

MINUTES OF THE SENATE UTILITIES COMMITTEE

The meeting was called to order by Chairman Jay Scott Emler at 9:30 A.M. on March 3, 2005 in Room 526-S of the Capitol.

Committee members absent:

Committee staff present: Athena Andaya, Kansas Legislative Research Department
Raney Gilliland, Kansas Legislative Research Department
Bruce Kinzie, Revisor of Statutes' Office
Ann McMorris, Committee Secretary

Conferees appearing before the committee:

Catherine Moyer, Director of Legal and Regulatory Affairs, WestLink Communications, LLC
Bill Hayden, Director of Wireless Operations, WestLink Communications

Others in attendance: See attached list

Approval of Minutes

Moved by Senator Petersen, seconded by Senator Apple, the minutes of the meetings held by the Senate Utilities Committee on February 21, 2005 and March 1, 2005, be approved. Motion carried.

Presentation on Wireless Program in Rural Areas

Catherine Moyer, Director of Legal and Regulatory Affairs, WestLink Communications, LLC, told the committee that the two hottest topics in the wireless industry today are eligible telecommunications carrier (ETC) status and interconnection of wireless providers and wireline providers. To be designated as an ETC, a carrier must fit the definition provided in the 1996 Telecommunications Act, as well as the FCC rules. Just recently FCC released an Order stating that either the wireless or wireline carrier can force negotiated interconnection agreements. (Attachment 1)

Bill Hayden, Director of Wireless Operations, WestLink Communications, presented a power point program that gave the history of WestLink Communications, provided information on the areas served, future plans for expansion and equipment required. (Attachment 2)

Questions and discussion on how rural areas are being served, future plans for expansion of service, digital and analog systems, and the funding provided.

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachments - 2

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: MARCH 3, 2005

Name	Representing
Bruce GRAHAM	KEPCO
Catherine Meyer	Westlink
Ed Ho	WESTLINK
Judy Nolan	KAC
Paul Snider	SBC
Dellie Vignatelli	SBC
Ernst Hubly	AARP
Anne Gress	KTHA
Tim Gortner	SBC
TOM DAY	KCC
Mark Caplinger	SITA
Bill Sneed	SBC
John Pinegar	State Independent Telephone Assn.
Cleen Jennison	COX

March 3, 2005

Mr. Chairman and members of the Committee:

My name is Catherine Moyer. I am the Director of Legal and Regulatory Affairs for WestLink Communications, LLC. With me is Bill Hayden, the Director of Wireless Operations for WestLink. We are both happy to appear today at the request of the Chairman.

WestLink's headquarters is located in Ulysses, Kansas. The operations office is located in Hays, Kansas, as it is a more central location to WestLink's current network build-out. WestLink is a wholly owned subsidiary of an independent local exchange carrier, Pioneer Communications.

This morning Bill and I will give you an overview of WestLink the company, as well as insight into serving rural Kansas with wireless service. Bill is going to give a presentation featuring the formation of WestLink, the technology and equipment utilized, and the unique challenges of providing wireless service to a rural area. Following Bill's presentation, I will give you a brief overview of two important issues facing WestLink, as well as WestLink's point of view on these issues. Subsequent to that overview, Bill and I will be available for any questions you might have.

Bill and I are appearing today in an educational capacity. We are not asking the Committee to take any action on behalf of WestLink and its customers.

(Bill Hayden's presentation.)

Two of the hottest topics in the wireless industry today are eligible telecommunications carrier status and interconnection of wireless providers and wireline providers.

Eligible telecommunications carrier status, or ETC status, is a provision included in the 1996 Telecommunications Act. A telecommunications carrier must achieve ETC status before that carrier is allowed to draw funds from the Universal Service Fund, USF for short. Additionally, in the state of Kansas, a telecommunications carrier must be declared an ETC before it can draw funds from the Kansas Universal Service Fund, or KUSF.

To be designated an ETC, a carrier must fit the definition provided in the 1996 Telecommunications Act, as well as the FCC Rules. The definition in the 1996 Act includes the carrier being a "common carrier" as defined by federal law, and providing and advertising the services supported by the USF mechanisms under Section 254(c). (*Telecommunications services that are essential to education, public health, and public safety, and are consistent with public interest, convenience and necessity. 47 U.S.C. § 254(c).*) The FCC Rules include things such as voice-grade access to the public switched telephone network, local usage, and single party service. (*The entire list includes: 1.*

voice-grade access to the public switched telephone network; 2. local usage; 3. dual-tone, multi-frequency (DTMF) signaling, or its functional equivalent; 4. single party service or its functional equivalent; 5. access to emergency services; 5. access to operator services; 6. access to interexchange service; 7. access to directory assistance; and 8. toll limitation for qualifying low-income consumers. 47 C.F.R. §§ 54.101(a)(1) – (9).)

Almost all rural wireline telecommunication carriers are ETCs, and are able to draw money from the USF. And until recently, only wireline carriers were designated as ETCs. However, currently there are several wireless carriers that have gone through the application process at both the federal and state levels to obtain ETC status. Today, these wireless carriers are drawing funds out of the USF, including wireless carriers in the state of Kansas.

