadband services in rural Kansas. Proceeds from the loan are maximized when invested in communities that do not have access to any type of broadband service. Since this is a loan that must be repaid, the loan proceeds will be invested judiciously.

The US Department of Agriculture – RUS defines broadband data service as service equal or greater than 200 kbps. Any service less than 200 kbps is considered high speed. The minimum service level on the Pixius Wireless Broadband Data Service Network is 256 kbps.

In order to meet customer's diverse data communications requirements, Pixius also purchases data communications services from ILECs, CLECs and Interexchange Carriers. These services are purchased at retail.

Pixius Wireless Broadband Data solutions can be grouped into three categories.

Point-to-Multipoint – used for the distribution of Internet service to a large number of customers.

Point-to-Multipoint (closed) – used to distribute data within a closed service environment. This is most commonly used in a business or education campus environment.

Point-to-Point – used to transmit data between two customer locations. An example would be to connect two business locations so they could share resources efficiently.

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ATTACHMENT |

Wireless broadband data is delivered to the customer from a centrally located Access Point. Each Access Point can provide service up to 10 miles from the Access Point. An Access Point can provide service to as many as 1,200 customers. Data transfer rates range from 256 kbps to as high as 11 Mbps. The service can be delivered to as few as 100 subscribers at a price that is comparable to what the customer now pays for dial-up service.

Pixius presently offers service in Wichita and Hutchinson. We are in the process of replacing our existing infrastructure with Generation II wireless technology.

Current planning calls for service to be available in Ft. Scott, Louisburg, Osawatomie, Paola, Chanute, Baxter Springs and Galena by July 31, 2002. Our efforts will be focused on a 36 county area that covers southeastern and parts of northeastern Kansas. The covenants of our USDA – RUS loan place a limit on the geographic area where loan proceeds may be used for the provision of service.

For any service offering to be attractive to the customer it must provide value. A review of the costs paid by the customer for 56 kbps dial-up service in rural Kansas breaks down as follows:

Internet Service Provider Charge (ISP)	\$24.95
Additional Telephone Line	30.00
Optional Long Distance Service if no local ISP is available	30.00
Total	\$84.95

Now I will compare these costs with the consumer costs associated with wireless broadband service. In a typical rural market the price to the consumer will be \$49.95 per month for 256 kbps and \$59.95 for 512 kbps service. In addition to being lower in cost to the consumer, the service offered provides four to eight times the data transfer rate of a 56 kbps dial-up service. A dial-up service may have a stated delivery rate of 56 kbps, but in actuality will perform at a much lower rate. The wireless service will perform at or above the quoted rate.

In summary, at Pixius we believe it is important for the legislature to know that there are alternative solutions to the challenge of bringing broadband service to rural communities. Wireless broadband service is one of these alternatives. It is economical when compared to other alternatives and in the case of service from Pixius is provided by a Kansas based company that is committed to the provision of broadband service in rural Kansas.

This concludes my remarks today. I am available for any questions you may have.

