

**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. )

RESPONSE TO MOTIONS BY STAFF AND CURB

Come now the following rural telephone companies and Eligible

Telecommunications Carriers:

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

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

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

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

and, for their response to Staff's motion to open a proceeding and issue a specific Order, state as follows:

1. These carriers recognize and commend Staff's concern for avoidance of windfall recovery by regulated utilities. These carriers do not oppose the initiation of a Docket by the Commission to investigate and consider through due process of law the effects of federal tax reductions on the operations of regulated utilities and the rates paid by consumers.

2. Staff proposes Commission issuance of a specific substantive Order, prior to any opportunity for affected regulated utilities to be heard on the merits of the Order. The Order proposed by Staff would affect the operations of all regulated utilities to which it could apply by imposing preemptive control and restrictions, by preemptively encumbering utilities' resources and by imposing a specific regulatory process by which the interests and operations of individual regulated utilities would be determined.

3. The Order requested by Staff could contravene existing law regarding the reasonable opportunity of rural telephone companies to recover all costs, by affecting certain otherwise-available revenues without full consideration of all recoverable costs and all other sources of revenue. Further, to be implemented lawfully and reasonably such an Order would require substantially expanded regulatory activity imposing significant regulatory and administrative costs, potentially exceeding any saving to consumers.

4. Absent a more extensive review of all relevant costs and revenues an Order modifying rates and/or KUSF support based solely on claimed tax savings would constitute single-issue ratemaking, contrary to longstanding Commission policy and practices.

5. Staff's proposed order calls for potential revenue adjustments based on earlier cost findings by the Commission of uncertain present relevance and accuracy. Similarly, significant changes in other revenues of rural telephone companies would warrant full consideration of all revenues and recoverable costs prior to issuance of any order affecting revenues resulting from a single, isolated change in a single category of cost. See K.S.A. 66-2008(e)(1). Staff's proposed opportunity for an affected rural telephone company to demonstrate additional recoverable costs would require commitment of substantial added administrative costs and effort. Recovery of these new administrative costs, potentially exceeding any tax saving from new legislation, is not addressed in Staff's motion and therefore could interfere with the rural company's continuing ability to provide reliable and affordable public utility service to all requesting customers as required by statute.

6. At paragraph 3 of its motion Staff purports to rely on an order of this Commission issued in 1986 as precedent for new recommended action. Staff cites the 1986 mechanism as follows: "Effective April 1, 1987, *each utility...shall* accrue monthly in an appropriate deferred revenue subaccount, or other appropriate tracking mechanism approved by the Commission, a percentage of its revenues...." The important relevant language omitted by Staff in this quotation is "listed in Schedule A." That schedule,

made a portion of the asserted precedential Order, shows the 1986 Commission chose *not* to apply its prospective encumbrance of revenues to small rural telephone companies, but instead to apply its restrictive action in telecommunications only to “Southwestern Bell Telephone Co. of Kansas, Continental Telephone Company of Kansas, United Telephone Company of Kansas<sup>1</sup>, [and] AT&T Communications of the Southwest-Kansas.” Plainly the Commission determined it was not necessary to the public interest to impose such restrictions, administrative burdens and costs on small rural telephone companies.

7. In 1986 any mandated reductions in small telco rates to offset tax savings could have been applied either to the companies’ local rates or to their respective intrastate access rates. Local rates were generally maintained below cost in order to assure affordability, while intrastate access rates paid by consumers statewide were maintained at an artificially high level as an implicit support mechanism to assure universally available and affordable rural telecommunications service. Since 1997 the implicit support from intrastate access has been transitioned to explicit support from the KUSF. Staff’s Motion contains no explanation of why its proposal for reductions in external support to RLECs due to prospective tax savings is necessary or appropriate, when no such reduction was deemed necessary to benefit consumers statewide in the public interest in 1986.

8. Prior to issuing an Order imposing restrictions on a utility’s use of specific revenues and requiring a specific regulatory process the Commission should afford affected utilities the opportunity to be heard as to how such restrictions and the

resulting regulatory process and costs would affect the public interest generally, for good or ill, including consideration of how the potential extraordinary administrative costs of mandated proceedings might be recovered.

9. The Commission's authority over regulated utilities' revenues and earnings and the Commission's ability to protect the interests of consumers do not warrant a pre-emptive Order such as that proposed by Staff as applicable to rural telephone companies without full consideration of all relevant facts, all applicable law, and consideration of the general public benefits in investment and employment contemplated by the subject federal tax legislation.

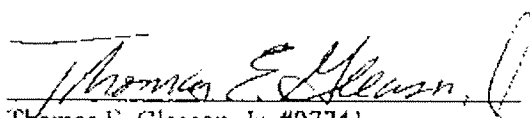
10. These carriers have no objection to the request of the Citizens Utility Ratepayer Board ("CURB") to intervene, and concur in CURB's assertion that a procedural schedule be ordered assuming a docket is opened. These carriers, as addressed above, oppose CURB's concurrence in Staff's proposal for a premature Order encumbering utility revenues and determining substantive issues prior to the opportunity for affected parties to be heard thereon. These carriers further assert they should be afforded an opportunity to be heard, prior to issuance of a substantive Order, on what action or forbearance by the Commission would be in the best interests of those ratepayers represented by CURB and in the interest of the public generally.

11. Further, CURB's stated intention to file a speculative and pre-emptive complaint against unspecified regulated utilities raises the probability of significant increases in regulatory expenses for small telephone companies. Absent Commission provision of an explicit and sufficient means of recovering those added costs, the

proposed proceedings based on presumed tax savings would jeopardize small companies' continuing abilities to provide reliable and affordable public utility service to consumers mandated by statute and Commission Orders.

WHEREFORE these carriers request that if the Staff-proposed investigation is initiated, the Commission not issue a substantive Order imposing preemptive restrictions on prospective cost savings, nor issue an initial order predetermining any aspect of regulatory treatment of such savings. Instead the Commission should establish a procedural schedule permitting affected utilities to be heard on the probable extent of any such savings to individual carriers, on the recoverable costs and public benefits to which such savings could be applied as they are realized, on affected utilities' opportunities to recover the new administrative costs resulting from the proposed proceedings, and on a reasonable and lawful administrative process to determine how any presumed tax cost savings should benefit ratepayers and the public generally.

Respectfully submitted,



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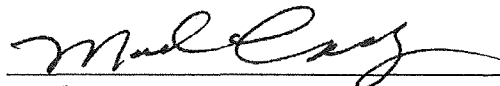
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VERIFICATION


STATE OF KANSAS )  
 ) ss:  
COUNTY OF SHAWNEE )

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

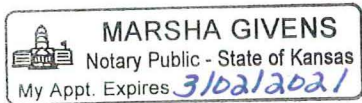
That I am an attorney for the State Independent Alliance, that I have read the above and foregoing document, and upon information and belief, states that the matters therein appearing are true and correct.

  
Colleen R. Jamison

SUBSCRIBED AND SWORN to before me this 2nd day of January, 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 January, 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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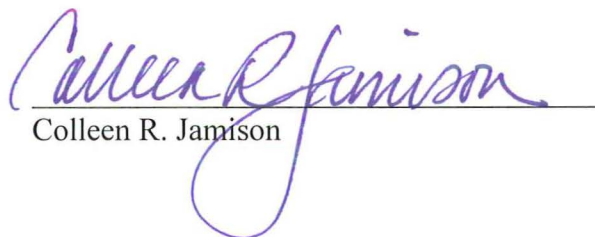
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