

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

Before Commissioners: Shari Feist Albrecht, Chair
 Jay Scott Emler
 Dwight D. Keen

In the Matter of Craw-Kan Telephone)
Association, Inc. Filing Tariff Revisions) Docket No. 18-CRKT-491-TAR
to Approve Changes to its Local Exchange)
Tariff, Part 2 Sheet 34.)

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 record, and being duly advised in the premises, the Commission finds and concludes as follows:

1. On May 9, 2018, Craw-Kan Telephone Cooperative, Inc. (Craw-Kan) filed a Request seeking Commission approval of a reduction in its rate for its Integrated Services Digital Network Primary Rate Interface (ISDN PRI). Supplementing its Request, Craw-Kan included as an attachment a copy of its proposed Local Exchange Tariff, Part 2, 1st Revised Sheet 34, providing for an effective date of July 1, 2018.

2. Inasmuch as Craw-Kan's requested tariff change raised issues requiring further review by the Commission Staff (Staff), the Commission issued a Suspension Order on June 7, 2018 allowing Staff the additional time needed for its review.

3. 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...[t]he commission shall have 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 Commission derives its authority to review Local Exchange Carrier tariffs 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.

Pursuant to K.S.A. 66-1,189, the Commission must review rates and terms for jurisdictional telecommunications services to ensure they are “just and reasonable” and 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 Commission 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

4. On June 20, 2018, the Commission Staff (Staff) submitted its Report and Recommendation dated June 18, 2018 in response to Craw-Kan’s request. Staff notes that tariff filings usually involve offering of new services and/or an increase in rates. However, in this filing, Craw-Kan had requested a reduction. Staff indicates that the standard of “just and reasonable” required that additional investigation be undertaken given that the PRI existing rate of \$700 per month would be reduced to \$100 per month under the proposed tariff. Through Information Requests and Craw-Kan’s responses thereto, which will not be repeated here, but which are incorporated herein by reference, Staff found that four customers purchase Craw-Kan’s PRI service and that the rate reduction for the service will decrease Craw-Kan’s annual revenue by \$28,800. Staff states that Craw-Kan determined that without the reduction, its customers might be inclined to switch service to a competitor. Concluding, Staff states that it is satisfied that Craw-

¹ Report and Recommendation, footnote 1.

Kan has met all the requirements of K.S.A. 66-1,189 allowing the requested change in the tariff rate for PRI service and that PRI customers' monthly bills will be reduced accordingly. Concluding, Staff recommends the Commission grant Craw-Kan's request and approve the Company's tariff changes to become effective July 1, 2018.

5. The Commission adopts Staff's analysis and recommendation of June 18, 2018, as stated in its Report and Recommendation, which is attached hereto and made a part hereof by reference, and finds that Craw-Kan's request should be granted and the proposed replacement Local Exchange Tariff approved.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. Craw-Kan Telephone Cooperative, Inc.'s request filed May 9, 2018, is hereby granted and Craw-Kan's Local Exchange Tariff, Part 2, 1st Revised Sheet 34, is hereby approved and shall become effective July 1, 2018.

B. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).²

C. The Commission retains jurisdiction over Craw-Kan Telephone Cooperative, Inc. and the subject matter of this docket for the purpose of entering such further order, or orders, as it deems necessary.

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Keen, Commissioner

Dated: 06/26/2018



Lynn M. Retz
Secretary to the Commission

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² K.S.A. 66-118b; K.S.A. 77-503(c); K.S.A. 77-531(b).

STATE OF KANSAS



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TO: Chair Shari Feist Albrecht
Commissioner Jay Scott Emler
Commissioner Dwight D. Keen

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

DATE: June 18, 2018

SUBJECT: Docket No. 18-CRKT-491-TAR
In the Matter of Craw-Kan Telephone Association, Inc. Filing Tariff Revisions to
Approve Changes to Its Local Exchange Tariff, Part 2 Sheet 34

EXECUTIVE SUMMARY:

Staff recommends the Commission issue an Order approving the request by Craw-Kan Telephone Association, Inc. (Craw-Kan) to lower the rate for the Primary Rate Interface (PRI) offering.

The Commission action date is Friday, January 4, 2019.

BACKGROUND:

On May 9, 2018, Craw-Kan filed a request to make tariff revisions to a certain section of its Local Exchange Tariff reducing the rate for the PRI service by \$600 per month, per PRI. The proposed tariff change raised issues that required further review before the rate change could be approved. Staff recommended the Commission suspend the filing so that Staff could review the filing and submitted data request responses. The suspension was approved June 7, 2018, with a new due date of January 4, 2019.

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 Tariff filings usually involve offering of new services or/and an increase in rates. In this filing, however, the Company was requesting a reduction. Staff determined the "justness and reasonableness" of reducing the PRI existing tariff rate of \$700 per month by \$600, to \$100 per month, required further investigation.

This filing makes changes to the Local Exchange Tariff, Part 2 Sheet 34. The changes are as listed:

- Changing the monthly rate for the PRI service from \$700 per month to the new rate of \$100 per month

Staff issued six Information Requests to Craw-Kan to obtain additional information regarding the impact of reducing the rate of the PRI by \$600 per month.

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."

Information Request No. 1 requested cost information to support how lowering the rate of these services to \$100 could be considered just and reasonable as required by K.S.A. 66-1,189. Craw-Kan provided the cost information and responded that the same equipment required to provide standard voice service is part of the same equipment required to provide these services. Per Craw-Kan, the switch expense for these four PRIs would be minimal compared to the 10,000 voice lines it currently serves with the same equipment.

Information Request No. 2 requested the revenue impact of reducing the cost of PRI by \$600. Craw-Kan responded that currently four customers purchase PRI service, which would reduce the annual revenue by \$28,800. The Company had stated that without the reduction it was concerned the existing customers might be inclined to switch service to a competitor.

The new rates will decrease the anticipated revenue by approximately \$28,800 annually, as stated above per the response to Information Request 2. Craw-Kan does receive KUSF. Staff recommends approval of this Application because the reduced rates will benefit consumers and are just and reasonable.

RECOMMENDATION:

Staff is satisfied that Craw-Kan has met all the requirements of K.S.A. 66-1,189 to be allowed to change the tariff rate on the PRI service the Company offers by reducing the rate by \$600 to \$100 a month and recommends the Commission approve its tariff change request. The reduction of the rates for these services will be of benefit to its PRI customers by reducing their overall monthly bill. Craw-Kan requests the tariff changes be effective July 1, 2018.

CERTIFICATE OF SERVICE

18-CRKT-491-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 06/27/2018.

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