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Putting Data to Flight 

6-1

A Commitment To Data Communications Service In Kansas

John E. Smith - Chief Information Officer

January 31, 2003

PIXIUS Communications, LLC
Wichita, KS

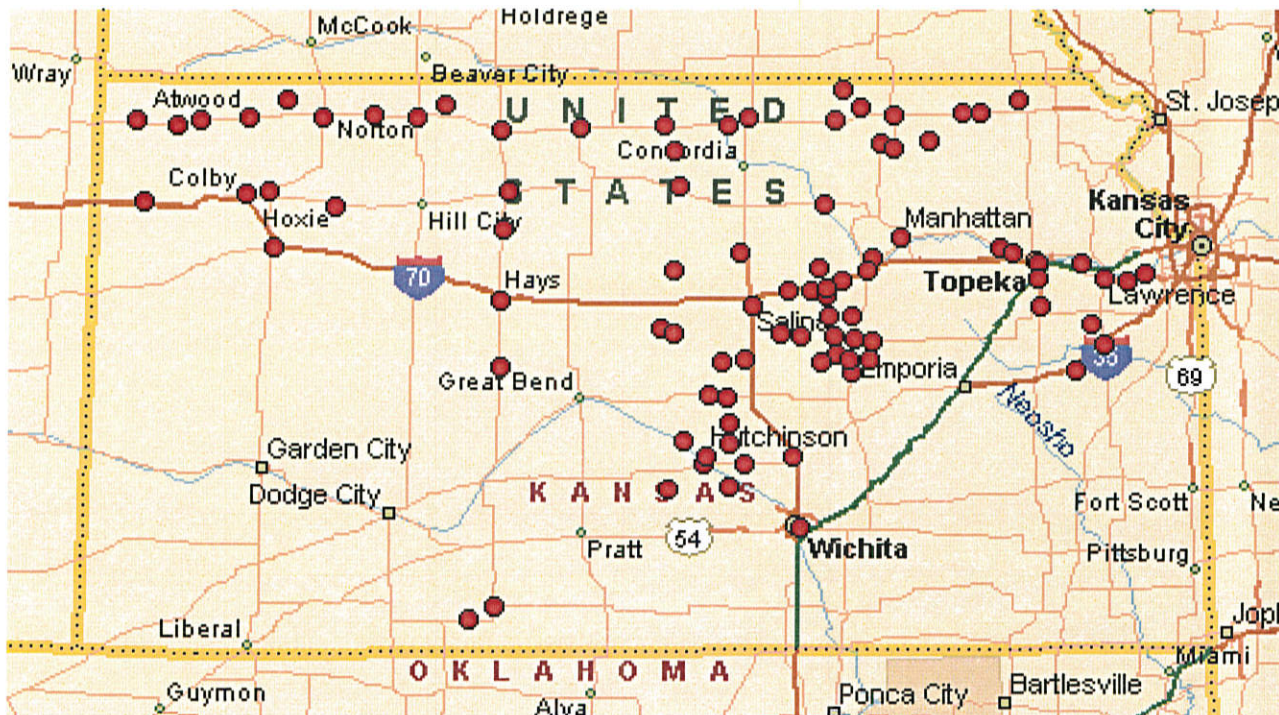
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Who is Pixius?

- Wichita based company
- Founded in September 2000
- Provides “*Last Mile*” data communication solutions
- Serving 65 Kansas communities with dial-up, private line data and wireless communication solutions

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Communities Served



PIXIUS Communications, LLC
Wichita, KS

Who is Pixius? (cont.)

- Customer base of 21,000 in Kansas and Minnesota
- Minnesota operation acquired in August 2002 provides web design and hosting services for Target, Crystal Lake Farms, Proctor & Gamble, Texaco, RJ Reynolds, Kraft Foods, Johnson & Johnson, and more
- \$5+ million in assets
- \$3 million in capital contributions

Who is Pixius? (cont.)

- KTEC (Kansas Technology Enterprise Corporation) has provided partial funding for the *AeroGrain* project
- With assistance from Kansas U.S. Congressmen and Senators recently received loan approval for \$6,755,000 from the USDA - RUS for broadband data service in rural Kansas. Initial funding anticipated in January 2003
- All investors are Kansas individuals or businesses

Our Products and Services

- Traditional dial-up Internet access in 65 Kansas


communities - Abilene, Almena, Arlington, Atwood, Baileyville, Belleville, Beloit, Bird City, Blue Rapids, Buckeye, Buhler, Burdick, Burrton, Carbondale, Carlton, Centropolis, Chapman, Clay Center, Colby, Coldwater, Conway, Delavan, DeSoto, Detroit, Ellsworth, Enterprise, Eudora, Ft. Riley, Frankfort, Gem, Goodland, Gypsum, Hanover, Haven, Hays, Herington, Herndon, Hollenberg, Hope, Hoxie, Hutchinson, Inman, Jewell, Junction City, Kanopolis, La Crosse, Lawrence, Lecompton, Lincoln, Lincolnville, Lindsborg, Lost Springs, Manhattan, Mankato, Marquette, Marysville, McDonald, Minneapolis, Navarre, Newton, Nickerson, Norcatour, Norton, Oakley, Oberlin, Ottawa, Pauline, Phillipsburg, Plainville, Protection, Romona, Rossville, Sabetha, St. Francis, Salina, Scandia, Seneca, Silver Lake, Smith Center, solomon, S. Hutchinson, Stockton, Tampa, Topeka, Washington, Waterville, Wichita, Williamsburg, Windom and Woodbine

Our Products and Services (cont.)

