

COLLEEN R. JAMISON
JAMISON LAW, LLC

December 28, 2021

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

RE: In the Matter of an Investigation to Determine the Annual Assessment Rate for the
Twenty-Sixth Year of the Kansas Universal Service Fund, Effective March 1, 2022,
RLEC Rebuttal Testimony of Douglas Meredith, Docket No. 22-GIMT-142-GIT.

Dear Ms. Retz:

Attached for filing please find the RLEC rebuttal testimony of Douglas Meredith for filing in the above-captioned matter. We have been in contact with Commission Staff informing Staff that we are filing this rebuttal testimony. Staff has agreed to stipulate to the admissibility of the testimony and waive the scheduled January 12, 2022 evidentiary hearing.

If you have any questions, please let me know.

Sincerely,

JAMISON LAW, LLC

Colleen R. Jamison

Colleen R. Jamison

Att.

cc: Douglas Meredith
Thomas E. Gleason, Jr.
Mark Doty
Mark Caplinger

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of An Investigation to Determine)	
the Annual Assessment Rate for the Twenty-Sixth)	Docket No. 22-GIMT-142-GIT
Year of the Kansas Universal Service Fund,)	
Effective March 1, 2022		

**DIRECT TESTIMONY OF DOUGLAS MEREDITH
ON BEHALF OF THE
KANSAS RURAL LOCAL EXCHANGE CARRIERS**

December 28, 2021

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I. Witness Qualification

Q: Please state your full name, place of employment and position.

A: My full name is Douglas Duncan Meredith. I am employed by JSI, LLC (“JSI”) as Director – Economics and Policy. JSI is a telecommunications consulting firm headquartered in Greenbelt, Maryland. JSI is a full-service consulting firm, providing operational, financial, management, regulatory, marketing, and strategic assistance to independent community-based communications providers. JSI has provided telecommunications consulting services to communications providers since 1963.

Q: Please describe your professional experience and educational background.

A: As the Director of Economics and Policy at JSI, I assist clients with the development of policy pertaining to economics, pricing, and regulatory affairs. I have been employed by JSI since 1995. Prior to my work at JSI, I was an independent research economist in the District of Columbia and a graduate student at the University of Maryland – College Park.

In my employment at JSI, I have participated in numerous proceedings for rural and non-rural telephone companies. These activities include, but are not limited to, the creation of forward-looking economic cost studies, the development of policy related to the application of the rural safeguards for qualified local exchange carriers, the determination of Eligible Telecommunications Carriers (“ETCs”), the sustainability and application of universal service policy for telecommunications carriers, as well as supporting incumbent local exchange carriers in arbitration proceedings, rural exemption suspension and/or modification proceedings.

In addition to assisting telecommunications carrier clients, I have served as the

25 economic advisor for the Telecommunications Regulatory Board of Puerto Rico
26 since 1997. In this capacity, I provide economic and policy advice to the Board
27 Commissioners on telecommunications issues that have either a financial or
28 economic impact on carriers or end-users. I have participated in a number of
29 arbitration panels established by the Board to arbitrate interconnection issues under
30 Section 252 of the Telecommunications Act of 1996. Many of these arbitration
31 decisions have been appealed to and upheld by the U.S. Court of Appeals, First
32 Circuit.

33 I have participated in numerous national incumbent local exchange carrier and
34 telecommunications groups, including those headed by NTCA—The Rural
35 Broadband Association (including OPASTCO), USTelecom, and the Rural Policy
36 Research Institute. My participation in these groups focuses on the development of
37 policy recommendations for advancing telecommunications capabilities in rural
38 communities, universal service, and other policy matters.

39 I have a Bachelor of Arts degree in Economics from the University of Utah, and a
40 Master's Degree in Economics from the University of Maryland – College Park.
41 While attending the University of Maryland – College Park, I was a Ph.D. candidate
42 in Economics, having completed all coursework, comprehensive and field
43 examinations for a Ph.D. in Economics.

44 **Q: Have you testified previously in federal and state regulatory proceedings on**
45 **telecommunications issues?**

46 **A:** Yes. In addition to providing testimony before this Commission in 2020, I have
47 testified live or in pre-filed regulatory testimony in various states including Arizona,
48 Colorado, Georgia, Indiana, Maine, Michigan, Montana, North Dakota, New
49 Hampshire, New York, Oklahoma, South Carolina, Tennessee, Texas, Utah,

Vermont, and Wisconsin. I have also participated in regulatory proceedings in many other states that did not require formal testimony, including Florida, Louisiana, Mississippi, South Dakota, Puerto Rico, and Virginia. In addition to participating in state regulatory proceedings, I have participated in federal regulatory proceedings through filing of formal comments in various proceedings and submission of an economic report in an enforcement proceeding.

