

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Thomas E. Wright, Chairman
Joseph F. Harkins
Ward Loyd

In the Matter of a General Investigation to)
Determine the Assessment Rate for the)
Fifteenth Year of the Kansas Universal) Docket No. 11-GIMT-201-GIT
Service Fund and the Affordable Local)
Service Rates for Rate-of-Return Regulated)
Carriers, Effective March 1, 2011.)

**ORDER SETTING THE KANSAS UNIVERSAL SERVICE FUND
ASSESSMENT RATE FOR YEAR FIFTEEN, SETTING TARGET RATES
FOR RURAL LOCAL EXCHANGE COMPANIES, AND CANCELLING HEARING**

The above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and determination. Having examined its files and records and being fully advised in the premises, the Commission finds and concludes as follows:

1. On September 30, 2010, the Commission issued, in this docket, its Order Opening Docket and Establishing Procedural Schedule. The Commission made all telecommunications public utilities operating in the state parties to this docket and required parties that wanted to receive pleadings and non-final orders to enter their appearances. The Citizens' Utility Ratepayer Board (CURB) was made a party to the docket and was not required to file an entry of appearance. An appearance was also entered by Southwestern Bell Telephone Company, TCG Kansas City, Inc., AT&T Communications of the Southwest, Inc., AT&T Corp., SBC Long Distance, LLC, Bell South Long Distance, Inc., SNET America, Inc., and New Cingular Wireless PCS (collectively AT&T).

2. The Kansas Universal Service Fund (KUSF) was established by the Commission pursuant to K.S.A. 66-2008 and began operations March 1, 1997. The Commission annually

establishes the rate to be assessed on intrastate retail revenues of all contributors to the fund. Contributors are allowed to pass through the assessment to their customers, limited to the amount of the actual assessment. K.S.A. 66-2008(a). The assessment also funds Lifeline service, K.S.A. 66-2002(f); dual party relay service and telecommunications equipment for persons with visual impairment and persons with other special needs, K.S.A. 66-2002(g); and KAN-ED support, K.S.A. 66-2010(f).

3. Sandra Reams pre-filed Direct Testimony for Staff on December 22, 2010. No other party filed testimony. Both CURB and AT&T have informed the Commission that there is no need to hold the hearing scheduled for January 19, 2011.

4. The Commission has jurisdiction over the parties and the subject matter of the docket pursuant to K.S.A. 66-1,188 and K.S.A. 66-2008(c).

5. Ms. Reams' pre-filed direct testimony indicated that based on her calculations, the assessment rate for the fifteenth KUSF Year should be 6.18%.¹ The pre-filed direct testimony also indicated that the Commission should adopt rural local exchange company target rates of \$16.25 per month for residential service, and \$19.25 per month for single-line business service.² Finally, her testimony indicated that the "Transitional Factor" should be 1.233901.³

FINDINGS AND CONCLUSIONS

6. Because there are no contested issues in this docket, the Commission finds it appropriate to adopt Staff's recommendation of 6.18% for the KUSF assessment for the fifteenth year and cancel the hearing scheduled for Wednesday, January 19, 2011. The assessment rate shall be implemented on March 1, 2011. The Commission observes that companies are allowed

¹ Reams Direct, p. 2, ll. 15-16.

² Id., ll. 14-15.

³ Id., p. 18, ll. 18-19.

to pass through the full amount calculated in Ms. Reams' testimony, which for the rural local exchange companies results in a maximum per line assessment of \$1.45 for their local service customers. AT&T may pass through \$2.04 to its local service customers per month, while CenturyLink may pass through an assessment of \$1.91 per month to its local service customers.

8. Likewise, the Commission finds it appropriate to adopt Staff's recommendation of a \$16.25 residential and \$19.25 single-line business target rate for rural local exchange companies, effective March 1, 2011, in accordance with K.S.A. 66-2005(e). The Commission further finds it appropriate to adopt Staff's proposed Transition Factor of 1.233901.

9. Staff made one additional recommendation to the Commission concerning a policy issue that does not have an effect on the actual assessment rate. Staff noted, beginning at page 37 of Reams' Direct, that wireless carriers that offer pre-paid service plans are identifying and reporting pre-paid calling card revenue in different manners. Staff recommends the Commission request comments on this issue from wireless carriers. Although the Commission notes the necessity of making sure all carriers are identifying and reporting these revenues in a similar fashion, it would be more appropriate to determine and resolve this issue in a separate docket. Only CURB and the AT&T companies have entered appearances in this docket and the Commission believes it would be more administratively efficient to set this issue out in a separate docket, serve the order opening that docket on only wireless carriers operating in Kansas, and take entries of appearance from wireless entities wishing to participate in advising the Commission on the proper method for identifying and reporting these revenues.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The hearing in this docket previously scheduled for January 19, 2011, is cancelled since there are no contested issues in this docket.

B. The KUSF assessment rate for the 15th year of the KUSF, beginning March 1, 2010, shall be 6.18 percent.

C. AT&T may assess its local service customers a maximum of \$2.04 per access line. CenturyLink may assess a maximum of \$1.91 per access line to its local service customers. The rural local exchange companies may assess a maximum of \$1.45 per access line to their local service customers. The Transition Factor is 1.233901.

D. The parties have fifteen days, plus three days if service of this order is by mail, from the date this order was served in which to petition the Commission for reconsideration of any issue or issues decided herein. K.S.A. 66-118b; K.S.A. 2009 Supp. 77-529(a)(1).

D. The Commission retains jurisdiction over the subject matter and parties for the purpose of entering such further orders as it may deem necessary.

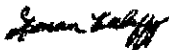
BY THE COMMISSION IT IS SO ORDERED.

Wright, Chmn.; Harkins, Com.; Loyd, Com.

Dated: JAN 12 2011

ORDERED MAILED

JAN 13 2011

 **EXECUTIVE
DIRECTOR**

Susan K. Duffy
Executive Director

crh