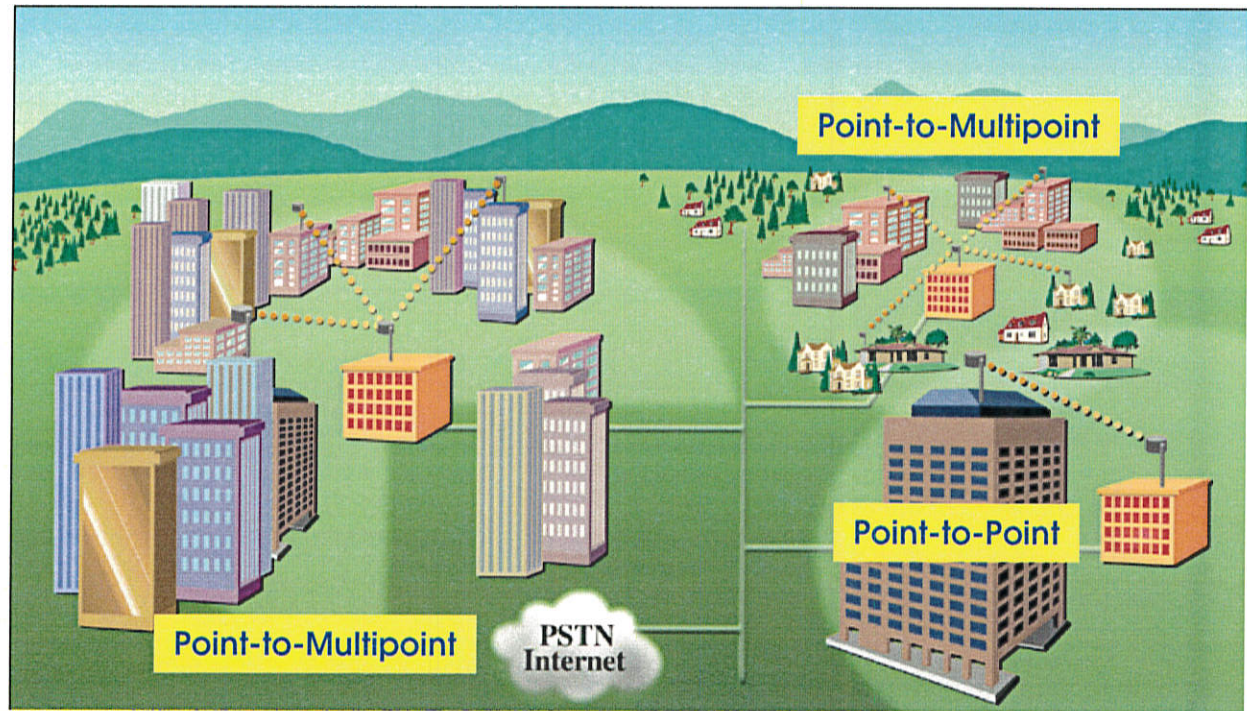
- Wireless Broadband Data Service - Transmission speeds in excess of 200 kbps which meets the USDA - RUS definition of broadband service
- Landline Data Service - provided as a resale of ILEC, CLEC and Interexchange Carrier service

01-1



Putting Data to Flight 

Wireless Broadband Solution Diagram



PIXIUS Communications, LLC
Wichita, KS

The Wireless Broadband Solution

- Serves a diverse area with targeted service - service area = 10 mi. radius from Access Point
- Data transfer rate - 256 kbps to 11 Mbps
- Economical at 100 subscribers per Access Point (Community)

Communities Served with Wireless Broadband

- Present - Wichita and Hutchinson
- Planned through July 31, 2003
 - Ft. Scott, Louisburg, Osawatomie, Paola, Chanute, Baxter Springs/Galena

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Consumer Economics

- Typical 56 kbps dial-up cost to subscriber

Internet Service Provider Charge (ISP)	\$24.95
Additional Telephone Line	30.00
Optional Long Distance Svc. if no local ISP available	30.00
Total	\$84.95

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Putting Data to Flight 

Consumer Economics (cont.)

