

COLLEEN R. JAMISON
JAMISON LAW, LLC

February 21, 2024

Lynn M. Retz, Executive Director
Kansas Corporation Commission
1500 SW Arrowhead Rd.
Topeka, KS 66604

RE: Testimony of Ray Schindler and Chad Duval
On behalf of RLEC Intervenors
*In the Matter of the Application of Totah Communications, Inc. for Additional Kansas
Universal Service Fund Support Pursuant to K.S.A. 66-2008*
Docket No. 24-TTHT-343-KSF

Dear Ms. Retz:

Attached please find the testimonies of Ray Schindler and of Chad Duval. Their testimonies address the singular issue of how the Commission should treat ACAM support receipt by rate of return regulated rural local exchange carriers in Kansas in the context of an individual company determination of KUSF support.

If you have any questions, please let me know.

Sincerely,

JAMISON LAW, LLC

Colleen R. Jamison

Colleen R. Jamison

Att.

cc: Anthony Veach

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Totah)
Communications, Inc. for an Increase in its) Docket No. 24-TTHT-343-KSF
Kansas Universal Service Fund Support)
Pursuant to K.S.A. 66-2008)

TESTIMONY OF RAY SCHINDLER ON BEHALF OF THE LIMITED INTERVENORS

1 **Introduction**

2 **Q. What is your Name?**

3 A. My name is Ray Schindler.

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

5 A. I am the Director of Competitive Ventures for TCA, Inc - Telcom Consulting Associates
6 (“TCA”) at 526 Chapel Hills Drive, Suite 100, Colorado Springs, CO 80920. My
7 principal role is to provide financial analysis for rural local exchange carriers and their
8 affiliates in accordance with the FCC and any state commission rules. TCA provides
9 financial, regulatory, marketing, and management consulting services to small and mid-
10 size carriers throughout the United States.

11 **Q. Briefly describe your educational background and work experience.**

12 A. I was initially employed with TCA in 2004.
13 I have worked directly with several TCA clients in state proceedings on the
14 measurement, gathering, and allocation of the costs necessary to provide regulated
15 telecommunications services in compliance with FCC rules contained in Part 32
16 (Uniform System of Accounts), Part 64 (Subpart I, Allocation of Costs), and Part 36
17 (Jurisdictional Separations Procedures). I have participated in several KUSF
18 applications over the years providing support to our clients.

19

20 I hold a Bachelors of Business Administration with an emphasis in Accounting from

1 Texas Tech University and a Masters of Business Administration with an emphasis in
2 Accounting and Management from the University of Colorado, Colorado Springs.

3

4 **Q. On whose behalf are you presenting testimony?**

5 A. I am presenting testimony on behalf of the rural local exchange carriers (RLECs)
6 granted limited intervention in this proceeding.¹ These RLECs are recipients of
7 Alternative Connect America Cost Model (ACAM) federal support, and their
8 intervention is limited to the question of how ACAM support is allocated when
9 calculating an RLEC's intrastate revenue requirement and annual KUSF support.

10

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

12 A. The purpose of my testimony is to support a safe harbor allocation method for
13 determining the amount of ACAM support that should be included when calculating an
14 RLEC's intrastate revenue requirement and annual KUSF support. Specifically, I
15 propose that the Commission should use the FCC's High Cost Loop Support (HCLS)
16 calculation to impute an amount of ACAM support to the intrastate jurisdiction that an

¹ On December 18, 2023, Blue Valley Tele-Communications, Inc.; Haviland Telephone Co., Inc.; JBN Telephone Co., Inc.; Rural Telephone Service Company, Inc. d/b/a Nex- Tech; S & A Telephone Company, LLC; and Wheat State Telephone, Inc., d/b/a Wheat State Technologies (collectively the RLECs) filed their Petition for Limited Intervention, which was granted in the Order Designating Presiding Officer; Setting Procedural Schedule; Granting RLECS' Petition for Limited Intervention; Protective and Discovery Order. Adopted December 28, 2023.