WestLink is not currently drawing funds from the USF. The WestLink business plan does not include USF funds. However, direct competitors of WestLink, other wireless carriers, are drawing money from the USF for their wireless operations. In not drawing funds, WestLink is at a competitive disadvantage with the wireless carriers that are receiving money.

WestLink has made the decision to make an application to the Kansas Corporation Commission to be declared an ETC. If and when WestLink receives ETC status, WestLink can begin drawing money from the USF, leveling the playing field with those wireless carriers already receiving money.

The second hot topic in the wireless industry is the interconnection of wireless providers with wireline providers.

As any wireline local exchange carrier will tell you, wireless traffic is transiting their network, and they are not receiving payment for the use of the network. In the absence of a negotiated termination agreement, wireline carriers are not normally compensated by the wireless carriers for the traffic that the wireless carrier hands off to the wireline carrier. In the case of WestLink, we currently do not have any termination agreements in place. However, at the beginning of this year, WestLink took the first step in reach negotiated terminations agreements with wireline carriers by sending letters to those wireline carriers to whom WestLink hands off traffic. These letters are a request to begin negotiating termination agreements.

One reason negotiated termination agreements between wireline and wireless providers exist only in limited numbers is because under the 1996 Act, the wireless carrier has the responsibility of beginning the negotiations. In many cases, the wireless carriers did not exercise their responsibility, and the wireline carrier was unable to force the wireless carrier to negotiate.

However, just in the past few days, the Federal Communications Commission released an Order stating that either the wireless or wireline carrier can force negotiation. If there is a

failure to negotiate, according to the FCC Order, either the wireless or wireless carrier may ask the state commission to arbitrate the negotiations.

Ahead of the FCC's Order, WestLink had taken the first step towards negotiating interconnection agreements with wireline carriers, as has one other wireless carrier in the state of Kansas. Obviously there are wireless carriers interested in playing by the rules, and others need just to be nudged in the right direction by the FCC Order.

Catherine Veach Moyer
Director, Legal and Regulatory Affairs
WestLink Communications, LLC
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Ulysses, Kansas 67880
620.356.7133
catherine@pioncomm.net



WESTLINK

COMMUNICATIONS



From the Wheat Fields to Wall Street

Mission:

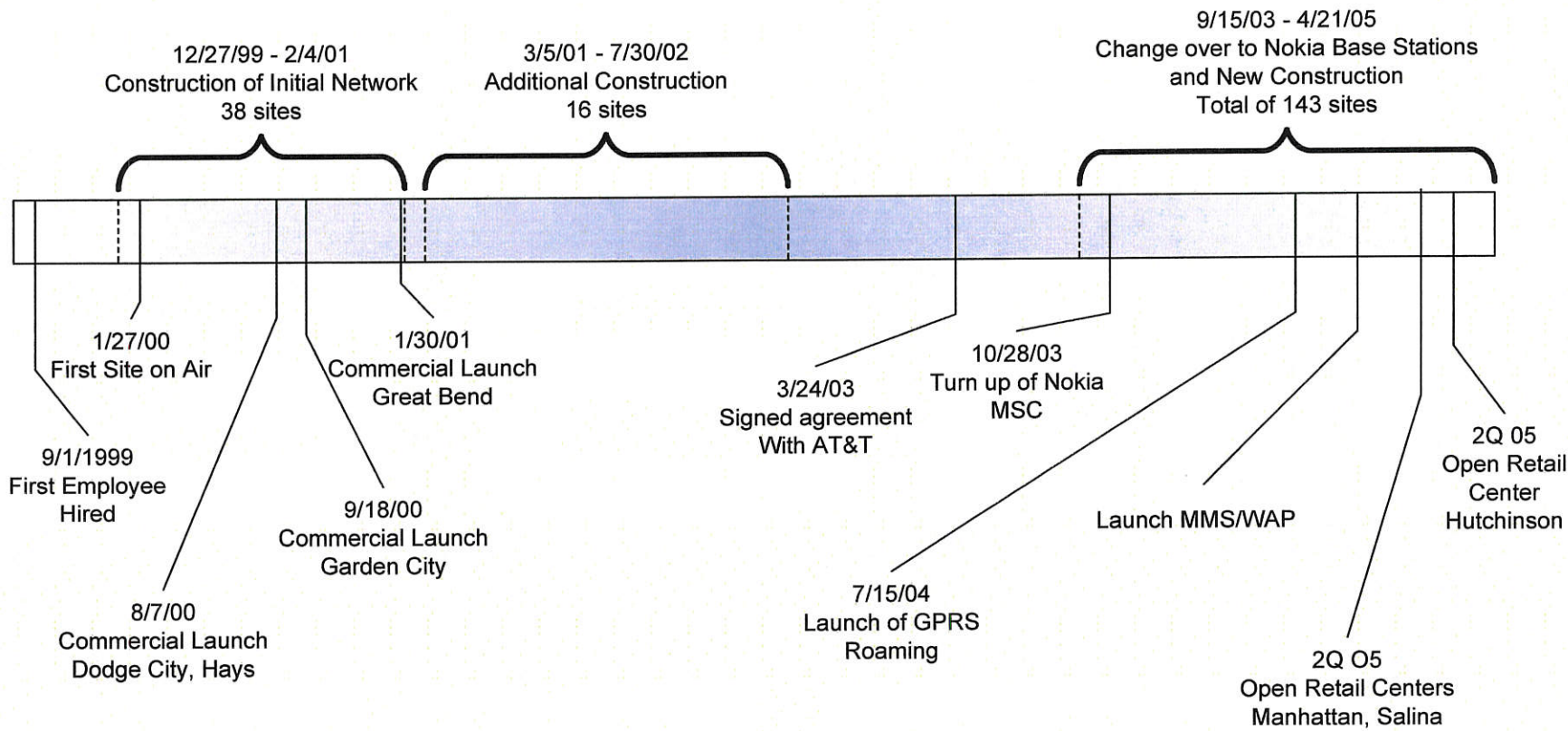
To provide *evolutionary* wireless services to our customers, giving old fashioned value and home town customer service