- Wireless Broadband Service - including access and ISP

Residence Class 256 (4 X faster than 56 kbps)	\$49.95
Residence Class 512 (8 X faster than 56 kbps)	59.95

1-5-1



Putting Data to Flight 

Wireless Broadband is an economically attractive solution for providing broadband access to Kansas

Testimony before the House Utilities Committee

January 30, 2003

Carol Woolbright
Southeast Kansas Education Service Center
Phone 620-724-6281
Email: carol.woolbright@greenbush.org

Mr. Chairman and Members of the Committee:

My name is Carol Woolbright. I am with the Greenbush Interactive Distance Learning Network at the Southeast Kansas Education Service Center and the Kansas Distance Learning Consortium. With me are two of my colleagues, Carol Swinney, Director of the High Southwest Plains Network and the A Plus Network and Ann Lundy, Director of the South Central Kansas Distance Learning Network. Among the three of us, we manage about 90% of Southwestern Bell's distance learning video sites in Kansas. In addition, we represent the Kansas Association for Interactive Distance Education, also known as KAIDE.

Since 1989 when the first interactive video sites came up, distance learning has become an important resource for school administrators trying to provide quality educational programs to students. Thousands of Kansas students have taken classes over video networks in the last 14 years. Today, approximately 5000 students are enrolled in over 300 high school and college classes on the distance learning networks in Kansas. Since the Kansas Regents Required Curriculum went into effect with the high school graduation class of 2001, distance learning has become much more important in helping schools provide required classes and enhanced educational opportunities. Many small schools simply cannot hire teachers to teach the classes needed to meet the Regents standards, so they look to distance learning to share Physics, Calculus and advanced math classes, as well as foreign languages. Distance learning allows schools to share master teachers and other rare resources, making the technology and required equipment cost-effective as well as helping children acquire a suitable education.

Distance learning technology relies upon telephone circuits. Since the 13 existing video networks in Kansas came up independently and without state technology standards (or leadership to help determine standards), many different and incompatible technologies were deployed and continue to exist today. When TeleKansas II came about in 1995, Southwestern Bell introduced a digital technology, motion JPEG, in addition to the older analog technology that they had deployed in the early 90's. (TeleKansas II was a SW Bell initiative where they agreed to deploy distance learning in schools in exchange for regulatory relief and other considerations.) All of the schools, community colleges, and universities that deployed under TeleKansas II and earlier must now face migrating to a newer technology standard that has been established by KAN-ED, H.323. This means that all of Southwestern Bell's video sites are using obsolete technology, but they are all still working

A couple of years ago, SW Bell announced that October 2003 will be the disconnect date for their analog sites, requiring that network directors and school officials take action to move to a different technology or shut down distance learning classrooms. In addition, SW Bell has indicated that they will no longer support the digital JPEG technology deployed under TeleKansas II beyond the 2007 to 2008 time frame. They are strongly encouraging sites to convert over to the H.323 technology as soon as possible and upon request by a district, are canceling the TeleKansas II contracts without