1 RLEC would have received through the HCLS mechanism if the RLEC had not elected
2 ACAM.

3

4 **ACAM Allocation Method**

5 **Q. Why is an allocation method necessary?**

6 A. Federal ACAM support is a replacement for HCLS and Connect America Fund
7 Broadband Loop Support (CAF BLS) that is non-jurisdictional in nature. It is derived
8 from a model that attempts to predict the costs of deploying networks capable of
9 providing voice and broadband services in high cost areas of the country. Furthermore,
10 there is no federal guidance on how ACAM should be allocated to the interstate and
11 intrastate jurisdictions.

12

13 **Q. Has the Commission ever attributed federal universal service support to intrastate**
14 **income for determining an RLEC's level of KUSF support?**

15 A. Yes. The Commission has historically attributed HCLS to intrastate income for
16 determining the level of support an RLEC would be eligible to receive from KUSF.

17

18 **Q. What is HCLS?**

1 A. HCLS is a federal USF mechanism that provides support for operating networks in high
2 cost areas. More specifically, HCLS is designed to recover costs associated with the
3 local loop portion of a network. HCLS provides support when an RLEC's costs to
4 provide local, last mile loop telecommunications services in its study area are at least
5 115% of the national average. This support is calculated in accordance with FCC rules
6 in 47 C.F.R. Part 54 Subpart M.

7

8 **Q. Has the Commission ever attributed other federal universal service support that**
9 **is intended to offset costs in high cost areas to the intrastate jurisdiction for**
10 **determining an RLEC's intrastate revenue requirement?**

11 A. No. The other federal USF mechanism that offsets high local loop costs, CAF BLS
12 (formerly called Interstate Common Line Support or ICLS), is designed to recover the
13 cost of the local loop assigned to the interstate jurisdiction and so this funding is
14 reflected as interstate revenues.

15

16 **Q. Please describe your proposed allocation method.**

17 A. I propose that the Commission use the HCLS calculation, as adjusted to reflect the
18 FCC's Pro-Rata Adjustment and Budget Control Mechanism, to determine the portion
19 of ACAM support that is attributable to support for intrastate loop-based costs. The
20 Pro-Rata Adjustment is utilized to maintain the FCC's HCLS-specific budget, and the
21 Budget Control Mechanism is utilized to maintain the FCC's overall budget for High

1 Cost Support, which is the combination of HCLS and CAF BLS. This method assigns
2 ACAM support to the intrastate jurisdiction based on recalculation of HCLS as though
3 the ACAM recipient were eligible to receive that support for the relevant test period
4 and reflects adjustments to that calculation of HCLS that are designed to maintain the
5 FCC's budget for federal Universal Service Support. For example, if the recalculation
6 of HCLS determines that the company would have received \$1,000,000 using the
7 HCLS algorithm and appropriate adjustments, \$1,000,000 of the current ACAM
8 support would be assigned to the intrastate jurisdiction.

9

10 **Q. Why is your proposal a good method for allocating ACAM support to the**
11 **intrastate jurisdiction?**

12 A. This calculation using the HCLS method is a good way to allocate ACAM support
13 because it reflects the exact amount of federal support that would have been assigned
14 to the intrastate jurisdiction absent the carrier's ACAM election. In addition, it is
15 readily available, as all but a few RLECs in the state of Kansas still complete and file
16 this calculation with the National Exchange Carrier Association (NECA) and with the
17 FCC on an annual basis. The only companies that do not file this data with the NECA
18 and the FCC are ACAM providers who elected incentive regulation for their business
19 data services (BDS). However, even these BDS ACAM providers are still required to
20 complete the Commission's Annual 254(e) ETC Certification data collection, which
21 includes an earnings calculation that ties directly to the HCLS algorithm for assigning
22 costs and revenues. Therefore, using this algorithm ensures that the data provided is

1 verifiable and accurately reflects an RLEC's local, last mile loop costs and the federal
2 funding that would have been allocated to the intrastate jurisdiction absent the ACAM
3 election.