Outline

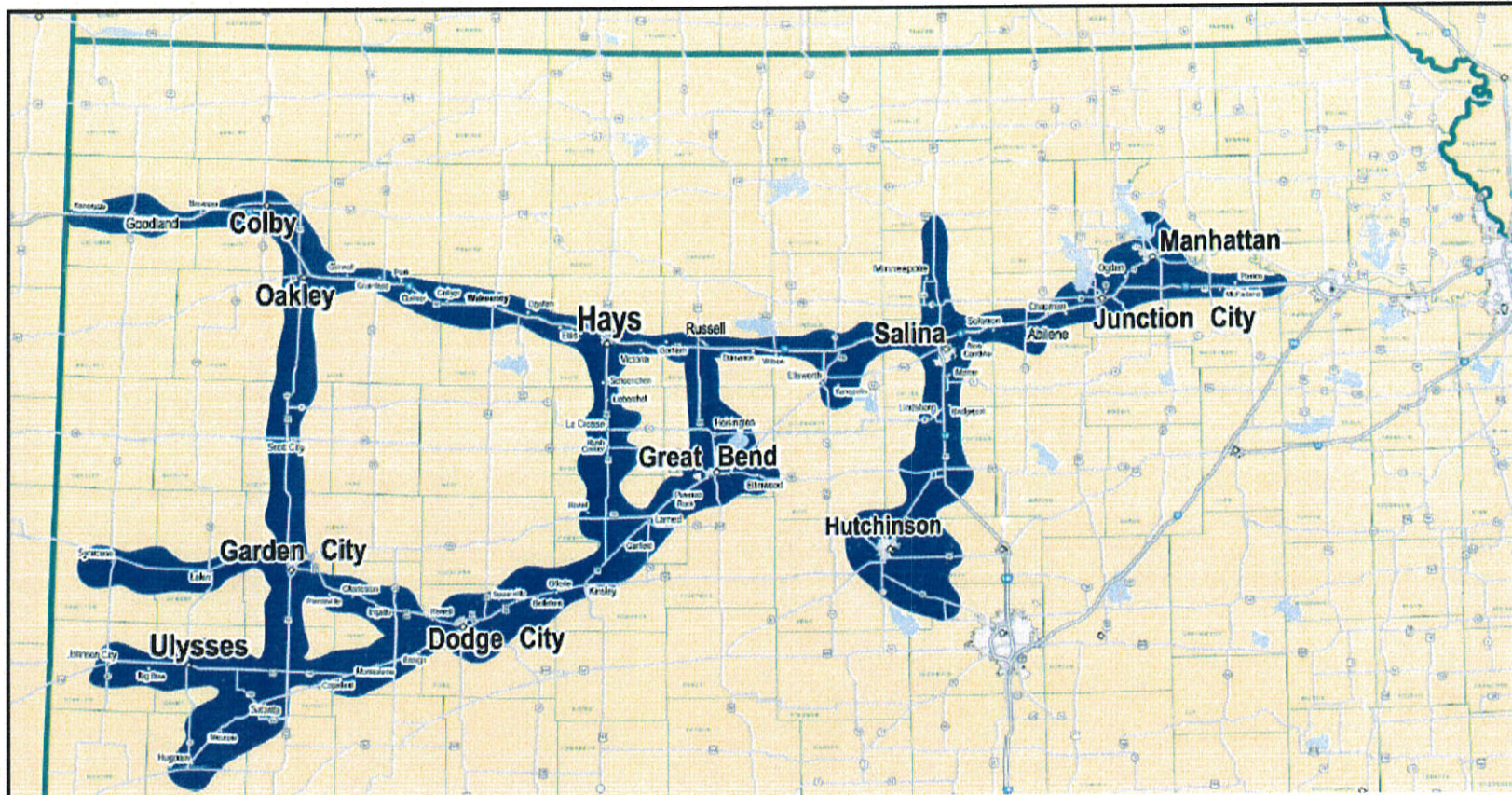
- History of WestLink Communications, LLC
- Creating a Rural Wireless Network
- Challenges and Issues

2-4

History of WestLink Communications



Current Coverage Map




Roaming



WestLink's Roaming Coverage

*This map is a general representation of wireless coverage and the areas shown are approximate. Actual coverage depends on system availability and capacity, system repairs and modifications, customer equipment, terrain, signal strength, weather and other conditions. Long distance or roaming fees may apply whenever a network other than WestLink is used to place or receive a call. A dual band handset (850/1900) may be required in some areas.