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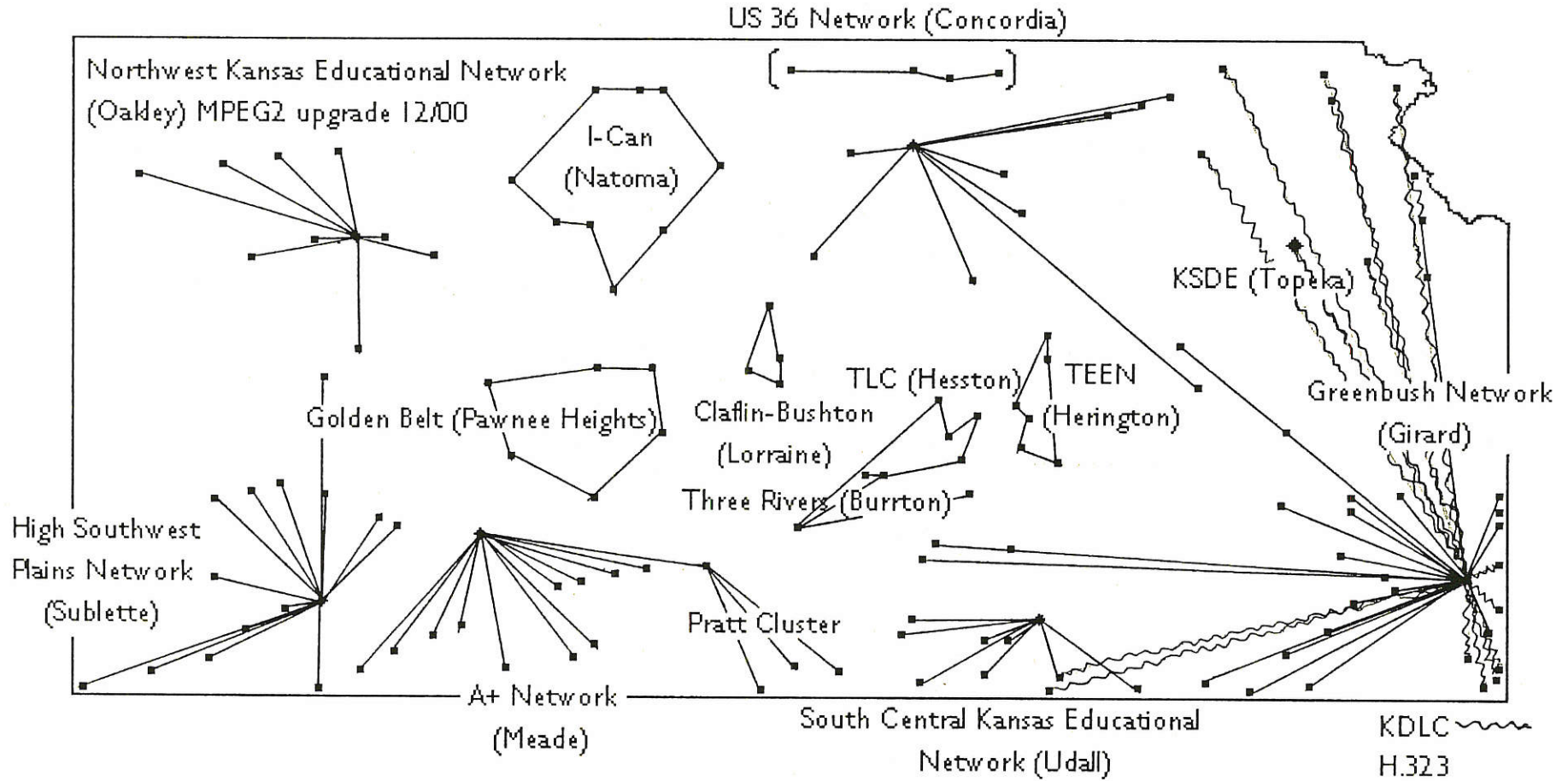
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penalty. SW Bell will remove the video transport equipment housed at each site and the fiber as well. Any new deployment of distance learning technologies will require that schools begin again with bandwidth acquisition and transport equipment. At this time, I will ask Ann Lundy and Carol Swinney to present their perspectives since their analog networks are immediately affected. First, Ann Lundy...

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KAIDE

Kansas Association of Interactive Distance Education



Revised April, 2002

Testimony before the House Utilities Committee
January 30, 2003

Ann Lundy
South Central Kansas Distance Learning Network
Phone 620-782-3011
Email scken@wheatstate.com

Mr. Chairman and Members of the Committee:

My name is Ann Lundy. I am Director for the South Central Kansas Distance Learning network; our office is located in Udall. In January 1992, four area schools and a community college formed a consortium to participate in a \$1.46 million lease over 10 years. The contract was signed with Southwestern Bell, who in turn worked with four other local telephone networks to enable them to be linked together by an interactive video network. "Because the technology is relatively new and changing rapidly, our customers believed we could better maintain and upgrade the service to meet their needs by leasing, rather than buying," said Richard Shank, local spokesperson for Southwestern Bell.