4

5 **Q. Are you aware of any other states that use this allocation method for determining**
6 **intrastate revenue requirement?**

7 A. Yes. The Oklahoma Corporation Commission uses this allocation method in intrastate
8 earnings cases that TCA has participated in on behalf of our clients in that state. It is
9 my understanding that Mr. Chad Duval is contemporaneously filing intervenor
10 testimony on behalf of the same ACAM RLECs and that he addresses the use of this
11 allocation method, as well as other allocation methods used, in other states.

12

13 **Establishing a Safe Harbor**

14 **Q. Why should the Commission establish a safe harbor approach to allocating**
15 **ACAM revenues?**

16 A. Establishing a safe harbor method for allocating ACAM revenues will provide
17 necessary certainty and predictability to RLECs that receive federal ACAM support.

18

19 **Q. What makes your proposed allocation method a good safe harbor?**

1 A. This method is a good safe harbor for two reasons. First, as I mentioned earlier, this
2 method will utilize data that all RLECs already have on hand since the Commission's
3 254(e) ETC Certification data collection includes an earnings calculation that ties
4 directly to the HCLS algorithm for assigning costs and revenues. Specifically, this
5 certification includes an ILEC Cost Report in Attachment 2 that pulls data directly from
6 the HCLS algorithm. The form itself includes line numbers from the HCLS algorithm
7 as a guide to companies completing this attachment. Therefore, using this method
8 ensures that the costs and burdens associated with using this method are minimized.
9 Second, because the Commission has historically used and continues to use actual
10 HCLS disbursements in its calculations for cost based RLECs, this method ensures that
11 all RLECs are treated as equally as possible in these proceedings.

12

13 **Q. Should the Commission only allow this method for allocating ACAM support to**
14 **the intrastate jurisdiction?**

15 A. No. This method, while preferred, is not the only way to allocate ACAM support and
16 other states have adopted different methods. Mr. Duval's testimony provides
17 descriptions of different allocation methods used in some states to assign ACAM
18 support to the intrastate jurisdiction. If an ACAM recipient can demonstrate that a
19 different method better represents the amount of federal USF that should be attributed
20 to the intrastate jurisdiction, I believe they should be allowed to make their case.
21 However, I reiterate my belief that the method I have proposed is the best and most
22 equitable treatment for this allocation process as it is the most consistent with historical

1 practice for all carriers and current practice for non-A-CAM carriers and, therefore,
2 should be the fallback position if the petitioning ACAM recipient were unable to
3 demonstrate that a different method is more accurate in their situation.

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

5 **A. Yes, it does.**

In the Matter of the Application of Totah Communications, Inc.
for Additional Kansas Universal Service Fund Support
Pursuant to K.S.A. 66-2008
Docket No 24-TTHT-343-KSF

Intervenor Testimony of
Ray Schindler

VERIFICATION

I, the undersigned, hereby certify under penalty of perjury pursuant to K.S.A. 53-601
that the foregoing is true and correct. Executed on February 16, 2024.

/s/Ray Schindler
Ray Schindler

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Totah)
Communications, Inc. for an Increase in its) Docket No. 24-TTHT-343-KSF
Kansas Universal Service Fund Support)
Pursuant to K.S.A. 66-2008)

TESTIMONY OF CHAD DUVAL ON BEHALF OF THE LIMITED INTERVENORS

1 **Introduction**

2 **Q. 1: Please state your name, present position, and business address.**

3 A. 1: My name is Chad Duval. I am a Partner in the Communications and Media Practice
4 at Moss Adams LLP (Moss Adams), an accounting and business consulting firm. My
5 business address is 3121 West March Lane, Suite 200, Stockton, California, 95219.