Q: On whose behalf are you testifying in this proceeding?

A: I am providing testimony on behalf of the Kansas Rural Local Exchange Carriers (“Rural Carriers” or “RLECs”) listed in Exhibit DDM-01.

Q: Was this testimony prepared by you or under your direct supervision?

A: Yes.

II. Introduction

Q: Please provide a summary of your testimony.

A: In my examination of the calculations proposed by Ms. Sandra Reams in this proceeding, I address one apparent computational error related to the projected Kansas Universal Service Fund (“KUSF”) Obligations for RLECs providing services in Kansas. I recommend the Commission correct its Contingency Allowance for purposes of calculating the annual assessment for the twenty-sixth fiscal year (“FY26”) of the KUSF.

Q: How important is universal service for RLECs operating in Kansas?

A: For Kansas citizens that live in areas served by the RLECs, universal service may be the single most impactful telecommunications policy. Its purpose is to ensure that all citizens have access to basic and advanced telecommunications services at

73 affordable rates, with reasonably comparable service quality across the nation. Since
74 the United States operates in a dual Federal/state jurisdictional framework, the
75 KUSF plays an important role to ensure the availability of universal service for all
76 Kansas citizens.

77 The KUSF was mandated through the passage of the Kansas Telecommunications
78 Act of 1996 (“KTA”) with the goal of ensuring affordable voice service in the state
79 mirrors the goal of affordable service listed in the Federal Telecommunications Act
80 of 1996.¹

81 **Q: Are you familiar with a cap on the annual support paid to Kansas rural**
82 **telephone companies?**

83 A: Yes. The “KUSF cap” is an overall limit on the amount of high-cost support to rural
84 companies in a given fiscal year.

85 **III. Fiscal Year 26 Calculation**

86 **Q: Have you reviewed the KUSF FY26 calculations performed by Witness**
87 **Reams?**

88 A: Yes.

89 **Q: Do you observe any problems with the proposed calculations?**

90 A: Yes.

¹ K.S.A. 66-2001 (2019) states “It is hereby declared to be the public policy of the state to: (a) Ensure that every Kansan will have access to a first class telecommunications infrastructure that provides excellent services at an affordable price;” ... and (c) “promote consumer access to a full range of telecommunications services, including advanced telecommunications services that are comparable in urban and rural areas throughout the state. ...”

Q: What portions of the KUSF assessment calculation give rise to your concern?

A: In Exhibit SKR-1, page 1, Ms. Reams reports the FY26 gross KUSF Obligations of \$40.391 million. This amount is reduced by \$3.788 million in current reserves and is increased by \$2.745 million for a Contingency Fund Allowance, yielding a net KUSF Obligation total equaling \$39.343 million. The first problem with this calculation is that the assessment calculation does not adequately account for the total RLEC unadjusted KUSF FY26 support amount of \$31,487,518 (as reported by Ms. Reams, see page 6, line 7). The second problem I find with the assessment calculation is with the Craw-Kan Telephone Cooperative, Inc.'s ("CrawKan") pending application which seeks an additional \$5,455,217 of annual KUSF support. On December 15, 2021, in Docket No. 22-CRKT-087, KSF Staff testified that CrawKan's KUSF support should be increased by a little over \$2.1 million; however, CrawKan's rebuttal testimony is not due to be filed until December 30, 2021. Without prejudging the outcome, it is clear this case will affect FY 26 KUSF Obligations. These two potential adjustments may increase RLECs' KUSF Obligations for FY26 by up to \$6,942,735, and this does not account for unforeseen access revenue differences from the RLECs. In sum, the gross KUSF Obligations for RLECs are understated in the assessment calculation through an underfunded Contingency Fund Allowance.

Q: Are these two FY26 calculation problems you observed the only two calculation problems with the Contingency Fund Allowance?

