

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

Before Commissioners: Jay Scott Emler, Chairman
 Shari Feist Albrecht
 Pat Apple

In the Matter of the Application of Southern)
Kansas Telephone Filing to Change Rate on) Docket No. 16-SNKT-357-TAR
Bundled Service Packages.)

ORDER APPROVING TARIFF REVISIONS

NOW, the above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having examined its files and records and being duly advised in the premises, the Commission finds and concludes as follows:

1. On January 28, 2016, Southern Kansas Telephone Company (SKT) filed a request to make tariff revisions to a certain section of its General Exchange Tariff that would increase rates for several of the bundle packages due to TV programming increases.

2. K.S.A. 66-1,190 requires that telecommunications public utilities doing business in Kansas shall:

... publish and file with the commission copies of all schedules of rates, joint rates, tolls, charges, classifications and divisions of rates affecting Kansas traffic, either state or interstate, and shall furnish the commission copies of all rules and regulations and contracts between such telecommunications public utilities pertaining to any and all jurisdictional services to be rendered by such telecommunications public utilities.

The statute further gives the Commission power to prescribe reasonable rules and regulations regarding the form and filing of all schedules, tariffs and classifications of all rates, joint rates, tolls and charges and all rules and regulations of such telecommunications public utilities as the Commission determines reasonable and appropriate.

3. The Commission's authority to review Local Exchange Carrier tariffs derives from K.S.A. 66-117(d), which states in part:

Except as provided in subsection (c), no change shall be made in any rate, toll, charge, classification or schedule of charges or joint rates, or in any rule or regulation or practice pertaining to the service or rates of any such public utility or common carrier, without the consent of the commission.

4. K.S.A. 66-1,189 authorizes the Commission to review rates and terms for jurisdictional telecommunications services to ensure they are "just and reasonable" and that all classifications, rules and regulations regarding such services are not unreasonably discriminatory or unduly preferential.

5. On February 10, 2016, Commission Staff (Staff) submitted a Report and Recommendation (R&R) to the Commissioners regarding the proposed tariff revisions, a copy of which is attached hereto and incorporated herein by reference. According to Staff, telecommunications provider rate changes will be deemed just and reasonable unless the changes result in the provider receiving "materially greater revenue" than its rate of return would necessitate. Staff stated that SKT's proposed tariff revisions would increase rates due to TV programming increases passed through from SKT's channel providers. Because such TV programming charge fee increases are unregulated, the revenue that SKT may receive as a result of this tariff revision filing does not impact the cost recovery and rate of return the Commission considers. Moreover, Staff believes that bundles provide additional customer options, which is in the public interest. Therefore, Staff had no concerns with SKT's request for revisions to its General Exchange Tariff and recommended the revisions be approved by the Commission, effective March 1, 2016, per SKT's request.

6. The Commission finds Staff's recommendation to be reasonable and in the public interest, and the requested tariff revisions should be approved, to become effective on March 1, 2016.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. SKT's request for revisions to its General Exchange Tariff is hereby granted and the proposed tariff revisions are hereby approved and shall become effective on March 1, 2016.

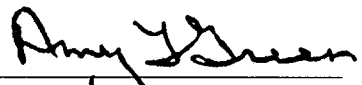
B. The parties have fifteen (15) days, plus three (3) days if mailed service, from the date this Order was served in which to petition for reconsideration. K.S.A. 66-118b; K.S.A. 2014 Supp. 77-529.

C. The Commission retains jurisdiction over the subject matter and parties for the purpose of issuing such further orders, as necessary.

BY THE COMMISSION IT IS SO ORDERED.

Emler, Chairman; Albrecht, Commissioner; Apple, Commissioner

Dated: FEB 23 2016



Amy L. Green
Secretary to the Commission

MJD

Order Mailed Date

FEB 24 2016

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chairman Jay Scott Emler
Commissioner Shari Feist Albrecht
Commissioner Pat Apple

FROM: Paula Artzer, Senior Telecommunications Analyst
Christine Aarnes, Chief of Telecommunications
Jeff McClanahan, Director of Utilities

DATE: February 10, 2016

SUBJECT: Docket No. 16-SNKT-357-TAR
In the Matter of the Application of Southern Kansas Telephone Filing to
Change Rate on Bundled Service Packages.

