

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

Received  
on

JUL 26 2012

In the Matter of Staff's Motion Requesting )  
The Commission Order Zenda Telephone )  
Company, Inc. to Submit to an Audit for ) Docket No. 13-ZENT-065-AUD  
Purposes of Determining its Cost-Based )  
Kansas Universal Service Fund Support, )  
Pursuant to K.S.A. 66-2008. )

by  
State Corporation Commission  
of Kansas

**MOTION OF COMMISSION STAFF TO ORDER ZENDA  
TELEPHONE COMPANY, INC. TO SUBMIT TO AN AUDIT FOR  
PURPOSES OF DETERMINING ITS COST-BASED KUSF  
SUPPORT PURSUANT TO K.S.A. 66-2008**

COMES NOW the Staff of the State Corporation Commission of the State of Kansas,  
("Staff" and "Commission" respectively) and for its Motion requesting the Commission order  
Zenda Telephone Company, Inc. to submit to an audit for purposes of determining its cost based  
Kansas Universal Service Fund (KUSF) support pursuant to K. S. A. 66-2008, states as follows:

**Background**

1. On July 1, 2009, the Commission opened Docket No. 09-GIMT-964-GIT directing all eligible telecommunications carriers (ETCs) to submit certifications verifying each ETC will utilize their federal universal service fund (FUSF) and KUSF support receipts for 2010 in an appropriate manner. ETCs were also directed to substantiate their past certifications by submitting data in the worksheet format provided for by the Commission to aid Staff and the Commission in determining that support received was spent in the manner in which it is intended to be spent.

2. The Kansas Universal Service Fund was established pursuant to K.S.A. 66-2008. Pursuant to K.S.A 66-2008(c) the Commission is required to periodically review the KUSF to determine if the costs carriers incur to provide local service justify modification of KUSF

support. Pursuant to K.S.A. 66-2008(e), for telecommunications carriers opting to operate under traditional rate of return regulation, all KUSF support shall be based on the carrier's embedded costs, revenue requirements, investments and expenses.

3. In order to consider a carrier's embedded costs, revenue requirements, investments and expenses, the Commission conducts a rate of return audit pursuant to K.S.A. 66-117, in which the carrier's receipt of federal universal service fund support is considered in determination of the carrier's overall revenue requirement and ultimate determination and receipt of cost-based KUSF support.

4. The Federal Telecommunications Act of 1996 established the FUSF and pursuant to Section 254(e), ETCs receiving high cost support from the FUSF must use that support only for the purpose for which it was intended. To that end, the Commission must certify to the Federal Communications Commission (FCC) and the Universal Service Administrative Company (USAC) by October 1 of each year for the following year that ETCs have certified to the Commission that they have, and will, use their FUSF for the purposes for which it was intended. In order to ensure that the Commission's certification to the FCC and USAC is accurate, ETCs are required each year to submit forms developed by the Commission for certification.

5. In Docket No. 08-GIMT-154-GIT, the Commission determined that an ETC receiving KUSF support must certify that the ETC uses that support appropriately. For an independent rural local exchange carrier, a traditional rate-of-return analysis must be conducted.

6. The Commission is given full power, authority and jurisdiction to supervise and control telecommunications public utilities doing business in Kansas, and is empowered to do all things necessary and convenient for the exercise of such power, authority and jurisdiction. See

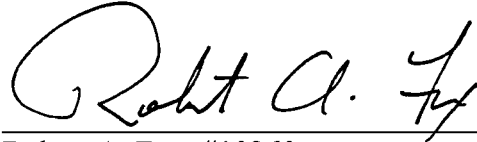
K.S.A. 66-1,187, and K.S.A. 66-1,188. The Commission, upon its own initiative, may investigate all rates, joint rates, tolls, charges and exactions, classifications or schedules of rates or joint rates and rules and regulations of telecommunications public utilities. K.S.A. 66-1,191. All grants of power, authority and jurisdiction to the Commission are to be liberally construed. K.S.A. 66-1,194. The Commission has specific statutory authority to examine and audit any and all books, accounts, papers, records, property and memoranda kept by a public utility. K.S.A. 66-129. As noted above, K.S.A. 66-2008(c) specifically mandates the Commission to periodically review the KUSF and the costs of providing local service and to make any necessary modifications to the KUSF, and K.S.A. 66-2008(e) requires KUSF support to be based on a carrier's embedded costs, revenue requirements, investments and expenses. The review of Zenda's KUSF support is properly within the scope of the Commission's jurisdiction.

#### **Staff's Conclusions and Recommendations**

7. Because Zenda Telephone Company, Inc. has not been audited, Staff concludes that ordering a KUSF audit of Zenda is a reasonable and prudent measure for the Commission to take at this time to ensure that the KUSF support is cost-based.

WHEREFORE Staff moves the Commission for an Order requiring Zenda Telephone Company, Inc. to submit to an audit for purposes of determining its Cost-based Kansas Universal Service Fund support pursuant to K.S.A. 66-2008.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Robert A. Fox". The signature is written in a cursive style with a large initial "R".

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**CERTIFICATE OF SERVICE**

13-ZENT-065-AUD

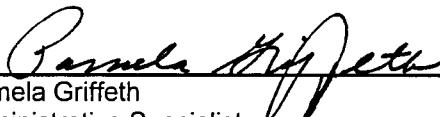
I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Motion of Commission Staff to Order Zenda Telephone Company, Inc. to Submit to an Audit for Purposes of Determining Its Cost-Based KUSF Support Pursuant to K.S.A. 66-2008 was placed in the United States mail, postage prepaid, or hand-delivered this 26th day of July, 2012, to the following:

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