

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

In the Matter of a General Investigation)
Regarding the Effect of Federal Income Tax)
Reform on the Revenue Requirements of)
Kansas Public Utilities and Request to Issue) Docket No. 18-GIMX-248-GIV
an Accounting Authority Order Requiring)
Certain Regulated Public Utilities to Defer)
Effects of Tax Reform to a Deferred)
Revenue Account.)

PETITION FOR LIMITED RECONSIDERATION AND CLARIFICATION

Come now the following rural telephone companies and Eligible

Telecommunications Carriers (hereinafter the "RLECs"):

Independent Telecommunications Group, Columbus et al. ("Columbus"):

Columbus Communications Services, LLC	Moundridge Telephone Co., Inc.
Cunningham Telephone Co., Inc.	Total Communications, Inc.
Gorham Telephone Co. Inc.	Twin Valley Telephone, Inc.
H & B Communications, Inc.	Wamego Telecommunications Co., Inc.
Home Telephone Co., Inc.	Wilson Telephone Co., Inc.
LaHarpe Telephone Co. Inc.	Zenda Telephone Co., Inc.

State Independent Alliance ("SIA"):

Blue Valley Tele-Communications, Inc.	Rainbow Telecommunications
Craw-Kan Telephone Cooperative, Inc.	Association, Inc.
Golden Belt Telephone Association, Inc.	S&A Telephone Company, Inc.
Haviland Telephone Company, Inc.	The S&T Telephone Cooperative
J.B.N. Telephone Company, Inc.	Association, Inc.
KanOkla Telephone Association	South Central Telephone Association
Madison Telephone, LLC	The Tri-County Telephone Association,
MoKan Dial, Inc.	Inc.
Peoples Telecommunications, LLC	United Telephone Association, Inc.
The Pioneer Telephone Association, Inc.	

The Southern Kansas Telephone Co., Inc.
Mutual Telephone Company
Wheat State Telephone Company, Inc.

Rural Telephone Service Co., Inc.
d/b/a Nex-Tech

and request reconsideration in part, as specified herein, of the Commission's Order Opening General Investigation and Issuing Accounting Authority Order Regarding Federal Tax Reform, dated January 18, 2018 in this Docket. Further, these parties request clarification of certain portions of that Order as specified herein.

In support thereof the RLECs state as follows:

1. The subject Order provides, in part,

...[T]he Commission directs all regulated electric natural gas, water, and telecommunication public utilities that are taxable at the corporate level, to accrue monthly, in a deferred revenue account, the portion of its revenue representing the difference between: (1) the cost of service as approved by the Commission in its most recent rate case or KUSF determination proceeding; and (2) the cost of service that would have resulted had the provision for federal income taxes been based upon the corporate income tax rate approved in the Tax Cuts and Jobs Act.

At least seven of the RLECs are taxed at the corporate level and therefore are subject to immediate requirements under the Commission's Order.

2. A review of the most recent KUSF determination proceedings for all but one of the affected RLECs¹ shows that such proceedings lack any determination of the companies' respective costs of service as approved by the Commission. Rather, each of these proceedings was resolved through Commission Order approving a so-called "black box" stipulated settlement agreement that expressly did not identify or determine the carrier's cost of service. Each of these resolutions constituted a global

¹ J.B.N. Telephone Company, Inc.; Peoples Telecommunications, LLC; S&A Telephone Company, Inc.; Totah Communications, Inc.; Wamego Telecommunications Company, Inc.; Zenda Telephone Company, Inc.

settlement wholly apart from any individual adjustments or recommendations made in prefiled testimony by any party.

3. In the absence of a Commission-approved determination of a cost of service it is impossible to determine what each carrier's cost of service would be under a different corporate income tax rate. Plainly, then, since neither cost of service amount can be determined as ordered, the difference between the two amounts cannot be determined and it is wholly impossible to comply with the Commission's Order.

4. It is factually incorrect to assert that the subject Order merely requires an accounting procedure to determine an amount. The Order in its entirety requires companies to recognize contingent liabilities, in unknown amounts, to be carried on their books for an indefinite period. The existence of a contingent liability adversely affects both an affected company's access to capital and its ability to engage in prudent financial planning. Ultimately this adversely affects each RLEC's ongoing ability to provide efficient and sufficient public utility service until the issue is resolved. Accordingly, reconsideration in part and clarification are required and in the public interest.

5. Although the Commission's order immediately affects only those RLECs taxed at the corporate level it is apparent the Commission intends eventually to address the issue of tax savings as applicable to Subchapter S rural telephone companies as well. This circumstance imposes additional continuing uncertainty on the latter group of carriers.

