

Approved: April 29, 2005

Date

Carl Dean Holmes

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairman Carl D. Holmes at 9:08 a.m. on February 2,, 2005 in Room 231-N of the Capitol.

All members were present except: Representative Forrest Knox - Excused

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: Janet Bathurst, S & A Telephone Company, Allen, KS

Others attending: See Attached List

Chairman Holmes welcomed Janet Bathurst, who was appearing before the committee on behalf of the Kansas Rural Independent Telephone Companies. Ms. Bathurst shared a video presentation produced by the rural telephone companies as a promotional program. Additionally, Ms. Bathurst shared the accomplishments achieved as well as outlining the difficulties faced in providing reliable service to everyone in the sparsely populated areas of the state (Attachment 1). Also distributed to committee members were maps (both of which are available through Kansas Legislative Research Department). The maps showed the broadband areas as provided by the independent telephone companies and the Kansas Corporation Commission provided a map of Kansas that defined the telephone exchange areas. Archie Masias, Wheat State Telephone, shared information on Voice over Internet Protocol (VoIP). Ms. Bathurst responded to questions from the committee.

Chairman Holmes asked for bill introductions. Representative Kuether moved to introduce a committee bill that would address interconnect issues between the wireline and wireless carriers. Representative Sloan seconded the motion. The motion carried.

A request was made to have Staff collect information about interconnect agreements already in place.

Representative Sloan updated the committee on the Federal Communication Commission's position on enhanced 911 VoIP.

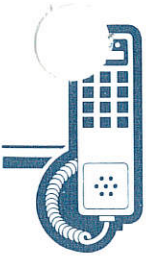
The meeting adjourned at 10:19.

The next meeting is Thursday, February 3, 2005 at 9:00 a.m.

HOUSE UTILITIES COMMITTEE GUEST LIST

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NAME	REPRESENTING
Shirley Allen	KS Rural Induspt Corp
Tom Adason	Independent Telecom Group
Tom Day	KCC
Dan Murray	Federico Consulting
Steve Davis	scitel.com
TINA A DAVIS	Barber County Economic Dev.
Sheldon Smith	Mutual Telephone Co.
Archie Macias	Wheat State Telephone
J A CARLINGER	SITA
Catherine Moyer	Pioneer Communications
Debbie Vignatelli	SBC
Anne Spiess	KITA
Earrie Lehman	M. West Energy
Doug Smith	SITA
Steve Rardick	CURB
Brent Larson	RTG
Frank Wolff	Pine Falls
Ed L. Wette	" "
Harold	



February 2, 2005

Mr. Chairman and Members of the House Utilities Committee:

My name is Janet Bathurst, I am the manager of S&A Telephone Company in Allen, Kansas. It's my pleasure today to represent all 36 Kansas Rural Independent Telephone Companies.

But first, I'd like to give you a short background on my company. S&A serves 900 customers in two separate exchanges. The Allen exchange serves both Allen and Admire communities north of Emporia. The Scranton exchange is just 20 miles south of Topeka in Osage County. After network enhancements, we are able to offer a broadband connection to every customer. One of our rural customers operates a human resource company from her home. She says her telephone voice mail and broadband connection makes her home office outside Allen, Kansas, just as professional as the corporate one she left in St. Louis. That is one feather in our cap.

Now, let's get back to the other companies I'm representing. Today's testimony is to highlight the accomplishments we have achieved and the difficulties we have faced in providing reliable service to everyone in our sparsely populated areas. Our purpose is not to address a particular bill or proposal, nor to persuade you of anything; instead we will try to give you a better understanding of Kansas telecommunications, and the legal and regulatory environment in which policy decisions are made.

- There are 36 rural telephone companies in Kansas. One smaller carrier serves just over 200 customers; the largest serves over 16,000 customers. Our collective service areas cover 50% of the state, but we serve only 8% of the population. Some telephone companies are cooperatives, owned by their customers, some are third and fourth-generation family businesses, and others are investor-owned.
- Our companies were formed where larger telephone companies didn't see enough profit potential due to the high cost of service. We are community-based and community-oriented. We're often the largest employer in the area and pay the largest tax bills. Our management and employees are the leaders in the community and due to sheer necessity they promote economic development.
- We are regulated by the Kansas Corporation Commission under rate of return where all costs must be approved for recovery. Rate of return regulated telephone companies operate under what has been called the social contract: the rural telephone company provides state of the art telephone service at affordable rates

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ATTACHMENT 1

to anyone within its certificated area; the regulator protects the consumer, and allows the company the opportunity to earn a reasonable return on its investment through a combination of local rates, access, and universal service support.

- We have concerns that cost recovery will be eroded. Increased regulation becomes burdensome. Growing demands are being made on federal and state universal service mechanisms that can jeopardize the sustainability of both funds.
- Policies intended to support competition can favor some providers over others; with policymakers determining the winners and losers in the marketplace. We currently face competition from wireless providers. A significant part of reductions in rural access line counts is attributable to households dropping the second phone line used for dial-up Internet and going with a broadband service; we also face declining populations in rural service areas. Neither of these factors impacts our costs, but current KCC policy is to reduce our authorized support anyway. A problem that is directly attributable to wireless usage is that rural companies' revenues from long distance access have declined severely because of customers using their wireless phones to make so-called "free" calls. Very few wireless carriers pay the appropriate charges to wireline phone companies for the use of our local networks to terminate their calls.
- We've installed digital equipment and miles of fiber optics to make our communication networks what they are today. The map that was distributed shows the commitment of the rural telephone companies to provide broadband services to their customers. We are responsive to our customers needs, whether they are individuals or businesses. Rural companies have been leaders in extending the public safety capabilities of Enhanced 911. The rural telephone companies have been instrumental in bringing Distance Learning, Telemedicine, and the Kan-Ed network into existence.
- The entire state benefits from the rural telephone industry's continued commitment and investment in their communities. We've brought state of the art services and quality of life to rural Kansans, for the better part of a century. We have done our part to uphold the universal service principle: reliable, convenient telecommunications service should be made available and affordable to everyone.

The rural telephone companies thank you for the opportunity to present our story to you today. If you have any questions for me, please let me know. If I can't answer your questions today, I will get the answer to you shortly.

Sincerely,



Janet Bathurst
Manager