6
7 **Q. 2: Please describe your educational background and work experience.**

8 A. 2: My educational background includes a Bachelor of Science degree in Business
9 Administration, with an emphasis in Statistics, from the University of Denver, in Denver,
10 Colorado. In 1995, I was hired by GVNW Inc./Management to serve as a Consulting
11 Analyst in the Company's Colorado Springs office. In 1998, I was promoted to Management
12 Consultant. In 1999, I accepted the position of Manager of Strategic Pricing with US WEST
13 Communications in Denver, Colorado. In January of 2000, I was promoted to Group
14 Manager of Strategic Pricing. In October of 2000, I accepted the position of Director of
15 Product Management with Vanion, Inc., a competitive local exchange carrier headquartered
16 in Colorado Springs, Colorado. In September of 2001, I accepted the position of Senior
17 Consultant with GVNW Consulting, Inc. in Colorado Springs, Colorado. In October of
18 2004, I accepted the position of Senior Manager with Moss Adams in Stockton, California.
19 In October of 2007, I became a Partner at Moss Adams. From September of 2015 through
20 September of 2018, I held the position of National Practice Leader of the Communications
21 and Media Practice at Moss Adams, which included responsibility for audit, tax, and
22 consulting services.

23 At Moss Adams, I am now the firm-wide leader of the Communications and Media

1 consulting practice, which provides consulting services to approximately 230 clients
2 nationwide. In this role, I provide technical and strategic guidance to a team of
3 approximately 40 consultants. In addition, I work directly with client companies in several
4 states in navigating various telecommunications regulatory and business issues, including
5 work on general rate cases, cost separations studies, business plans, financial forecasting and
6 budgeting, depreciation studies, and strategic analysis of various regulatory policy and
7 compliance matters. I have also worked with a variety of independent local exchange
8 carriers and state telecommunications associations on state universal service funding issues.
9 I have conducted trainings on cost separations and federal universal service funding for the
10 Federal Communications Commission (“FCC”), the Universal Service Administrative
11 Company (“USAC”), employees of the National Exchange Carrier Association (“NECA”),
12 multiple state public regulatory commissions including the California Public Utilities
13 Commission (“CPUC” or the “Commission”), numerous national and state
14 telecommunications associations, as well as employees of hundreds of independent local
15 exchange carriers around the country.

16

17 **Q. 3: Have you testified before the Kansas Corporation Commission in the past?**

18 A.3: No. However, I have testified dozens of times before numerous state regulatory
19 commissions on a variety of issues, including state universal service funding, rate of return
20 represcription, state access rates, depreciation rates and studies, and other topics. I have
21 testified and appeared before other state regulatory commissions in Colorado, Georgia,
22 Indiana, Montana, Nevada, North Dakota, Oklahoma, Oregon, Texas, Utah, and Wyoming.

23

1 **Q. 4: On whose behalf are you presenting this intervenor testimony?**

2 A. 4: I present this testimony on behalf of the rural local exchange carriers that were
3 granted limited intervention in this proceeding,¹ whom I will refer to collectively as the “A-
4 CAM RLEC Intervenors”. The A-CAM RLEC Intervenors are all rural local exchange
5 carriers (“RLEC”) and recipients of federal Universal Service Fund support under the
6 Alternative Connect America Model (“A-CAM”), and their intervention in this proceeding is
7 limited to the question of how A-CAM support should be allocated when determining an
8 RLEC’s intrastate revenue requirement and Kansas Universal Service Fund (“KUSF”)
9 support.

10

11 **Q. 5: What is the purpose of your intervenor testimony?**

12 A. 5: I understand that Mr. Ray Schindler is contemporaneously filing intervenor testimony
13 on behalf of the A-CAM RLEC Intervenors in which he proposes a “safe harbor” A-CAM
14 allocation methodology and indicates that “[t]his method...is not the only way to allocate
15 ACAM support and other states have adopted different methods. If an ACAM recipient can
16 demonstrate that a different method better represents the amount of federal USF that should
17 be attributed to the intrastate jurisdiction, I believe they should be allowed to make their

¹ On December 18, 2023, Blue Valley Tele-Communications, Inc.; Haviland Telephone Co., Inc.; JBN Telephone Co., Inc.; Rural Telephone Service Company, Inc. d/b/a Nex- Tech; S & A Telephone Company, LLC; and Wheat State Telephone, Inc., d/b/a Wheat State Technologies (collectively the A-CAM RLEC Intervenors) filed their Petition for Limited Intervention, which was granted in the Order Designating Presiding Officer; Setting Procedural Schedule; Granting RLECs’ Petition for Limited Intervention; Protective and Discovery Order. Adopted December 28, 2023.

