

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

Before Commissioners: Mark Sievers, Chairman
 Ward Loyd
 Thomas E. Wright

In the Matter of the Application of Bluestem)
Telephone Company d/b/a Fairpoint Communications) Docket No. 12-BSTT-621-TAR
to Increase the Basic Local Access Line Rates.)

ORDER APPROVING TARIFF REVISIONS

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

1. On February 15, 2012, Bluestem Telephone Company, d/b/a Fairpoint Communications (Bluestem), filed an Application requesting Commission approval of tariff revisions to the company's General Exchange Tariff increasing its residential local service rates by \$1.50 per month in the Staffordville and Cedar Point exchanges, and by \$1.38 per month in its Americus exchange, pursuant to K.S.A. 66-2007(b). Bluestem stated that it had capital expenditures in its telephone plant and facilities of approximately \$432,000, which precipitated its requested service rate increases. Bluestem included with its Application two exhibits: Exhibit A, which includes its present rates, the proposed rate increases, and the resulting revenue increase, and Exhibit B, the company's *Notice of Proposed Rates* (Notice) sent to its customers.

2. On May 14, 2012, the Commission Staff (Staff) submitted its Report and Recommendation dated May 8, 2012, recommending the Commission grant Bluestem's Application and approve the requested rate increases, as requested, to become effective as of June 1, 2012.

3. According to Staff, Bluestem has two different residential rates. Bluestem

proposes to raise its residential service rate in the Staffordville and Cedar Point exchanges from \$13.74 to \$15.24 per month, and the residential service rate in the Americus exchange from \$13.86 to \$15.24 per month. The local rate increase will result in the company receiving an additional \$11,548.08 in local service revenues annually. Citing the full text of K.S.A. 66-2007(b), which will not be repeated here, Staff points out that the Commission shall approve, upon not more than 120 days' notice, in any one year, proposed basic local exchange price increase(s) of any rural telephone company that is subject to traditional rate of return regulation, so long as the increase(s) are \$1.50 or less per access line per month. K.S.A. 66-2007(b) further provides that the Commission shall initiate an investigation if more than 15% of the subscribers subject to the rate increase request such an investigation within 60 days of the date of distribution of the company's notice of the proposed change. Staff states that it has examined both Exhibit A, which includes Bluestem's present rates and proposed rate increases, as well as the resulting annual revenue increase, and Exhibit B, the company's Notice to customers. Bluestem also provided updated tariff pages reflecting the proposed rate increases. Staff Report and Recommendation at pages 1 and 2.

4. Staff indicates that it has evaluated Bluestem's Notice to customers finding it to be in compliance with K.S.A. 66-2007(b) and states that the Commission's Public Affairs and Consumer Protection Office received no comments from Bluestem customers during the 60-day comment period provided in the Notice. Staff further notes that K.S.A. 2011 Supp. 66-2005(e)(1)(C) provides that effective March 1, 2007, and every two years thereafter, the Commission is required to determine a target affordable residential service rate, and that K.S.A. 2011 Supp. 66-2005(e)(2) provides that the target affordable single line business rate is to be \$3.00 more than the residential rate. In its January 12, 2011 Order issued in Docket No. 11-

GIMT-201-GIT, the Commission set the March 1, 2011 target statewide affordable rates at \$16.25 and \$19.25 for residential and single-line business service, respectively. Consequently, should Bluestem receive KUSF support in the future, its target affordable rates for residential local service for (a) the Staffordville and Cedar Point exchanges and (b) Americus exchange will be \$1.50 per month and \$1.38 per month higher, respectively, than the Commission's approved target affordable rate. Staff Report and Recommendation at pages 2 and 3.

5. The Commission adopts Staff's recommendation of May 8, 2012, as stated in its Report and Recommendation, which is attached hereto and made a part hereof by reference, and finds that Bluestem's Application should be granted and the requested tariff revisions approved.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. Bluestem Telephone Company, d/b/a Fairpoint Communications' Application requesting approval of revisions to its General Exchange Tariff increasing its residential local service rates in the Staffordville, Cedar Point and Americus exchanges is hereby granted and the requested tariff revisions are hereby approved and shall become effective June 1, 2012, as requested.

