

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

**In the Matter of the Application of)
Moundridge Telephone Company for)
Kansas Universal Service Fund Support)** **Docket No. 25-MRGT-222-KSF**

**TESTIMONY IN SUPPORT OF SETTLEMENT AGREEMENT
PREPARED BY
KRISTINA A LUKE FRY
UTILITIES DIVISION
KANSAS CORPORATION COMMISSION
April 21, 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 March 27, 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 Moundridge Telephone
13 Company (Moundridge) and Commission Staff.¹

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

¹ *Joint Motion for Approval of Settlement Agreement*, Docket No. 25-MRGT-222-KSF (April 18 11, 2025).

² *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 November 22, 2024, Moundridge filed its accounting schedules and testimony in this
3 case indicating an intrastate revenue deficiency of \$1,311,826 in its Kansas Universal
4 Service Fund (KUSF) support level. On March 27, 2025, Staff filed its schedules and
5 testimony recommending an increase of \$1,009,114 in annual KUSF support for
6 Moundridge. On April 7, 2025, Moundridge notified the Commission that the Company
7 would not be filing rebuttal 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 Moundridge's KUSF support will increase by \$1,012,411.
12 This is Staff's recommended KUSF increase of \$1,009,114 after being updated for
13 Moundridge's true-up audit expense incurred through March 31, 2025. This
14 amount of \$16,436 was then amortized over a five-year period. This KUSF
15 increase will begin the first month after a Commission Order in this proceeding,
16 however the parties have requested a June 1, 2025 effective date.
- 17 ▪ The parties agree that five years after such increase is instituted, Moundridge's
18 KUSF support shall be reduced by \$25,594, reflecting one-fifth of the total true-up
19 rate case expense of \$127,970 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

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

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

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

Support for the Settlement Agreement

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

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

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

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

⁵ *Ibid*, ¶ 15.

⁶ *Citizens' Util. Ratepayer Bd. v. State Corp. Comm'n of State of Kansas*, 28 Kan. App. 2d 313, 316 16P.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 Moundridge'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 Moundridge 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 Moundridge in its
21 Application. The investigation conducted by Staff has determined that Moundridge 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

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

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

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

Q. Does this conclude your testimony?

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 *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 15 day of April, 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-MRGT-222-KSF

I, the undersigned, certify that a true copy of the attached Testimony has been served to the following by means of electronic service on April 21, 2025.

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