6. Like most rural companies taxed at the corporate level many of the pass-through carriers' most recent KUSF proceedings were resolved without a Commission-approved determination of their respective costs of service. As a result the pass-through carriers experience the double uncertainty of an unknown procedure to determine any amount at issue and an entirely indefinite timeline over which some portion of their revenues appear to be at risk. It cannot be determined from the Commission's Order how long this impediment to prudent financial management may be in effect.

7. RLECs and their respective cost consultants have already undertaken substantial efforts to identify a methodology for reaching a reasonable initial determination of the amounts any cost savings attributable to the new federal tax legislation. The most reasonable and expeditious means to resolve the impossibility of performance arising from the Commission's Order is for the Commission to issue an Order on Reconsideration directing these carriers and Commission Staff to work cooperatively to develop a methodology that is capable of being implemented and that reasonably identifies any anticipated cost savings for subsequent consideration on a case-by-case basis.

8. Once such a methodology is achieved and approved by the Commission the subject RLECs will be able to take the required accounting actions contemplated by the Order, applicable as of the effective date of federal tax rate reductions. Such a course will most effectively identify sums properly considered in any lawful subsequent adjustment of a subject RLEC's KUSF support.

9. Apart from the issue of impossibility requiring reconsideration and modification of the subject Order there are specific questions about accounting procedures that require clarification before any specific accounting order can be implemented. The RLECs therefore request clarification as to the following specifics:

a. Does the Commission intend to capture the reduction in Accumulated Deferred Income Tax balances that will occur as a result of a lower corporate federal income tax rate, over time, in a manner that comports with Internal Revenue Service Tax Normalization Rules, even if the FCC chooses, and GAAP requires, to flow through the reduction in the year that it is realized? IRS Tax Normalization Rules apply to tax filings, while GAAP and regulatory accounting prescriptions apply to financial statement reporting. In 1986, the year of the last significant reform of corporate tax rates, the FCC specifically prescribed normalization for regulatory accounting purposes, but initial indications are that the FCC will comply with GAAP and will not prescribe normalization in this instance for regulatory accounting purposes.

b. If the Commission chooses to normalize the reduction in Accumulated Deferred Income Tax balances, does it intend to prescribe a specific amortization period, or would affected companies be required to calculate individual amortization periods?

10. If determinations have not been made as to the foregoing questions the RLECs and their respective cost consultants stand ready to work cooperatively with

Commission Staff to achieve answers the parties can utilize to achieve the Commission's intent.

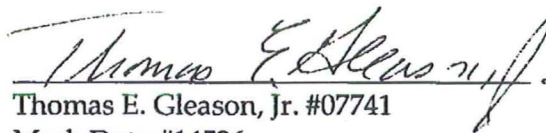
11. The RLECs further request clarification as to the probable anticipated timeline for addressing any tax savings experienced by RLECs operating pursuant to Subchapter S ("pass-through" companies). Any guidance available on this issue would further the public interest by providing these pass-through companies reduced uncertainty in their respective abilities to formulate plans for future maintenance and/or investment for the benefit of their consumers.

12. The RLECs understand and agree consumers should not be burdened by utility recovery of unnecessary costs; neither should high-cost rural carriers operating statutorily under traditional rate of return regulation (K.S.A. 66-2005(b)) be required to provide state-mandated public utility service without the lawful opportunity to recover their Commission-approved costs, investments and reasonable return on investments. The public interest is best served by proceedings that observe both objectives while avoiding the imposition of unnecessary regulatory burdens ultimately borne by ratepayers.

WHEREFORE the RLECs request reconsideration of that portion of its Order that is not susceptible to compliance as explained above due to an absence of a Commission-approved cost of service; that the Commission direct the RLECs and Commission Staff to work cooperatively toward an alternate methodology for initial determination of tax savings by companies taxed at the corporate level, with such methodology to be implemented in the Accounting Authority Order as of January 1, 2018. The RLECs

further request that clarification be provided as to the specific accounting issues set out in Paragraph 9 hereof, and that further clarification be provided regarding plans for subsequent consideration of tax savings by RLECs taxed at the shareholder level in order to permit their prudent planning of maintenance and investment for service to consumers.

Respectfully submitted



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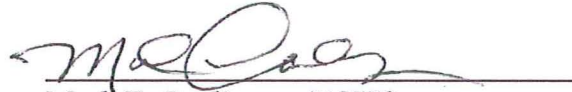
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VERIFICATION


STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

I, Colleen R. Jamison, of lawful age, being first duly sworn upon her oath states:

That I am an attorney for the State Independent Alliance, that I have read the above and foregoing document, and upon information and belief, states that the matters therein appearing are true and correct.


Colleen R. Jamison

SUBSCRIBED AND SWORN to before me this 2nd day of February, 2018.


Marsha Givens
Notary Public

My Commission Expires:

March 2, 2021



CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that on the 2nd day of February, 2018, a true and correct copy of the above and foregoing document was sent by electronic mail to the following reflected on the Commission's "Service List" as of this date:

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