EXECUTIVE SUMMARY:

On January 28, 2016, Southern Kansas Telephone Company (SKT) filed a request to make tariff revisions to a certain section of its General Exchange Tariff increasing the rates for several of the bundle packages due to TV programming increases, per Staff's contact from SKT's counsel Mark Caplinger.

The Commission action date is Friday, February 26, 2016.

ANALYSIS:

The Kansas Corporation Commission (KCC or Commission) derives its authority to review Local Exchange Carrier tariffs from K.S.A. 66-117(d), which states in part:

(d) Except as provided in subsection (c), no change shall be made in any rate, toll, charge, classification or schedule of charges or joint rates, or in any rule or regulation or practice pertaining to the service or rates of any such public utility or common carrier, without the consent of the commission.

In addition, K.S.A. 66-1,190 requires every public utility doing business in Kansas to publish and file with the Commission copies of all schedules of rates, joint rates, tolls, charges, classifications and divisions of rates affecting Kansas traffic, either state or interstate. The Commission has the power to prescribe reasonable rules and regulations regarding the form and filing of all schedules, tariffs and classifications of all rates, joint rates, tolls and charges, and all rules and regulations of such telecommunications public utilities as the Commission determines reasonable and appropriate.

The KCC must review rates and terms for jurisdictional telecommunications services to ensure they are “just and reasonable” pursuant to K.S.A. 66-1,189. Further, K.S.A. 66-1,189 requires the KCC to ensure that all classifications, rules, and regulations regarding the services are not unduly discriminatory or preferential.

Because telecommunications providers must constantly adapt to consumer needs, the KCC determined in Docket No. 04-GIMT-1080-GIT that rate changes made by telecommunications providers would not be audited for their justness and reasonableness unless the changes result in the provider receiving “materially greater revenue” than its rate-of-return would necessitate.¹

This filing makes changes to Part 4 of the tariff, pages 18-21. The change is as listed:

- Changing numerous bundles with a TV option and increasing the price on a monthly basis. Removing several bundles that were listed as obsolete in the last tariff issue. TV offerings are not regulated by the Commission.

The rate increase per the Company’s counsel is for TV programming increases passed through from their channel providers. The TV offering is unregulated therefore the Company did not provide an annual revenue impact.

Staff has reviewed the filing, due to the fact the products driving the increase are unregulated, the revenue the Company may receive as a result of this filing does not impact the cost recovery and rate of return the Commission considers. SKT does receive KUSF. The Company’s last tariff filing was in August of 2015.

¹ Prior to 2004, if a rate of return carrier asked for an increase in revenue outside a rate case, the Commission policy was to adjust the amount received for an increased rate by a corresponding decrease in draw from the KUSF, pursuant to K.S.A. 66-2005(d). However, in *Rural Telephone Service Co. v. Kansas Corporation Commission*, 31 Kan. App. 2d 760, 72 P.3d 937 (2003), the Kansas Court of Appeals held that the Commission did not have statutory authority to reduce Rural’s KUSF distribution in response to increased revenue from modifications to tariff filings (Docket No. 02-RRLT-875-TAR). The Court reversed the Order reducing Rural’s KUSF support, but it remanded the matter to enable the Commission to determine the reasonableness of the proposed tariff changes in light of the Court’s decision to disallow a contemporaneous reduction of KUSF support, 31 Kan. App. 2d at 770. On June 4, 2004, the Commission opened a generic docket to address Staff’s proposal to address tariff increases between KUSF audits. In an Order dated September 28, 2004, in that Docket (04-GIMT-1080-GIT), the Commission stated, “Staff will continue to conduct an individual evaluation of any proposed tariff revision made by a rate-of-return regulated company affecting its revenues to determine the reasonableness of the proposed rates . . . if Staff evaluates information indicating that a rate-of-return regulated carriers is receiving materially greater revenue than its authorized cost recovery and rate of return would necessitate, the Commission will consider whether to conduct an audit.”

RECOMMENDATION:

Staff recommends the Commission approve the replacement tariff sheets provided by SKT. The programming charge fee increases that resulted in the tariff changes are unregulated services. Bundles provide additional options for customers to purchase the products they desire and are therefore in the public interest. The Company requests an effective date of March 1, 2016.

CERTIFICATE OF SERVICE

16-SNKT-357-TAR

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of first class mail/hand delivered on FEB 23 2016.

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/S/ DeeAnn Shupe
DeeAnn Shupe

Order Mailed Date

FEB 24 2016