Before 1996, two more school districts joined the network. In 1996, a USDA grant provided five additional classrooms, (allowing two additional USD's classrooms and three additional Cowley County Community College classrooms).

In 1996, two analog-to-digital gateways were placed at Cowley County Community College to allow the network's analog sites to connect with Bell JPEG sites. The gateways, installed by Southwestern Bell, were part of TeleKansas II. The addition of the gateways provided opportunities to share classes with other IDL networks in the state. To illustrate the use of the gateways in our network, first hour of the day a physics class is taught from Udall and sent to students in Cuba, South Haven, and Wellington. During the same hour, Argonia students receive a Spanish I class from Sublette and are interactive with students from Scott City; finally, Cedar Vale students receive a Spanish I class from Minneola. Cowley County connects to as many as three JPEG sites during the same hour.

In the fall of 2000, the Network Governing Board began to study the impact of a KAN-ED network and its implications on distance learning within the state. Bell updated the Network Governing Board on MPEG technology and its capabilities. A request was made to Southwestern Bell, with the assumption for reasonably priced service, for MPEG II service for Arkansas City and Winfield, to begin January 2001. The quote came in between \$5,000 and \$6,000 per month and was not affordable for either school.

Bell notified network directors in the fall of 2001 that service would not be provided to analog sites after October 2003. Statewide testing, comparing MPEG II and IP video began in earnest. The consensus choice of the existing IDL networks was MPEG II. Pricing from Southwestern Bell for MPEG II was deemed too expensive. The SCK Network spent the fall testing H.323 solutions, and made a decision in late November 2001, to focus on H.323. School districts faced with budget cuts from the state made a decision to continue with the existing analog technology through the 2002-03 school year.

The continuing need for distance learning is critical for our districts. In 1991, school districts that implemented interactive television networks in the state were "visionaries". Today distance learning

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is a "necessity". The Networks provide classes in math, science, and foreign language that districts are unable to provide for their students, due to the statewide teacher shortage.

The decision to abandon the analog and implement new technology affected school districts that are not in SBC's territory. Out of the eight remaining analog sites in the network, one site is SBC. Adding to the frustration is not knowing what KAN-ED is going to provide, and when the state-wide backbone connectivity will be made available to schools.

The decision to move to a H.323 network has forced the five independent phone companies to make financial commitments in order to provide the end-to-end solution that includes purchasing equipment to lease to the schools.

Testimony before the House Utilities Committee
January 30, 2003

Carol Swinney
Southwest Plains Regional Service Center
Phone 1-800-728-1022
Email: cswinney@swprsc.org

Mr. Chairman and Members of the Committee:

I am Carol Swinney, Director of Distance Learning, at SW Plains Regional Service Center in Sublette. My chief responsibilities involve directing the A-Plus and HSPN interactive television networks. Since 1989 these two networks have provided interactive distance education to the students of SW Kansas. This morning my comments will focus on the A-Plus network, an interlocal of ten school districts, seven of which are serviced by SBC.

In 1989 SBC partnered with two independent telephone companies (Haviland Telephone and United Communications) to establish an analog network serving 9 schools. Grant monies provided much of the original start-up costs. In 1994 2 additional school districts and Dodge City Community College joined our network. Connectivity beyond the network was established in 1995 through participation in KanS-A-N, the statewide compressed video network managed by DISC.

By 1996 the A-Plus analog network had reached its technical limits, and we welcomed the motion JPEG digital conversion offered by SBC under the provisions of TeleKansas 2. This digital conversion of the SBC sites also allowed preserving the analog network to maintain connectivity with our three "independent" sites and to establish second classrooms in 6 of our SBC schools. This total of 16 classrooms was necessary to meet the increasing needs of our 10 school districts.

