

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

Before Commissioners: Dwight D. Keen, Chair
 Susan K. Duffy
 Andrew J. French

In the Matter of an Investigation to Determine)
the Affordable Local Service Rates for Rate-)
of-Return Regulated Carriers and the Annual) Docket No. 23-GIMT-261-GIT
Assessment Rate for the Twenty-Seventh Year)
of the Kansas Universal Service Fund,)
Effective March 1, 2023)

**ORDER ADOPTING KUSF YEAR 27 ASSESSMENT RATE AND AFFORDABLE
RATES**

NOW, the above-captioned 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:

I. Condensed Background

1. On September 15, 2022, the Commission opened this Docket to determine the assessment rate for the twenty-seventh year of the Kansas Universal Service Fund (KUSF) (March 2023 – February 2024) pursuant to K.S.A. 66-2008(a), as well as the affordable rates for local exchange service provided by rural telephone companies subject to traditional rate-of-return regulation pursuant to K.S.A. 66-2005(e).¹

2. To that end, the Commission adopted a procedural schedule and required affected carriers to submit certain data by October 14, 2022.² Staff was directed to submit its direct testimony providing its calculations by December 14, 2022.³ Rebuttal testimony was due

¹Order Opening Docket; Establishing Procedural Schedule; Requiring Compliance Filings; and Requiring Entries of Appearance to Participate (Sept. 15, 2022) (Opening Order).

²*Id.* at 4.

³*Id.*

December 29, 2022. Staff was permitted to submit reply testimony by January 6, 2023, and the Commission set an evidentiary hearing date of January 18, 2023.⁴

3. The carriers submitted their data by October 14, 2022, and Staff submitted the *Direct Testimony of Sandy Reams* (Staff's Direct Testimony) on December 14, 2022.⁵

4. No rebuttal testimony or reply testimony was filed by the parties.

5. On January 3, 2023, Staff submitted an *Unopposed Motion to Cancel Evidentiary Hearing and Proceed Upon the Paper Record* (Motion). The Motion was granted on January 10, 2023.

II. Jurisdiction and Authority

6. The Commission is authorized by K.S.A. 66-2008(a) to require certain carriers to contribute to the KUSF, and the Commission determined in Docket No. 94-GIMT-478-GIT that it would annually determine an assessment rate on intrastate retail revenues that such carriers would be required to contribute to the fund.⁶ Under K.S.A. 66-2008(a), carriers are authorized to assess their customers for the contributions.⁷

7. The Commission is required to determine affordable rates pursuant to the provisions of K.S.A. 66-2005(e).⁸

III. Staff's Direct Testimony

8. Staff's Direct Testimony submitted in this matter by Ms. Reams on December 14, 2022, recommended the Commission perform the following actions:

⁴*Id.*

⁵Direct Testimony of Sandy Reams on Behalf of the Kansas Corporation Commission Staff (Dec. 14, 2022) (Reams Direct).

⁶See K.S.A. 66-2008(a); Order, Docket No. 94-GIMT-478-GIT, p. 39-40 (Dec. 27, 1996).

⁷See K.S.A. 66-2008(a).

⁸See K.S.A. 66-2005(e).

- a. Adopt an \$18.75 affordable residential service rate and a \$21.75 affordable single-line business service rate for the rural local exchange carriers (RLECs), effective March 1, 2023;
- b. Direct the RLECs to file revised local service tariffs to include their new monthly service rates with an effective date of March 1, 2023, in this Docket no later than February 1, 2023; and
- c. Adopt an 11.37% assessment rate for KUSF Year 27.⁹

9. Staff's testimony was thorough and highly detailed. For a full explanation of Staff's calculations and figures, refer to the Direct Testimony of Sandy Reams. At a high level, Ms. Reams explained the background regarding the calculation of both the Affordable Rates and the KUSF Assessment Rate. The Affordable Rates are determined under the provisions of K.S.A. 66-2005(e).¹⁰ Data submitted by the telecommunications providers was discussed and utilized to make the necessary calculations.¹¹ Staff's recommendation of \$18.75 for residential and \$21.75 single-line business rates reflect an increase of \$0.25 over the current Affordable Rates of \$18.50 and \$21.50, respectively.¹² Staff's determination of the KUSF Assessment Rate is derived by dividing the projected KUSF Obligations by the projected Revenue Base.¹³ KUSF Obligations include \$30 million annually to the Rural Local Exchange Carriers (RLECs) receiving high-cost KUSF support.¹⁴ KUSF Obligations also include \$7.1 million in high-cost support for CenturyLink; \$241,997 for Dual Party Relay Service (DPRS); \$253,657 for the Telecommunications Access Program (TAP); \$174,848 for the Kansas Lifeline Service Program (KLSP); and \$536,590 in Administration and Audit expense.¹⁵ Adding in reserves from KUSF Year 26 and a contingency allowance results in Net KUSF Obligations of \$36,880,192 for KUSF

⁹Reams Direct, p. 3.

¹⁰*See Id.* at 5.

¹¹*See Id.* at 5-9.

¹²*Id.* at 5.

¹³*See Id.* at 9.

¹⁴*Id.* at 12.

¹⁵*Id.* at Exhibit SKR-1, page 1 of 2.

Year 27.¹⁶ Staff calculated a Revenue Base of \$324,355,563 for KUSF Year 27 based upon projected reductions in revenue from all voice telecommunications sectors other than Voice over Internet Protocol (VoIP).¹⁷ The resulting Assessment Rate was then determined by dividing the KUSF Obligations by the Revenue Base – resulting in Staff’s recommendation of 11.37%.

10. No parties filed opposing testimony rebutting Ms. Reams’ recommendations.

IV. Findings and Conclusions

11. The Commission finds Staff’s recommendations contained in its Direct Testimony of December 14, 2022, to be compelling and hereby adopts the same.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

- A. The KUSF Year 27 (March 2023 – February 2024) assessment rate shall be 11.37%.
- B. The affordable residential service rate and affordable single-line business service rate for the RLECs shall be \$18.75 and \$21.75, respectively.
- C. RLECs that wish to adjust their rates to the affordable rates shall file revised local service tariffs in this Docket no later than February 1, 2023, with an effective date of March 1, 2023.
- D. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).¹⁸

¹⁶*Id.*

¹⁷*Id.* at 25-27.

¹⁸K.S.A. 66-118b; K.S.A. 77-503(c); K.S.A. 77-531(b).

BY THE COMMISSION IT IS SO ORDERED.

Keen, Chair; Duffy, Commissioner; French, Commissioner

Dated: 01/17/2023



Lynn M. Retz
Executive Director

MRN

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23-GIMT-261-GIT

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