B. The parties have fifteen (15) days, plus three (3) days if service of this order is by mail, from the date this order was served in which to petition the Commission for reconsideration of any issue or issues decided herein. K.S.A. 66-118b; K.S.A. 2010 Supp. 77-529.

C. The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further order, or orders, as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Sievers, Chmn.; Loyd, Comm.; Wright, Comm.

Dated: MAY 21 2012


ORDER MAILED MAY 21 2012

Patrice Petersen-Klein
Executive Director

oan



1500 SW Arrowhead Road
Topeka, KS 66604-4027

Phone: 785-271-3100
Fax: 785-271-3354
<http://kcc.ks.gov/>

Mark Sievers, Chairman
Ward Loyd, Commissioner
Thomas E. Wright, Commissioner

Sam Brownback, Governor

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chairman Mark Sievers
Commissioner Ward Loyd
Commissioner Thomas E. Wright

FROM: Kelly Mabon

DATE: May 8, 2012

DATE SUBMITTED TO EXECUTIVE DIRECTOR: 5/9/12

DATE SUBMITTED TO LEGAL: 5/9/12

DATE SUBMITTED TO COMMISSIONERS: 5/14/12

SUBJECT: Docket No. 12-BSTT-621-TAR
In the Matter of the Application of Bluestem Telephone Company d/b/a Fairpoint Communications to Increase the Basic Local Access Line Rates.

BACKGROUND:

On February 15, 2012, Bluestem Telephone Company d/b/a Fairpoint Communications (Bluestem) filed an Application, stating it had capital expenditures in its telephone plant and facilities of approximately \$432,000. Thus, Bluestem requested permission to raise its residential local service rates \$1.50 per month in the Staffordville and Cedar Point exchanges and \$1.38 in its Americus exchange pursuant to K.S.A. 66-2007(b). Staff recommends approval of this Application.

K.S.A. 66-2007(b) states:

The commission shall approve, upon not more than 120 days' notice, any basic local exchange price increases that in the aggregate in any one year are \$1.50 or less per access line per month, that are proposed by any rural telephone company which is subject to traditional rate of return regulation and that comply with the requirements of this section. Any such proposed price increases shall be presumed reasonable and not subject to commission investigation and review if the rural

telephone company has followed the notice requirements set forth below. However, the commission shall initiate an investigation if more than 15% of the subscribers subject to the rate increase request such an investigation within 60 days of the date of distribution of the notice of the proposed change.

Upon filing such an application for a rate increase, any rural telephone company seeking expedited approval of the proposed rate under this section shall send a notice to its subscribers by regular mail, which may be included with regular subscriber mailings. Such mailings shall include the name, mailing address and telephone number of the commission. The notice shall include a schedule of the proposed local exchange rates, the effective date of the rates and a description of the procedures by which the subscribers can petition the commission to determine the reasonableness of the proposed rates, including a provision specifically stating that protest by 15% or more of subscribers subject to the proposed rate increase would require the commission to initiate an investigation concerning the reasonableness of the proposed rate increase.

Bluestem provided two exhibits with its Application. Exhibit A included the present rates, the proposed rate increases, and the resulting annual revenue increase. Exhibit B was a copy of the "Notice of Proposed Rates" Bluestem sent to its customers. The notice stated that the rate increase would not occur earlier than 60 days or more than 120 days from the date of notice. The customer notice also stated that a customer could petition the Commission regarding the reasonableness of the rate increase and that the Commission would be required to initiate an investigation if more than fifteen percent (15%) of the Company's subscribers protest the rate increase. The Company also provided updated tariff pages to reflect the proposed rate increases.

Bluestem has two different residential rates. The Company proposes to raise its residential service rate in the Cedar Point and Staffordville exchanges from \$13.74 to \$15.24 and the residential service rate in the Americus exchange from \$13.86 to \$15.24 a month. The local rate increase will result in the Company receiving an additional \$11,548.08 in local service revenues annually.

ANALYSIS:

Staff evaluated Bluestem's customer notice and finds it is appropriate and complies with K.S.A. 66-2007. Pursuant to K.S.A. 66-2007(b), the statutorily required comment period is 60 days from customer notice. Thus, comments were due to the Commission's Public Affairs and Consumer Protection Office by Monday, April 30, 2012. The Commission is required to approve aggregate increases of \$1.50 or less per line per year pursuant to K.S.A. 66-2007(b), unless at least 15% of Bluestem's subscribers comment or object. Attachment A is a memorandum from the Commission's Public Affairs and Consumer Protection Office stating it did not receive any complaints regarding Bluestem's proposed rate increase.