In the spring of 2000, just after the failure of KAN-ED Bill initiative, SBC invited the directors of Kansas IDL networks to a demonstration of MPEG 2 technology in their Austin, Texas, laboratory. In December this technology was successfully demonstrated at the Connecting Kansas conference on a statewide venue. Those of us involved in existing SBC networks were excited by discussions to upgrade the entire SBC video network to MPEG 2 technology in the summer of 2001. By mid-January of 2001, however, word was received that upgrade plans were cancelled and that no expansion of the motion JPEG network was possible. We received no further news until October 2001 when the silence was broken with the news that SBC would no longer support its analog sites after October 2003.

In our search for a replacement technology, three questions emerged:
Could our networks buy, lease or maintain independently the current analog equipment?
Could the analog-only sites convert to available motion JPEG technology?
Could the analog & motion JPEG sites convert to MPEG 2 technology?

The negative response we received to each of these questions prompted a flurry of discussions within the existing IDL networks and in December 2001, the leadership of KAN-ED sponsored a meeting with representatives of SBC to address our concerns. At this time we requested help in determining a technology to replace the analog transmission; a statewide test of alternative technologies was agreed upon.

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Although MPEG 2 technology remained the choice of existing networks, price proposals were cost-prohibitive and in January of 2002, the KAN-ED initiative adopted the H.323 IP protocol, effectively making H.323 the standard for statewide connectivity. In July 2002 an H.323 solution with multiple-codec modifications was demonstrated statewide. In the fall of 2002 the KDLC grant project adopted the H.323 protocol and existing IDL networks are scrambling to convert both their analog and motion JPEG sites to this "standard".

Our energies are focused on replacing analog technology by August of 2003 to guarantee the continuation of distance learning throughout our state. We are passionate about interactive distance learning. Since 1989 IDL has been an integral part of our schools, helping them meet the challenges of declining enrollment, a drooping economy, and a shortage of teachers amidst increased curricular demands. We are committed to opening the windows of opportunity to our students by means of statewide collaboration, and we look to our service providers to make available cost-effective, state-of-the-art technology. Together we can ensure that quality instruction is available to all students of Kansas, regardless of the size or location of their school. The leadership and expertise of our telecommunications partners is critical to our ultimate success.

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Telephone Company
Ho...

Bluestem Telephone Company
Dodge City

Columbus Telephone Company

Council Grove 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.
Holyrod

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

Southern Kansas Telephone Co., Inc.
Clearwater

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.



KANSAS
RURAL INDEPENDENT
Telephone Companies

Investment that works for all Kansans

Kansas Rural Independent Telephone Companies

Testimony by Tom Gleason, of Gleason & Doty, Chartered
Regarding House Bill 2019

Before the House Utilities Committee
January 31, 2003

Mr. Chairman and members of the Committee:

My name is Tom Gleason. In addition to my duties as counsel for twelve rural companies, I work with the State Affairs Committee formed by some three dozen Kansas Rural Independent Telephone Companies. This group follows developments in state government affecting their ability to serve the families, individuals and businesses located in the half of the state served by these companies.

I had the pleasure of appearing before you last week to address telecommunications issues in general. I appear today to address more specifically the issue of broadband deployment, and particularly your consideration of House Bill 2019.

Broadband service, made available through whatever technology and by whatever provider, is increasingly critical to meeting the needs of rural Kansas just as it has come to be relied upon in our state's urban areas. In fact, broadband is even more important in rural Kansas because it can serve as a replacement for services and opportunities no longer physically present in smaller communities. Broadband for distance learning can preserve educational opportunities through local efforts and through the statewide Kan-Ed program, moderating the effects of static or even declining school enrollment. Telemedicine over broadband facilities can offer rural residents access to health care services otherwise available only through travel to metropolitan medical centers. E-commerce facilitated by broadband can offer a replacement for local retail opportunities that have departed rural Kansas in an era of economies of scale and mass marketing

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House Bill 2019

Beyond its influences on the availability of services, broadband is vital to maintenance of an economic base in rural Kansas. Too often, smaller rural communities see economic development in terms of the ability just to retain existing businesses, and on a good day the possibility of expanding those businesses. The cost savings made possible by advanced information and communications technologies can make a real difference in continuation and growth of long-time local enterprises. The possibility of recruiting new businesses to rural Kansas can be problematic, but it is undeniable that attraction of new businesses in a modern economy will require the availability of first-class telecommunications facilities. Distribution and service businesses rely heavily on lines of communication; major national enterprises have located some operations in rural areas, but only where sufficient local facilities assure their ability to do business.

