

Blue Valley Telephone Company
Home

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.
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

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.



Investment that works for all Kansans

**Before the Senate Utilities Committee
Testimony of Michael J. Foster, president
Twin Valley Telephone, Inc.
Miltonvale, Kansas
on behalf of
The Kansas Rural Independent Telephone Companies
January 17, 2006**

Mr. Chairman and Senators:

My name is Mike Foster. Thank you for the opportunity to appear on behalf of thirty-six Kansas rural independent telephone companies serving about 120,000 Kansas families, businesses, and individuals. I appear in strong support of Senate Bill 349; this bill will maintain existing regulatory standards that have allowed rural companies to invest in improved telecommunications services.

S.B. 349 applies only to rural telephone companies and does only one thing: it deletes an expiration date for use of one particular regulatory standard. By statute we operate under an embedded cost standard, which means our opportunity for cost and investment recovery is based on what we actually spend to serve Kansans. If you allow this current law to expire this June, we face the sort of regulatory uncertainty that would stifle vitally needed investment and economic growth in rural Kansas.

Our company, Twin Valley Telephone, is a good example. We've agreed to triple our size by buying thirteen rural exchanges from their present carrier. We plan to invest millions to deliver advanced services demanded by customers and required for rural economic development. Rural companies can't make that kind of commitment if we face unknown rules limiting our recovery opportunities. Even going through a KCC process of considering a different rule would require us to wait and see, and to pull resources out of serving consumers in the meantime and spend them on increased expense of state regulation.

The current embedded cost standard is fair and reasonable. It allows us the chance to recover what we actually spend, without undeserved windfalls or unreasonable shortfalls. The alternative, a hypothetical cost model, would be uncertain, contentious, and expensive to develop, without any assurance of a net public benefit. Only one thing would be sure: all the costs of the process would wind up being paid by consumers.

Hypothetical models may work for large companies, with large customer bases to even out the variations up and down from an average, but smaller companies and their customers are best served by using real instead of imaginary cost figures. Under hypothetical models some rural companies could receive increased support without any increased investment; others could lose the opportunity to recover investments made in good faith to serve Kansas consumers. Neither result would be in the public interest.

We urge you to act promptly and favorably on S.B. 349; that action is necessary to maintain a regulatory principle that serves our state well.