K.S.A. 66-2005(e)(1)(C) required the Commission to determine a target affordable residential local service rate, effective March 1, 2007, and every two-years thereafter. K.S.A. 66-2005(e)(2) provides that the affordable single-line business rate will be \$3.00 more than the residential rate. In its January 12, 2011, Order Setting the Kansas Universal Service Fund Assessment Rate for

Year Fifteen, Setting Target Rates for Rural Local Exchange Companies, and Canceling Hearing in Docket No. 11-GIMT-201-GIT, the Commission adopted statewide target affordable rates of \$16.25 and \$19.25 for residential and single-line business service, respectively. On a going-forward basis, if Bluestem applies for KUSF support, its target affordable rates will be \$1.50 higher in the Staffordville and Cedar Point exchanges and \$1.38 higher in the Americus exchange than the rates approved by the Commission.

K.S.A. 66-2005(e)(5) requires that a rural LEC that increases local service rates after February 20, 2002, pursuant to K.S.A. 66-2007(b) will have an affordable rate that is increased by an equal amount of the rate increase under K.S.A. 66-2007(b). Thus, the Cedar Point and Stafford exchanges will have an affordable rate that is \$1.50 greater than the residential rate adopted by the Commission, and the Americus exchange will have an affordable rate that is \$1.38 greater than the adopted affordable rate.

Bluestem's KUSF support was reduced to zero, effective June 1, 2003, as determined in Docket No. 01-BSTT-878-AUD. As of March 1, 2011, Bluestem had not increased its local service rates towards the statewide target affordable rates for rural LECs.

RECOMMENDATION:

The evaluation of Bluestem's Application and Exhibits shows they are in compliance with K.S.A. 66-2007(b). Bluestem's customers did not register any written or oral complaint with the Commission's Public Affairs and Consumer Protection Office; therefore, the Company's Application to increase its rates up to \$1.50 per line per year should be approved.

Staff recommends that the Commission approve Bluestem's filing, effective June 1, 2012, as requested by the Company.

1500 SW Arrowhead Road
Topeka, KS 66604-4027



Phone: 785-271-3100
Fax: 785-271-3354
<http://kcc.ks.gov/>

Mark Sievers, Chairman
Ward Loyd, Commissioner
Thomas E. Wright, Commissioner

Sam Brownback, Governor

MEMORANDUM

To: Chairman Sievers
Commissioner Loyd
Commissioner Wright

From: Jesse Borjon, Director
Public Affairs and Consumer Protection

Date: May 2, 2012

Re: Public Comment Period
Docket No. 12-BSTT-621-TAR

No comments were received by the Public Affairs and Consumer Protection office during the public comment in the Matter of the Application of Bluestem Telephone Company d/b/a Fairpoint Communications to Increase the Basic Local Access Line Rates. The public comment period ended April 30, 2012.

Please contact me if you have any questions.

Cc: Patti Petersen-Klein
Otto Newton
Kelly Mabon
Gail Alderson

PLEASE FORWARD THE ATTACHED DOCUMENT (S) ISSUED IN THE ABOVE-REFERENCED DOCKET TO THE FOLLOWING:

NAME AND ADDRESS	NO. CERT. COPIES	NO. PLAIN COPIES
PATRICK MORSE BLUESTEM TELEPHONE COMPANY, INC. PO BOX 199 DBA FAIRPOINT COMMUNICATIONS DODGE CITY, KS 67801-0199		
OTTO NEWTON, LITIGATION COUNSEL 1500 SW ARROWHEAD ROAD TOPEKA, KS 66604 ***Hand Delivered***		
TOM MAURER, DIRECTOR TELCOM SUPPORT SERVICES 2800 SW WINDERMERE DRIVE TOPEKA, KS 66614-4895		

ORDER MAILED MAY 21 2012

The Docket Room hereby certified that on this _____ day of _____, 20____, it caused a true and correct copy of the attached ORDER to be deposited in the United States Mail, postage prepaid, and addressed to the above persons.