Another component of a viable economic base is simple maintenance of population. We all know rural Kansas has seen population declines, making it harder to offer a sufficient and sufficiently trained workforce for employers to access. Broadband may not be the "silver bullet" to address this concern, but it is surely an important part of the answer. The talented and technologically savvy youth in smaller communities expect the comparable availability of advanced services promised by federal and state policy. It may not be true in rural Kansas that "If you build it they will come," but it is increasingly true that "If you don't build it, they will leave." Population shifts can increase demand for taxpayer-supported local services in larger cities, and paradoxically can increase the cost of services in rural areas as well. Rural population loss also produces inefficiency by diluting the value of private and public investment already made.

All in all, in rural areas broadband is not a consumer convenience – it's a lifeline. This is one reason the rural companies as a group have led the way in deploying broadband-capable facilities. The needs of their communities simply demand action. Rural companies have made varying degrees of progress in this effort, but it is their intent to persevere until the goals of the Kansas Telecommunications Act are met: giving every customer "access to a first-class telecommunications infrastructure that provides excellent services at an affordable price," and providing "consumer access to a full range of telecommunications services, including advanced telecommunications services that are comparable in urban and rural areas throughout the state."

The Kansas Rural Independent Telephone Companies wholeheartedly support such a telecommunications landscape for Kansas and continue to work diligently to make it a reality. As of a year ago, 76% of access lines served by rural companies had access to 200 kilobit per second service; we project this will increase to 90% by the end of next year. At the beginning of 2002, 71% of rural company customers had access to 1.5 megabit per second broadband service, and we anticipate that figure to be 85% by the end of 2004.

The independent telephone companies have always made things happen in rural Kansas, from quality basic telephone service to distance learning and telemedicine, and now to broadband deployment that enhances economic development opportunities. The Kansas Rural Independent Telephone Companies take very seriously the obligations they have under the

(continued)

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House Bill 2019

State and Federal Acts. Over the last ten years, the companies have been deploying broadband capable cable facilities as a normal course of doing business. They already have the motivation to deploy broadband capability in rural areas just as they have always been driven to provide high quality telephone service to friends and neighbors.

Due to rural companies' demonstrated commitment to broad deployment of broadband-capable facilities we have been asked by a number of industry figures and elected officials how we react to the provisions of House Bill 2019. The short answer is this: the stated purpose of House Bill 2019 would neither advance nor impede the continuing efforts of rural companies to deploy broadband services. Rural companies in general are presently exempt from the requirements for facilities sharing that are addressed by the bill; so far neither federal nor state regulators have imposed a requirement that would allow competitors to use and resell for their own profit the facilities in which rural companies have invested. Such a requirement is not presently a significant obstacle to rural companies' continuing deployment efforts.

We have concern about potential effects of the bill, but that concern is with the potential for unintended consequences. Rural companies have witnessed strained interpretations of selective phrases of the 1996 federal and state telecommunications acts, to such an extent that we would not have supported adoption of these acts had such interpretations been asserted beforehand. We feel selective advancement of certain aspects of policy at the expense of other goals can do more harm than good to rural customers; we are not anxious for that to occur under a new law. That said, however, we believe clarifying language can be proposed and adopted that would prevent further misinterpretation if HB 2019 becomes law.

The position of the rural telephone companies on HB 2019 is one of neutrality. We believe appropriate clarification can preclude the possibility of the unintended consequences that concern us. We will continue to monitor the process and all parties' claims regarding the bill's consequences. We intend to develop and propose clarifying language at appropriate times as may be necessary. We will be happy to offer our views of other amendments as may become necessary, and an appraisal of their potential to advance or deter broader availability of advanced telecommunications services to your constituents.

Thank you for the opportunity to express our interest, and to tell you of rural telephone companies' commitment and concerns. We will be glad to address any questions, either now or at your later convenience.

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