

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

**In the Matter of the Application of            )**  
**Mutual Telephone Company for an        )**  
**Increase in its Cost-Based Kansas        )**  
**Universal Service Fund Support            )**        **Docket No. 25-MTLT-161-KSF**

**TESTIMONY IN SUPPORT OF SETTLEMENT AGREEMENT  
PREPARED BY  
KRISTINA A LUKE FRY  
UTILITIES DIVISION  
KANSAS CORPORATION COMMISSION  
February 27, 2025**

1 **Q. Would you please state your name and business address?**

2 A. My name is Kristina A. Luke Fry. My business address is 1500 Southwest Arrowhead  
3 Road, Topeka, Kansas, 66604.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by the Kansas Corporation Commission (Commission) as a Managing  
6 Auditor.

7 **Q. Are you the same Kristina A. Luke Fry who previously filed direct testimony in this  
8 Docket on January 24, 2025?**

9 A. Yes.

10 **Q. What is the purpose of your testimony?**

11 A. I am testifying on behalf of the Commission Staff in support of the settlement of the issues  
12 outlined in the Settlement Agreement (Settlement) between Mutual Telephone Company  
13 (Mutual) and Commission Staff.<sup>1</sup>

14 My testimony in support of the Settlement will answer the fundamental question  
15 as to why the Commission should approve the Settlement as a reasonable resolution of the  
16 issues in this docket. Specifically, I will:

- 17
- 18 ■ Provide background information about this Docket;
  - 19 ■ Provide an overview and discussion of the Settlement;
  - 20 ■ Discuss the standard of review typically used by the Commission in its  
21 consideration of whether to accept the Settlement;<sup>2</sup> and
  - Discuss the evidence in the record that supports the Settlement.

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<sup>1</sup> *Joint Motion for Approval of Settlement Agreement*, Docket No. 25-MTLT-161-KSF (February 11, 2025).

<sup>2</sup> *Order Approving Contested Settlement Agreement*, Docket No. 08-ATMG-280-RTS, pp. 4-6 (May 12, 2008).

1 **Q. Please provide a brief background of this case.**

2 A. On September 23, 2024, Mutual filed its accounting schedules and testimony in this case  
3 indicating an intrastate revenue deficiency of \$452,010 in its Kansas Universal Service  
4 Fund (KUSF) support level. On January 24, 2025, Staff filed its schedules and testimony  
5 recommending an increase of \$411,107 in annual KUSF support for Mutual. On January  
6 28, 2025, Mutual notified the Commission that the Company would not be filing rebuttal  
7 testimony in opposition of Staff's filed position.

8 **Terms of the Settlement Agreement**

9 **Q. Please discuss the terms of the Settlement.**

10 A. The terms of the Settlement are as follows:

- 11       ▪ The parties agree that Mutual's KUSF support will increase by \$412,991. This is  
12       Staff's recommended KUSF increase of \$411,107 after being updated for Mutual's  
13       true-up audit expense incurred through January 31, 2025. This amount of \$64,660  
14       was then amortized over a five-year period. This KUSF increase will begin the first  
15       month after a Commission Order in this proceeding, however the parties have  
16       requested an April 1, 2025 effective date.
- 17       ▪ The parties agree that five years after such increase is instituted, Mutual's KUSF  
18       support shall be reduced by \$12,932, reflecting one-fifth of the total trued-up rate  
19       case expense of \$64,660 incurred in this proceeding.

20 **Commission Standards for Approving Settlement Agreements**

21 **Q. Has the Commission previously used factors or standards to review Settlement**  
22 **Agreements?**

23 A. Yes. The Commission's Order in Docket No. 08-ATMG-280-RTS (08-280 Docket)  
24 discusses five factors, or standards, and multiple agreements have been reviewed by the

1 Commission using the five factors since that Order.<sup>3</sup> However, more recent Commission  
2 Orders have noted that, for unanimous settlement agreements, parties need not apply the  
3 historical five-factor test set forth in the 08-280 Docket.<sup>4</sup>

4 **Q. What standards does the Commission generally examine when considering a**  
5 **unanimous settlement agreement?**

6 A. The Commission may accept a unanimous settlement agreement so long as approval of the  
7 settlement is: (1) supported by substantial competent evidence in the record as a whole;  
8 (2) results in just and reasonable rates; and (3) is in the public interest.<sup>5,6</sup> Each of these  
9 three factors is discussed individually below.

10 **Support for the Settlement Agreement**

11 **Q. Please address whether the Settlement is supported by substantial competent**  
12 **evidence in the record as a whole.**

13 A. The Settlement is supported by substantial competent evidence in the record as a whole.  
14 The Settlement is supported by Mutual's Application, and direct testimony. Staff  
15 vigorously analyzed the Application and formed its own conclusions which were filed in  
16 direct testimony. The audit information and direct testimony filed by the parties in this case  
17 fully address: (1) revenue requirement analysis that includes numerous pro forma  
18 adjustments, (2) cost of capital analysis, and (3) non-regulated and affiliate transactions.  
19 As a whole, these filed positions constitute the body of evidence the Commission would  
20 rely on to make a determination of the issues presented by this case, if the case were to be

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<sup>3</sup> *Order Approving Contested Settlement Agreement*, 08-280 Docket, p. 5 (May 5, 2008).