WESTLINK
COMMUNICATIONS

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Our Services

2-7

411 PLUS

e-Bill

SNAP

WESTLINK
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MMS allows you to take pictures with your phone and send them to family and friends.

WESTLINK
COMMUNICATIONS

GPRS/EDGE

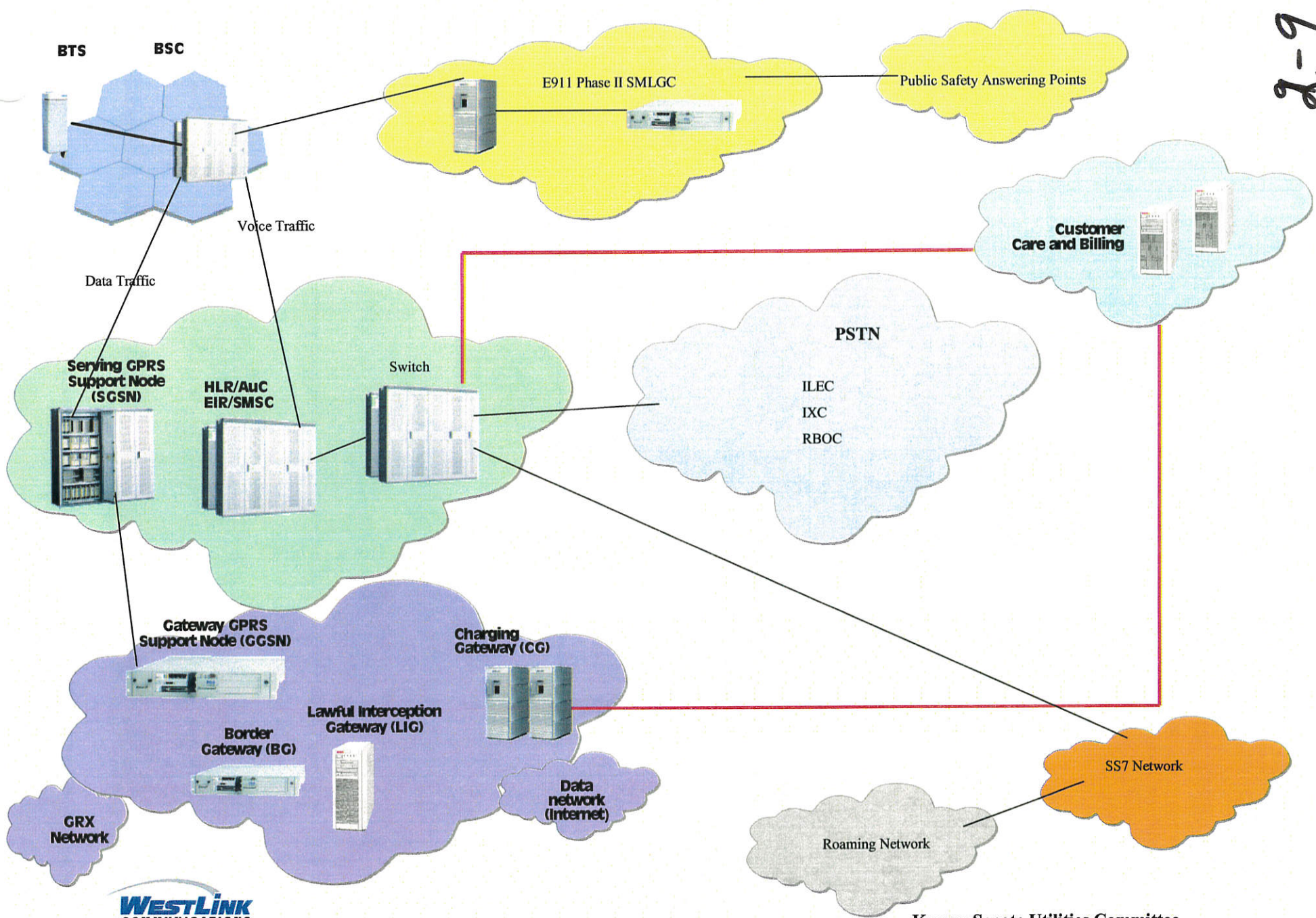
Kansas Senate Utilities Committee

Creating a Rural Wireless Network

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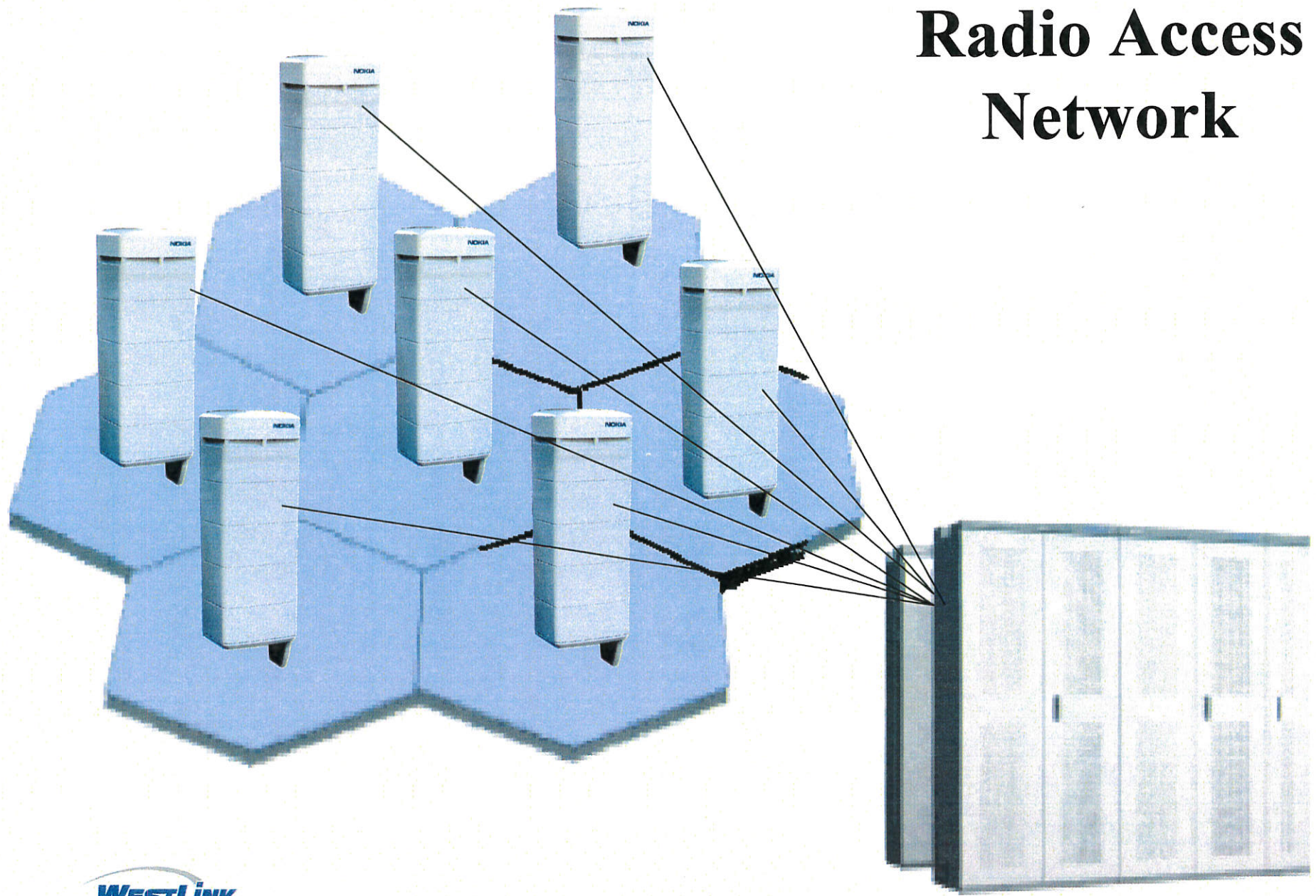
- Radio Access Network
- Switching Network
- Data Network
- Interconnection
- Regulatory Compliance