1 case.”² The purpose of my intervenor testimony is to provide the Commission with
2 information on the A-CAM allocation methodologies utilized by other state regulatory
3 commissions in determining the amount of federal A-CAM support to assign to the intrastate
4 rate design in establishing state universal service funding. I believe that this will help to
5 inform the Commission on alternative methodologies that could be utilized if an RLEC
6 proposes to utilize a methodology other than the “safe harbor” methodology that Mr.
7 Schindler details in his testimony.

8 The allocation of A-CAM support for recipients of federal A-CAM support is
9 necessary because A-CAM is a replacement for federal High Cost Loop Support (“HCLS”)
10 and Connect America Fund Broadband Loop Support (“CAF BLS”), the former of which is a
11 component of the intrastate rate design, so the allocation of A-CAM support replaces HCLS
12 in the intrastate rate design. The intrastate allocation of A-CAM support replaces HCLS in
13 the intrastate rate design while the interstate allocation of A-CAM support replaces CAF
14 BLS in the interstate rate design. My testimony is based upon my experience in state
15 ratemaking and universal service funding proceedings in the states that I will discuss below.
16 There are a limited number of states that conduct regular proceedings to establish intrastate
17 rates and state universal service funding for rural, rate of return carriers like the A-CAM
18 RLEC Intervenors. However, I have been involved in such proceedings in California,
19 Nevada, Oklahoma, Oregon, and Texas. I will summarize the A-CAM allocation
20 methodologies utilized by the regulatory commissions in these states in establishing intrastate

² See Intervenor Testimony of Ray Schindler, In the Matter of the Application of Totah Communications, Inc. for Additional Kansas Universal Service Fund Support Pursuant to K.S.A. 66-2008, Docket No. 24-TTHT-343-KSF. (Page 7, Lines 18-20)

1 revenue requirement, intrastate rate design, and state universal service funding in
2 proceedings in which I have been involved or with which I am familiar.

3
4

5 **A-CAM Allocation Methodologies Utilized in Other States**

6 **Q. 6: What A-CAM allocation methodologies are utilized by the California Public**
7 **Utilities Commission (“CPUC”)?**

8 A. 6: The CPUC has not prescribed a specific methodology for allocating A-CAM support
9 and determines the appropriate allocation methodology for each A-CAM carrier in a
10 company-specific general rate case, which occurs every five years. Companies must propose
11 an allocation methodology for, and resulting allocation of, A-CAM support in their general
12 rate case application, which is then reviewed during the general rate case process, and the
13 CPUC determines the appropriate allocation methodology and amount in a decision. Once a
14 general rate case decision is issued, the A-CAM allocation methodology prescribed is
15 utilized in annual filings until the next general rate case decision becomes effective.

16 In my experience there are two A-CAM allocation methodologies that have been
17 utilized in California. The first methodology is the same as that proposed by Totah
18 Communications, Inc. (“Totah”) in this proceeding, and the same allocation that I understand
19 is proposed as the “safe harbor” by Mr. Schindler in his testimony, which involves the
20 calculation of HCLS that the A-CAM carrier would have received based on actual costs
21 incurred absent the election of A-CAM support. The second methodology utilized by the
22 CPUC is a pro-rata allocation of the A-CAM support based on the relative amounts of HCLS
23 and CAF BLS (or Interstate Common Line Support, or “ICLS”, which was the predecessor

1 support mechanism to CAF BLS) that was received by the A-CAM carrier in the year prior to
2 the A-CAM election. The A-CAM allocation is calculated as HCLS received in the year
3 prior to the A-CAM election, divided by the sum of HCLS and CAF BLS (or ICLS) received
4 in the year prior to the A-CAM election, multiplied by the A-CAM support received in the
5 test year utilized in the ratemaking proceeding. This methodology results in a fixed
6 percentage allocation of A-CAM support based on the pro-rata calculation of support in the
7 year prior to the A-CAM election, so the relative allocation of federal universal service
8 funding remains constant over time.