<sup>4</sup> *Order on KCP&L's Application for Rate Change*, Docket No. 15-KCPE-116-RTS, ¶ 16, p. 6 (Sep. 10, 2015).

<sup>5</sup> *Ibid*, ¶ 15.

<sup>6</sup> *Citizens' Util. Ratepayer Bd. v. State Corp. Comm'n of State of Kansas*, 28 Kan. App. 2d 313,316 16 P.3d 319, 323 (2000).

1 fully litigated. The parties also relied on this evidence in negotiations and eventually  
2 arrived at an agreed-upon resolution of the issues. It is Staff's position that the terms of the  
3 Settlement are commensurate with what we would expect if the case were to be fully  
4 litigated.

5 **Q. Does Staff believe the Settlement will result in just and reasonable rates?**

6 A. A KUSF audit does not directly affect the tariff rates charged to Mutual's customers.  
7 Rather, the audit determines the amount of KUSF support a rate of return regulated carrier  
8 receives. As provided in K.S.A. 66-2008(e)(1), any adjustment to a rate of return regulated  
9 carrier's KUSF support "shall ensure the reasonable opportunity for recovery of such  
10 carrier's intrastate embedded costs, revenue requirements, investments and expenses,  
11 subject to the annual cap established pursuant to subsection (e)(3)." Staff conducted its  
12 review using a full audit proceeding pursuant to K.A.R. 82-1-231. Based on this review,  
13 Staff contends the Settlement results in a KUSF support level that allows SCT the  
14 opportunity to recover its embedded costs, revenue requirements, investments and  
15 expenses.

16 **Q. Does Staff believe the results of the Settlement are in the public interest?**

17 A. Yes. Staff contends the Settlement is in the public interest. Generally speaking, the public  
18 interest is served when customers are protected from unnecessarily high prices,  
19 discriminatory prices, and/or unreliable service. A thorough investigation by the parties in  
20 this case has set a KUSF support amount less than that requested by Mutual in its  
21 Application. The investigation conducted by Staff has determined that Mutual did not  
22 require as much additional support as has been requested. Mutual agreed to accept a lower  
23 amount of KUSF support and, thus, KUSF contributors have been protected from paying

1           unnecessarily higher assessment rates. By settling the issues discussed in rebuttal  
2           testimony, the parties have agreed to limit additional administrative expense, which  
3           ultimately is paid by the KUSF. It is in the public interest to avoid incurring these costs if  
4           possible.

5   **Q.   Should the Commission accept the Settlement as a reasonable resolution of the issues**  
6   **in this Docket?**

7   A.   Yes, the Settlement represents a reasonable resolution that results in a KUSF support level  
8           that is just and reasonable, is in the public interest, and is supported by substantial  
9           competent evidence in the record. The Settlement resolves a complex case through an  
10          uncontested settlement and results in a reasonable resolution of the issues in this docket.

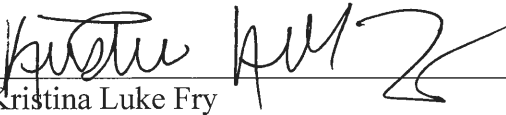
11   **Q.   Does this conclude your testimony?**

12   A.   Yes.

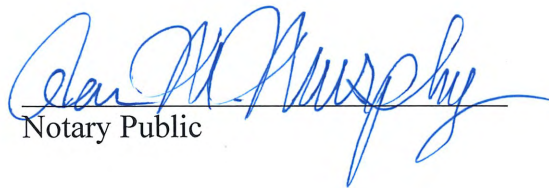
STATE OF KANSAS )  
 ) ss.  
COUNTY OF SHAWNEE )

**VERIFICATION**


Kristina Luke Fry, being duly sworn upon her oath deposes and states that she is a Managing Auditor for the Utilities Division of the Kansas Corporation Commission of the State of Kansas, that she has read and is familiar with the foregoing *Direct Testimony*, and attests that the statements contained therein are true and correct to the best of her knowledge, information and belief.

  
\_\_\_\_\_  
Kristina Luke Fry  
Managing Auditor  
State Corporation Commission of the  
State of Kansas

Subscribed and sworn to before me this 26 day of February, 2025.

  
\_\_\_\_\_  
Notary Public

My Appointment Expires: 4/28/25

 NOTARY PUBLIC - State of Kansas  
ANN M. MURPHY  
My Appt. Expires 4/28/25

## CERTIFICATE OF SERVICE

25-MTLT-161-KSF

I, the undersigned, certify that a true and correct copy of the above and foregoing Testimony was served via electronic service this 27th day of February, 2025, to the following:

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*Ann Murphy*

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Ann Murphy