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2-10

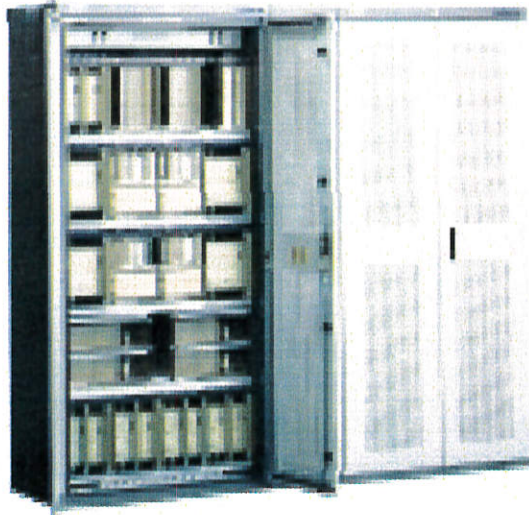
Radio Access Network



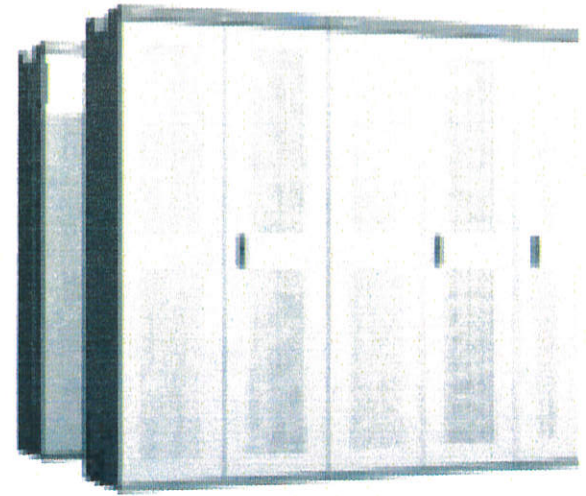
Kansas Senate Utilities Committee

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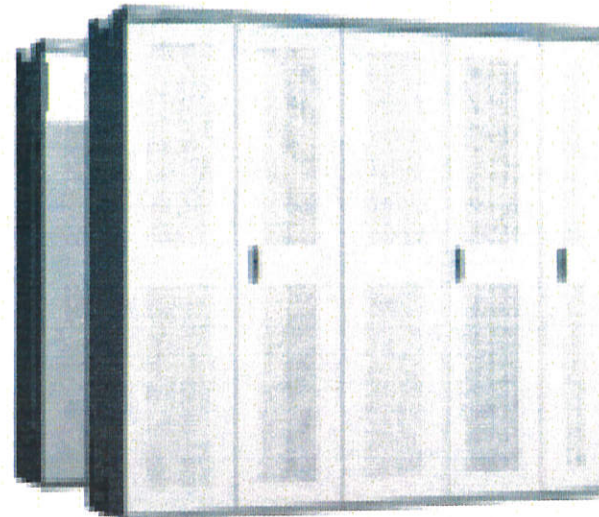
Subscriber General Service Node (Data)



HLR/VLR/AUC/EIR



Switching Network



Switch (Voice)