9

10 **Q. 7: What A-CAM allocation methodology is utilized by the Public Utilities**
11 **Commission of Nevada (“PUCN”)?**

12 A. 7: Pursuant to Nevada Administrative Code (“NAC”) 704.68042.4(d), “[c]ommencing
13 with requests for money from the fund to maintain the availability of telephone service for
14 calendar year 2018 and until the next general rate case of a small-scale provider of last resort,
15 the Commission will determine the amount of federal universal service support received by a
16 small-scale provider of last resort for intrastate telecommunication services through the
17 Connect America Cost Model by multiplying the total amount of support received by the
18 small-scale provider of last resort through the Connect America Cost Model by the ratio of
19 High Cost Loop Support to the combined total of High Cost Loop Support and Interstate
20 Common Line Support, as defined in 47 C.F.R. § 69.2, that were used to compute the amount
21 of disbursement for calendar years 2016 for rural, insular and high-cost areas pursuant to
22 subsection 3 of NAC 704.68043.” This is the same as the second methodology utilized by
23 the CPUC, as described above, but it is only a placeholder until the next general rate case is

1 filed, at which time the A-CAM carrier may propose an alternate methodology, which must
2 be reviewed and approved by the PUCN in a general rate case decision.

3 In my experience, all general rate cases for A-CAM recipients in Nevada have been
4 resolved via stipulated settlements since 2018, so there is no PUCN decision that specifically
5 addresses the allocation of A-CAM support; the decisions accept the stipulated settlements,
6 which do not specifically address the A-CAM allocation methodology utilized. However,
7 based on personal experience in these general rate cases and my knowledge of the A-CAM
8 allocation methodologies utilized to arrive at the stipulated settlements, I am aware that at
9 least three methodologies have been utilized. The first two methodologies are the same as
10 those that I described as being utilized in California, so I will not restate them here. The third
11 methodology was somewhat of a hybrid of the first two, where both HCLS and CAF BLS
12 were calculated for the test year based on actual expenses incurred, and then the A-CAM
13 support was allocated based on the pro-rata amounts of HCLS and CAF BLS. The
14 calculation for the intrastate allocation of A-CAM support was calculated as HCLS, divided
15 by calculated HCLS plus calculated CAF BLS, multiplied by test period A-CAM support.
16 The result of this A-CAM allocation methodology is that any under, or over, recovery
17 resulting from the fixed A-CAM support is distributed among the interstate and intrastate
18 jurisdictions based on the relative amount of support calculated using actual costs for the test
19 period.

20

21 **Q. 8: What A-CAM allocation methodology is utilized by the Oklahoma Corporation**
22 **Commission (“OCC”)?**

23 A. 8: The OCC does not have a formally prescribed A-CAM allocation methodology.

1 However, a mutual agreement between the Oklahoma rural ILECs and the Public Utilities
2 Division Staff of the OCC was reached in 2018 and documented in a memo at that time. The
3 mutually agreed methodology was the same as the “safe harbor” proposed by Mr. Schindler
4 in his testimony, which I have indicated is also utilized in California, Nevada, and Texas (see
5 below), and relies upon the calculation of HCLS based upon actual costs incurred two years
6 prior to the test year, consistent with the two-year lag in HCLS funding. I have personally
7 been involved in more than a dozen general rate cases, commonly referred to as a “Section
8 G”³ case in Oklahoma, that have faithfully utilized this allocation methodology. I also
9 understand from Mr. Schindler’s testimony that his firm has faithfully utilized this allocation
10 methodology in the Section G cases in which they have been involved since 2018. I am not
11 aware of any other A-CAM allocation methodologies being utilized in a Section G case in
12 Oklahoma, but there may be situations of which I am not aware.

13

14 **Q. 9: What A-CAM allocation methodology is utilized by the Oregon Public Utilities**
15 **Commission (“OPUC”)?**

16 A. 9: The OPUC does not conduct general rate cases, but it does perform an annual
17 allocation of a fixed amount of Oregon Universal Service Fund support among eligible
18 carriers based on their need for support, generally calculated as the difference between the
19 intrastate revenue requirement and intrastate revenues, including federal support designated
20 for the recovery of intrastate costs. In this process, carriers must provide calculations
21 showing their need for support, which requires that A-CAM carriers allocate a portion of

³ In reference to Title 17, Section 139.106(G) of the Oklahoma Statutes.

