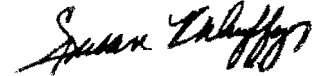


**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

AUG 10 2010



Generic Proceeding to Address Kansas Universal)
Service Fund Support Supplemental Funding) Docket No. 10-GIMT-667-KSF
Procedures, as Adopted by the Commission in)
Docket No. 00-GIMT-842-GIT.)

REPLY COMMENTS OF COMMISSION STAFF

The staff of the state Corporation Commission of the State of Kansas (Staff and Commission or KCC, respectively) respectfully submits these reply comments in accordance with the Commission's June 16, 2010 Order Opening Docket and Setting Procedural Schedule (June Order) in this proceeding:

I. BACKGROUND

1. On June 16, 2010, the Commission issued an Order Opening Docket and Setting Procedural Schedule (June Order), requesting that parties file comments on the following supplemental Kansas Universal Service Fund (KUSF) procedures:

- a. is the definition of a line eligible for supplemental KUSF support adequate;
- b. is the current filing frequency, allowing companies to request supplemental KUSF support for lines in service at the end of each quarter or between quarters if a 2% or greater 12-month net increase in lines occurs, appropriate;
- c. how should prior adjustments adopted by the Commission be incorporated in a carrier's subsequent request for supplemental KUSF support; and
- d. what is the appropriate effective date for payment of supplemental KUSF support?

2. Initial comments were filed by the Citizens' Utility Ratepayer Board (CURB); the United Telephone Company of Kansas, United Telephone Company of Eastern Kansas, United

Telephone Company of Southcentral Kansas, and Embarq Missouri, Inc. d/b/a Embarq d/b/a CenturyLink (collectively CenturyLink); and Staff.

II. RESPONSE TO INITIAL COMMENTS

a. Is the definition of a line eligible for supplemental KUSF support adequate?

3. CURB advocates that the primary line issue be revised in either this docket or another generic proceeding.¹ CURB noted that this issue was addressed in Docket 326² and that both Staff and CURB supported limiting KUSF support to the primary line. However, due to administrative costs and difficulties, the Commission decided not to limit KUSF support to the primary line at that time.

4. CenturyLink proposes that this docket be expanded to include the issue of whether competitive Eligible Telecommunications Carriers (CETCs) should continue to receive the same amount of KUSF support as the incumbent local exchange carriers (LECs), referred to as the “equal-payment” method, or whether a cap should be placed on the KUSF support available to CETCs.³ CenturyLink explained that FUSF support was previously available to CETCs under the “equal-payment” method, but that the Federal Communications Commission (FCC) recently clarified its policies to eliminate the “equal-payment” method. Now, the Federal Universal Service Fund (FUSF) support available to CETCs is limited. CenturyLink referred to the increase in the annual KUSF assessment and the fact that CETCs are not subject to company-specific audits to support its position to cap the KUSF support available to CETCs.

5. Staff agrees with CURB and CenturyLink that the Commission should consider the primary line issue and whether it is appropriate to cap the KUSF support available to CETCs.

¹ Comments of the Citizens' Utility Ratepayer Board, ¶¶ 4-6.

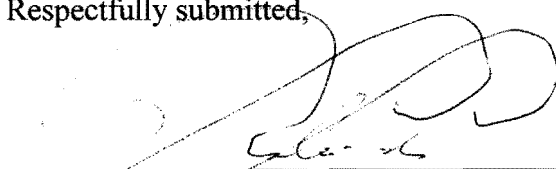
² *In the Matter of the Investigation into the Kansas Universal Service Fund (KUSF) Mechanism for the Purpose of Modifying the KUSF and Establishing a Cost-Based Fund*, Docket No. 99-GIMT-326-GIT (Docket 326).

³ CenturyLink Initial Comments, ¶¶3-5.

However, Staff believes such a review should occur in a separate proceeding. As the June 2010 Order identified issues directly related to the current supplemental KUSF request procedures, Staff is concerned that affected companies did not have notice that this docket could be expanded to include these issues; issues that are likely to be complex. For example, Congress enacted legislation to prohibit the FCC from limiting FUSF support payments to a single connection or primary line. In Docket 326, the parties supported various positions regarding whether the KUSF should support one line per household in a high-cost area or whether a cap should be placed on the amount of support available in an area, with all carriers serving the area sharing the KUSF support.⁴ And, it is likely that an evaluation of state statutes and prior Commission orders⁵ will need to occur prior to implementing a cap on the KUSF support available to CETCs.

WHEREFORE, Staff requests the Commission consider its comments as set forth above, and for such other and further relief as the Commission deems just and proper.

Respectfully submitted,



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For Commission Staff

⁴ *Id.*, February 25, 2002 Order Addressing Support for Primary Line.


⁵ *In the Matter of an Investigation into the Effect of K.S.A. 66-2008(e) on Competitively Neutral Distribution of KUSF Support as Remanded to the Commission by the Decision of the Court of Appeals in Bluestem Telephone Co., et al v. Kansas Corporation Commission*, Docket No. 06-GIMT-1289-GIT (Docket 1289).

VERIFICATION

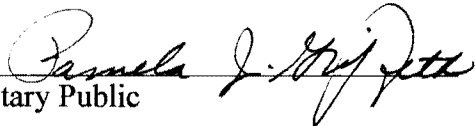
STATE OF KANSAS)
)
) SS:
COUNTY OF SHAWNEE)

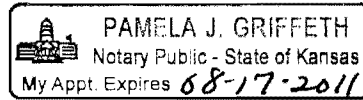
Sandy Reams, of lawful age being first duly sworn upon oath states:

That she is a Managing Auditor for the Corporation Commission Staff in this matter; that she has read and is familiar with the foregoing Comments of Commission Staff and that the statements made therein are true and correct to the best of her information, knowledge and belief.


Sandy Reams

Subscribed and sworn to before me this 10th day of August 2010.


Notary Public



My appointment expires: *August 17, 2011*

CERTIFICATE OF SERVICE

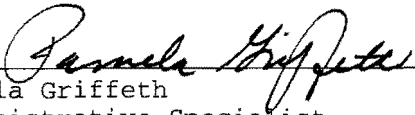
10-GIMT-667-KSF

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Reply Comments of Commission Staff was placed in the United States mail, postage prepaid, or hand-delivered this 10th day of August, 2010, to the following:

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