No, there is an issue of underfunded Contingency Fund Allowance for prior fiscal years. Ms. Reams proposes to use the \$3.788 million in current reserves for FY26 disbursement obligations. As this Commission knows, the RLECs have sought judicial review of the \$30 million cap in K.S.A. 66-2008(e)(3). In that proceeding the RLECs seek recovery of the amounts by which their cost-based support was

ordered reduced for the last two months of the KUSF FY24 support and for the entire FY25.² The total of support reductions in the FY24 and FY25, under the orders subject to the pending judicial review, is \$2,877,694.³ This amount is adequately covered under current reserves, but Ms. Reams proposes to use these reserves for FY26 disbursement obligations. I recommend sufficient funds remain in reserves to account for FY24-FY25 contingencies until after the court issues a final order. (For purposes of calculating the fund adjustment, I will treat the \$2.878 million needed for FY24-FY25 reserves as a Contingency Allowance adjustment.)

Q: Does the KUSF have a Contingency Allowance to account for possible changes in the Fiscal Year?

A: Yes. The FY26 calculation has a Contingency Allowance of 7.5 percent of the adjusted KUSF Obligations, which amounts to \$2.745 million for FY26. The problem is that this Contingency Allowance is insufficient for possible known and measurable changes in KUSF contingencies. If the known FY26 contingencies were to occur, the allowance would be short \$4.198 million (\$6.943 million less \$2.745 million). Adding this amount to FY24 and FY25 known contingencies will result in the Contingency Fund Allowance being short \$7.076 million (\$4.198 million+\$2.878 million). My calculation only accounts for known contingencies for FY24-FY26 and does not include allowance for other unknown contingencies that may occur in FY26.

² *Blue Valley Tele-Communications, Inc., et al. v. Kansas Corporation Commission*, Shawnee County District Court Case No. 2021-CV-329.

³ See Staff Report and Recommendation, filed October 22, 2020, in Docket No. 20-GIMT-086-GIT, and Staff Testimony filed December 16, 2020, in Docket No. 21-GIMT-095-GIT.

IV. Recommendation

Q: What do you recommend in resolving the calculation problems you have described?

A: I recommend the Commission add to its FY26 KUSF Contingency Allowance sufficient funds to account for all potential FY26 as well as the known FY24-FY25 contingency obligations described earlier. It is in the public interest to account for all known contingencies that may occur in FY26. Since there are known and measured contingencies that exceed the proposed \$2.745 million FY26 contingency, the Commission would further the public interest by adding \$7.076 million to Ms. Reams calculation of the annual assessment calculation. This recommendation increases the annual assessment rate proposed by Ms. Reams by 2.06 percent ($\$7.076 / \$343.981 = 0.0206$).

Q: Does this end your Pre-filed Direct Testimony?

A: Yes. I request the opportunity to revise and/or supplement my testimony as new information or contentions become available.

VERIFICATION PURSUANT TO K.S.A. 53-601(a)(2)

I, Douglas Meredith, declare under penalty of perjury under the laws of the state of Kansas that the foregoing testimony is true and correct. Executed on December 28, 2021.

A handwritten signature in black ink that reads "Douglas Meredith". The signature is written in a cursive, flowing style.

Douglas Meredith

Exhibit DDM-01

Kansas Rural Local Exchange Carriers

Blue Valley Tele-Communications, Inc.
Columbus Communications Services, LLC
Craw-Kan Telephone Cooperative, Inc.
Cunningham Telephone Co., Inc.
Golden Belt Telephone Association, Inc.
Gorham Telephone Co., Inc.
H&B Communications, Inc.
Haviland Telephone Co., Inc.
Home Telephone Co. Inc.
JBN Telephone Co., Inc.
KanOkla Telephone Association
LaHarpe Telephone Co., Inc.
Madison Telephone, LLC
Moundridge Telephone Co., Inc.
Mutual Telephone Company
Peoples Telecommunications, LLC
Pioneer Telephone Association, Inc.
Rainbow Telecommunications Assoc., Inc.
Rural Telephone Service Co., Inc., d/b/a Nex-Tech
S&A Telephone Co., LLC
S&T Telephone Coop. Assoc., Inc.
South Central Telephone Assoc., Inc.
Southern Kansas Telephone Co., Inc.
Totah Telephone Co., Inc.
Tri-County Telephone Assoc., Inc.
Twin Valley Telephone, Inc.
United Telephone Association, Inc.
Wamego Telecommunications Co., Inc.
Wheat State Telephone, Inc. d/b/a Wheat State Technologies
Wilson Telephone Co., Inc.
Zenda Telephone Co., Inc.

CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the above and foregoing Rebuttal Testimony of Douglas Meredith was sent via electronic mail this 28th day of December 2021, addressed to the following as listed on this Commission's Service List for this docket as last modified on November 2, 2021:

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