1 their A-CAM support to the intrastate jurisdiction. The OPUC does not have a formally
2 prescribed A-CAM allocation methodology. However, the Oregon Telecommunications
3 Association proposed, and the Telecommunications Division Staff of the OPUC accepted, a
4 model to determine a carrier's need for support that included the following allocation
5 methodology. This allocation is performed utilizing a calculation based on the pro-rata
6 amount of HCLS and CAF BLS (or ICLS) received in the year prior to the A-CAM election,
7 which is the same as the second allocation methodology identified for California, and
8 virtually the same as the first allocation methodology identified for Nevada and the second
9 allocation methodology identified for Texas (see below). This practice has been in place and
10 accepted for the determination of Oregon Universal Service Funding for 2023 and 2024.

11

12 **Q. 10: What A-CAM allocation methodology is utilized by the Public Utilities**
13 **Commission of Texas (“PUCT”)?**

14 A. 10: The PUCT does not have a formally prescribed A-CAM allocation methodology.
15 However, a mutual agreement between the Texas rural ILECs and the Telecommunications
16 Division Staff of the PUCT was reached in 2018 and documented in a presentation at that
17 time. The 2018 presentation included three primary principles to be utilized in determining
18 the A-CAM allocation methodology for individual companies; 1) the allocation methodology
19 may vary by company, 2) the allocation methodology must be reasonable, and 3) once
20 determined the A-CAM allocation methodology must remain consistent over time. The
21 presentation then went on to define three methods of allocation. The first method of
22 allocation is the same HCLS calculation methodology proposed by Totah, the “safe harbor”
23 methodology explained by Mr. Schindler in his testimony, and the same as one allocation

1 methodology utilized for at least some A-CAM carriers in California, Nevada, and
2 Oklahoma. The second method of allocation is similar to the second methodology utilized in
3 both California and Nevada, but it utilizes 2015 HCLS and ICLS to determine the pro-rata
4 allocation of A-CAM support between intrastate and interstate jurisdictions rather than the
5 HCLS and ICLS received in the year prior to the A-CAM election. The third methodology is
6 the same as the third allocation methodology that I identified in Nevada, utilizing current
7 year calculations of HCLS and CAF BLS to determine the pro-rata allocation of A-CAM
8 support between intrastate and interstate jurisdictions. The A-CAM allocation
9 methodologies are utilized in annual earnings reports as well as requests for additional Texas
10 Universal Service Funding.

11

12 **Conclusion**

13 **Q. 11: Please summarize your testimony.**

14 A. 11: In summary, there are a variety of A-CAM allocation methodologies used by state
15 regulatory commissions around the country. While the calculation of HCLS that a company
16 would have received based on their actual costs absent the A-CAM election is a reasonable
17 allocation methodology and an appropriate “safe harbor”, there are other methodologies that
18 may better reflect an individual carrier’s circumstances or address extenuating circumstances
19 that make the HCLS calculation methodology administratively burdensome. As a result, I
20 believe that setting the HCLS calculation methodology as the “safe harbor”, as proposed by
21 Mr. Schindler, is a reasonable approach, but that the Commission should also allow for
22 companies to propose other methodologies that better fit their circumstances. This flexible
23 approach has worked well in other states in which I have personal experience and I believe it

1 would also work well in Kansas.

2

3 **Q. 12: Does this conclude your testimony?**

4 A. 12: Yes.

5

1 **Verification**

2 I, Chad Duval, pursuant to K.S.A. 53-601, hereby certify under penalty of perjury under the
3 laws of the State of Kansas that the foregoing is true and correct to the best of my
4 knowledge.

5

6 Dated: January 20, 2024

7 /s/ Chad Duval

CERTIFICATE OF SERVICE

The undersigned certifies that on February 21, 2024, she served the above Testimonies of Limited Intervenors by electronic mail service to the persons listed below as reflected on the Commission's "service list" for this docket.

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