

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Shari Feist Albrecht, Chair
 Jay Scott Emler
 Pat Apple

In the Matter of an Investigation to Determine)
the Assessment Rate and the Affordable Local)
Service Rate for Rate-of-Return Regulated) Docket No. 15-GIMT-073-GIT
Carriers for the Nineteenth Year of the Kansas)
Universal Service Fund, Effective March 1,)
2015.)

**ORDER ADOPTING ASSESSMENT RATE
AND AFFORDABLE LOCAL SERVICE RATE**

This matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed its files and records and being duly advised in the premises, the Commission makes the following findings:

1. On August 28, 2014, the Commission opened this docket to determine the Kansas Universal Service Fund (KUSF) Year 19 Assessment Rate, effective March 1, 2015, through February 29, 2016, pursuant to K.S.A. 66-2008(a) and Docket No. 94-GIMT-478-GIT. The Commission also opened the docket to determine the affordable local rates for local exchange service provided by rural telephone companies subject to rate of return regulation pursuant to K.S.A. 66-2005(e).

2. On December 18, 2014, Sandra K. Reams filed direct testimony on behalf of Commission Staff (Staff) recommending the Commission establish: (1) a 6.47% Assessment Rate for KUSF Year 19; (2) affordable monthly local service rates of \$17.00 for residential service, and \$20.00 for single-line business service; (3) per line KUSF assessment rates for the Rural Local Exchange Carriers (RLECs) of \$1.56, the United Telephone Companies of Kansas

d/b/a CenturyLink (CenturyLink) of \$1.99, and Southwestern Bell Telephone Company (SWBT) of \$3.28; (4) a January 30, 2015 deadline for the RLECs to file their revised tariffs, to be effective March 1, 2015; and (5) a schedule for comments and reply comments regarding whether to maintain the per line KUSF assessment rates for the RLECs, SWBT, and CenturyLink.¹

3. On January 5, 2015, Tim J. Morrissey, on behalf of certain RLECs, filed reply testimony, stating Reams should have included a contingent liability for the amount of KUSF subsidy projected to be restored to the RLECs upon a successful outcome of a pending appeal.² Morrissey also questioned the prudence of considering per line assessment rates given the RLECs had received no complaints, and the costliness of such a proceeding.³

4. On January 6, 2015, Reams filed rebuttal testimony addressing Morrissey's positions. Reams stated that her recommendation regarding the exclusion of Morrissey's referenced contingent liability relied upon Commission Orders currently in effect.⁴ Reams explained that while the contingent liability was unknown, it was less than \$497,000⁵ and her projections included a \$3.7 million Contingency Fund Allowance, which is sufficient to cover the liability.⁶ She further explained if the RLECs prevailed on appeal, she would provide updated information to the Commission.⁷ Reams addressed Morrissey's statements regarding the per line assessment rates by reiterating that Staff was merely recommending the Commission solicit comments and gather information regarding its feasibility, and had not taken a formal

¹Direct Testimony of Sandra K. Reams, p. 3 (Dec. 18, 2014).

²Prefiled Reply Testimony of Tim J. Morrissey, pp. 3-4 (Jan. 5, 2015).

³*Id.*, pp. 4-6.

⁴Rebuttal Testimony of Sandra K. Reams, p. 3 (Jan. 6, 2015).

⁵*Id.*, pp. 2-3.

⁶*Id.*, p. 3.

⁷*Id.*

position.⁸ In her testimony, Reams suggested the RLECs, SWBT, and CenturyLink may wish to provide company-specific information, including but not limited to: (1) the annual variances in their local service lines and revenues; (2) the potential impact on the company and its customers; (3) billing issues; and (4) other issues pertaining to maintaining or eliminating the KUSF assessment rate.⁹ Lastly, she stated Staff's intention to perform a company-specific analysis for each effected company for the Commission.

5. Also on January 6, 2015, Staff filed a Motion requesting cancelation of the scheduled hearing, and having the Commission issue an order based upon the pre-filed testimony of Reams and Morrissey. The motion was unopposed. On January 13, 2015, the Commission granted Staff's request to cancel the hearing and render a decision based upon the pre-filed testimony.

6. Having reviewed the pre-filed testimony in this docket, the Commission finds Staff's recommendations should be adopted. The Contingency Fund Allowance is sufficient to cover the liability if the RLECs are successful upon appeal. Additionally, because the Commission is charged with overseeing the KUSF, it would be prudent to examine the policy regarding per line assessments to determine their current relevance and fairness.

THEREFORE, THE COMMISSION ORDERS:

A. The Assessment Rate for KUSF Year 19, effective March 1, 2015, through February 29, 2016, shall be 6.47%.

B. The affordable monthly local service rate for the RLECs for KUSF Year 19 shall be \$17.00 for residential service, and \$20.00 for single-line business service.

⁸*Id.*, p. 4.

⁹*Id.*

C. The per line assessment rates shall be \$1.56 for the RLECs; \$1.99 for CenturyLink; and \$3.28 for SWBT.

D. The RLECs shall file their revised tariffs by January 30, 2015. Those tariffs will be effective March 1, 2015.

E. Parties interested in addressing the issue of maintaining per line KUSF assessment rates for the RLECs, SWBT, and CenturyLink, shall file initial comments by February 24, 2015, and reply comments by March 17, 2015. Staff is directed to file its company-specific analysis and a summary Report and Recommendation by May 1, 2015.

F. Initial Comments should address the following issues:

1. Company-specific annual variances in local service lines and revenues;
2. Potential impacts on the company and its customers regarding maintenance of the policy over removal;
3. Billing issues; and
4. Other issues pertaining to maintaining and/or eliminating the per line KUSF assessment rate.

G. Parties have 15 days from the date this Order was electronically served to petition for reconsideration.¹⁰

H. The Commission retains jurisdiction over the subject matter and parties for the purpose of issuing such further orders, as it deems necessary.

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Apple, Commissioner

Dated: JAN 15 2015



Order Mailed Date JAN 15 2015

Neysa Thomas
Acting Secretary

¹⁰ K.S.A. 66-118b; K.S.A. 77-529(a)(1).

JAN 15 2015

CERTIFICATE OF SERVICE

15-GIMT-073-GIT

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Order Adopting Assessment Rate and Affordable Local Service Rate was served by electronic mail this 15th day of January, 2015, to the following parties who have waived receipt of follow-up hard copies:

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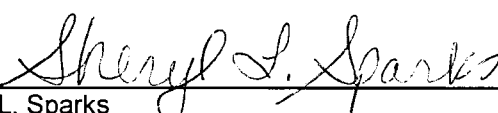
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