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Data Network

**Gateway GPRS
Support Node (GGSN)**



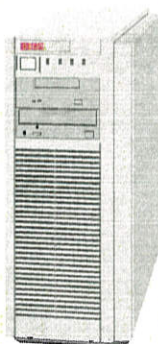
**Charging
Gateway (CG)**



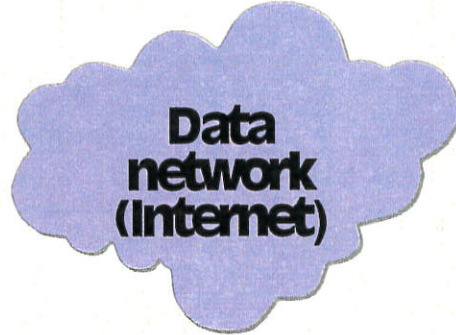
**Border
Gateway (BG)**



**Lawful Interception
Gateway (LIG)**



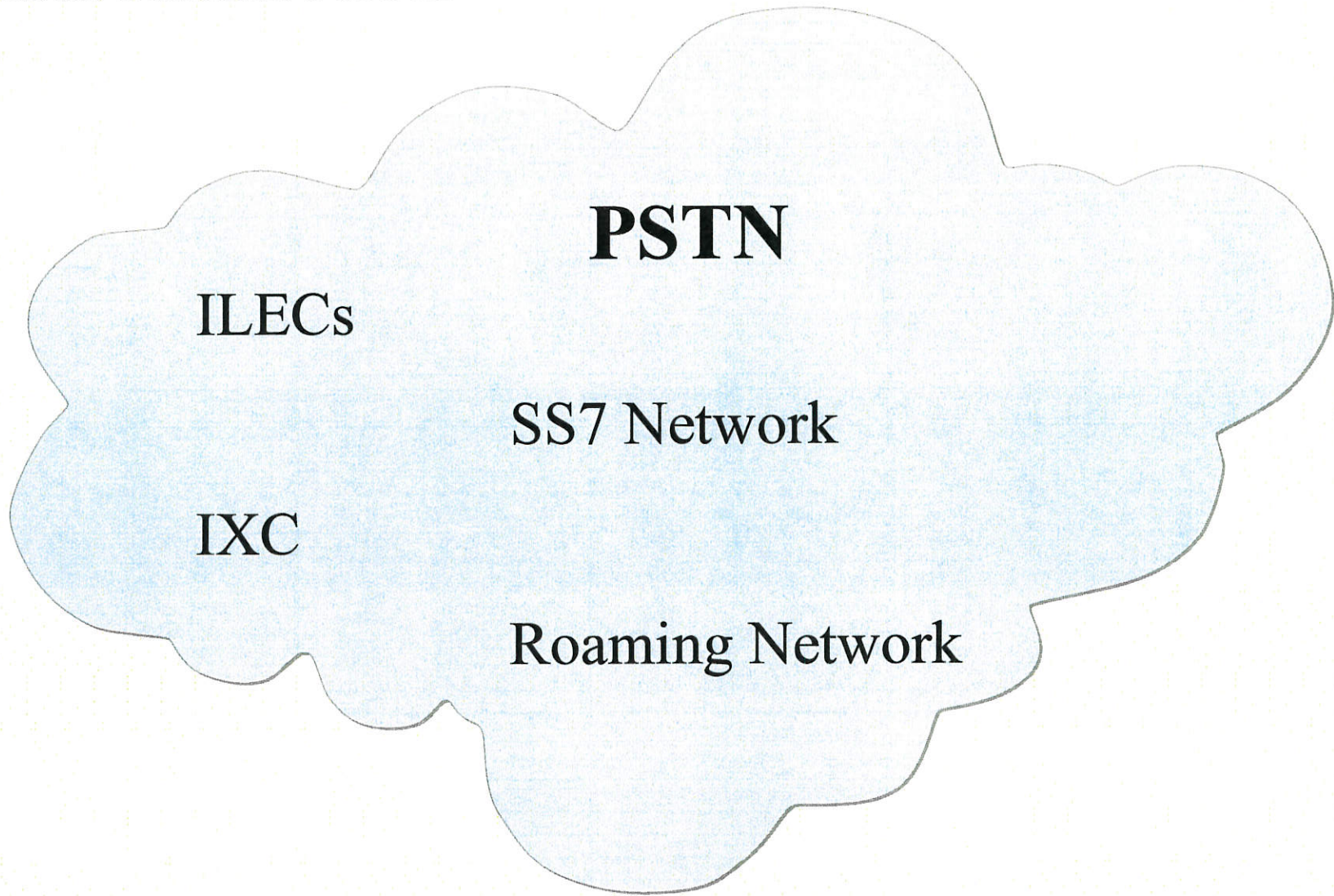
**GRX
Network**



**Data
network
(Internet)**

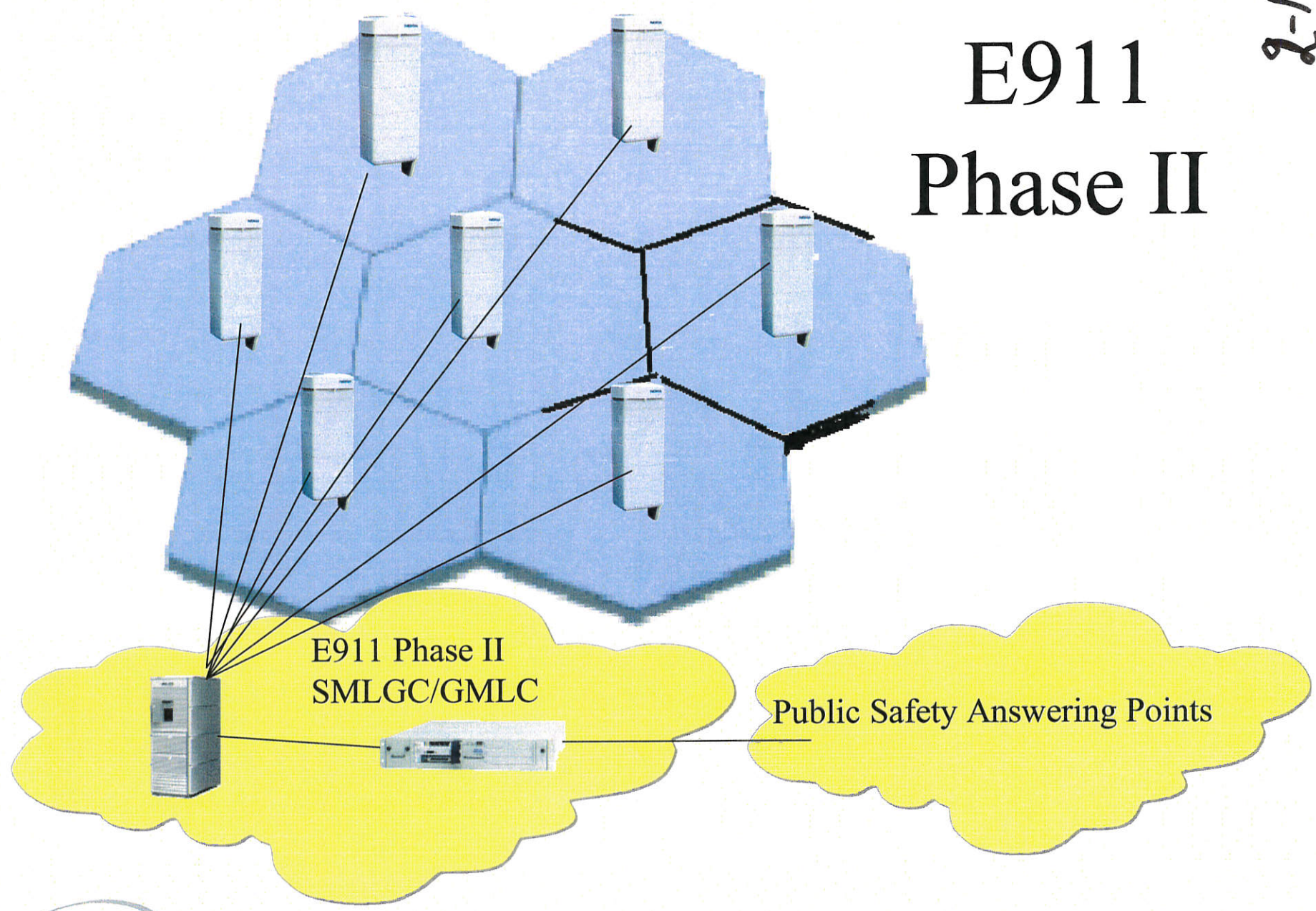


Interconnection



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E911 Phase II



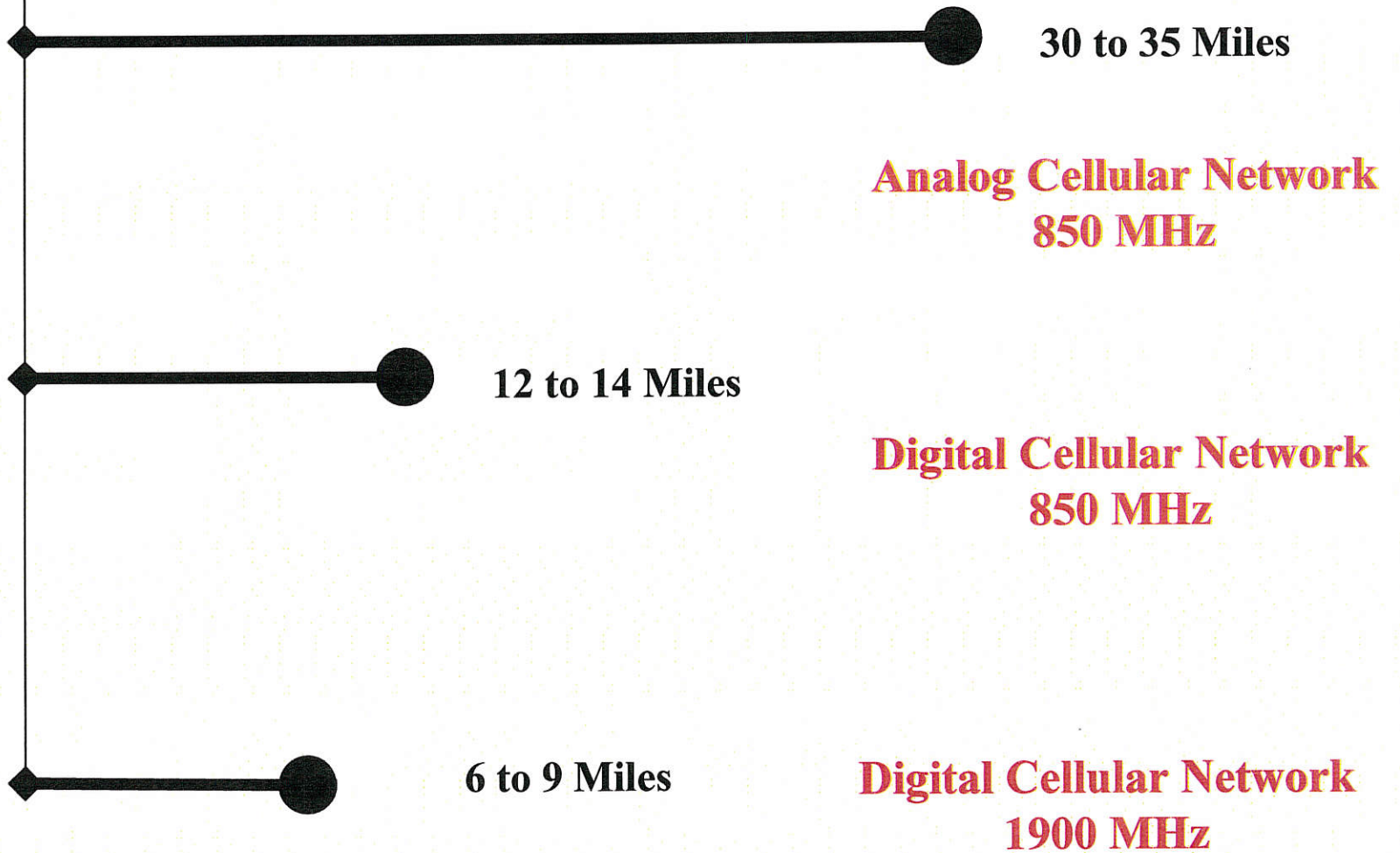
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Challenges

- Digital Conversion
- Regulatory Requirements
 - LNP
 - E911 Phase II
 - CALEA
- Declining Population
- Mergers and Acquisitions

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Shrinking Cell sites



LNP

2-17

- Ineffective
 - Credit Hopping Customers
 - Due to early termination costs imposed by carriers
 - Not all number ranges are portable (Type 1 Number groups)
- Expensive
 - WestLink's Experience

E911 Phase II

2-18

- Expensive
 - Requires a minimum investment of \$.5M
 - \$13,000 per cell site after initial expense
- Accuracy Requirements
 - Nearly impossible to meet for Rural Carriers
- Little chance for cost recovery
 - Location based services not in high demand

Communications Assistance for Law Enforcement Agencies

2-19

- Expensive to implement
- Seldom Used
- No chance for cost recovery

Declining Population

2-20

Mergers and Acquisitions

2-21

- Reduced Competition
- Little incentive for large carriers to serve Rural Markets
- Competitive pressures from MEGA Carriers limiting profitability of Rural Carriers

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Questions?