

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

In the Matter of a General Investigation to)	
Review the Kansas Universal Service Fund)	Docket No. 18-UTDT-356-GIT
Cap for the United Telephone Companies of)	
Kansas d/b/a CenturyLink Pursuant to K.S.A.)	
66-2008(d)(2).)	

INITIAL COMMENTS OF SPRINT

COMES NOW Sprint Communications Company L.P., Sprint Spectrum L.P. d/b/a Sprint PCS, Nextel West Corp. d/b/a Nextel, NPCR, Inc. d/b/a Nextel Partners, and Virgin Mobile USA, LLP d/b/a Virgin Mobile (collectively, "Sprint") and hereby respectfully submits these initial comments in the above-referenced docket.

1. In its Order opening the above-referenced docket, among other things, the Kansas Corporation Commission ("Commission") seeks comment from interested parties on four specific questions presented.¹ Sprint will not attempt to answer each of the Commission's questions individually, but rather, Sprint offers these initial comments to reflect broad policy considerations at this preliminary stage of the proceeding. Sprint reserves the right to file reply comments on the Commission's four questions in response to comments submitted by other parties.

2. As a general matter of statutory interpretation, Sprint does not see any disharmony between the statutory cap on KUSF support applicable to price-cap carriers under K.S.A. 66-2008(c)(1), and the statutory mandate under K.S.A. 66-2208(d)(2) requiring the Commission to "undertake a review of the capped amount of KUSF support available for each

¹ Docket No. 18-UTDT-356-GIT, Order Opening Docket; Soliciting Comments, Requiring Entry of appearance to Participate; Procedural Schedule; Feb. 27, 2018, pp. 3-4.

local exchange carrier operating under price cap regulation that receives such support . . . and determine if a lesser amount is appropriate for IUSF distributions after March 1, 2019.”² K.S.A. 66-2008(c)(1) provides that annual distributions to a price cap carrier “shall be capped” at the lesser of \$11,400,000 or 90% of KUSF support the carrier received for the 12-month period ending February 28, 2013, exclusive of Lifeline support. Common sense usage and interpretation of the word “cap” means that support received may not exceed the highest dictated amount, but does not prohibit distributions from fluctuating among amounts that are lower than the highest dictated amount.

3. Likewise, K.S.A. 66-2008(d)(2) states that the Commission “shall undertake a review of *the capped amount* of KUSF support *available* for each local exchange carrier operating under price cap regulation that receives such support . . . ” (emphasis added). The phrase “the capped amount” does not mean the Commission is to review the amount of the cap – indeed, such an exercise would be futile because the statutorily-dictated cap cannot be changed without legislative action. It simply doesn’t make sense to interpret the statute as requiring the Commission to undertake a review of a cap which the Commission lacks authority to change. Rather, use of the word “capped” is simply descriptive of the KUSF support received; i.e. indicating that amounts received are subject to an overall cap. In addition, use of the word “available” refers to the amount actually distributed or made available to the carrier, clearly contemplating that such amount may be lower than the cap.

4. Accordingly, a plain reading of these two statutes together demonstrates the legislature’s intention for the Commission to examine the amount of KUSF support made available to price cap carriers, and determine whether disbursements should appropriately be decreased, while remaining subject to the overall cap.

² K.S.A. 66-2008(d)(2).

5. Among the factors the Commission should consider in evaluating KUSF distributions to price cap carriers is the overwhelming evidence that consumers increasingly choose wireless for their communications needs. The National Center for Health Statistics reported that as of June, 2017 approximately 52.5% of U.S. households had only wireless service, 37.8% of households had both wireless and landline service, and only 5.9% relied on landline service only.³ The latest available state-specific data shows that Kansas residents have a higher wireless-only percentage than the national average (54% vs. 48.3%), and a lower landline-only percentage (5.7% vs. 7.2%).⁴ Because consumers increasingly prefer wireless service over traditional landline service, the Commission should carefully consider whether it is appropriate to continue funding at historical levels for landline networks that do not reflect current trends in consumer choice, and the near-ubiquitous availability of competition for voice service.

6. The Commission should also consider changes to the existing HCPM cost model to comply with the requirement under K.S.A. 66-2008(d)(2) that the Commission's review be based on "the forward-looking costs of providing basic voice service, using inputs that reflect the actual geography being served and that reflect the scale and scope of the local exchange carrier providing basic local voice service within each exchange."⁵ Sprint believes updating the existing HPCM cost model to incorporate changes to certain key inputs would comply with the statutory directive and would better reflect the economic realities of providing service. Staff's Report and Recommendation includes several cost model inputs that could be updated to comply with the statute, and Sprint largely agrees with Staff's suggestions; in particular the following:

³ Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, January–June 2017; <https://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201712.pdf>.

⁴ Wireless Substitution: State Level Estimates From the National Health Interview Survey, Released 08/2016; https://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless_state_201608.pdf.

⁵ K.S.A. 66-2008(d)(2).

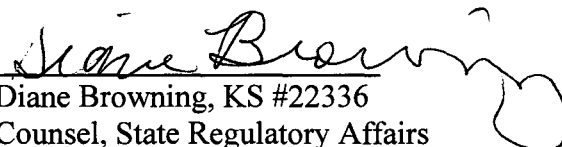
- The corporate tax rate should be changed to reflect recent changes in tax laws (21% vs. 35%).
- Cost of capital should reflect lower figures for Kansas as compared to the national average, and should reflect the lower federal standard for cost of capital from the CAF II model.
- The 125% benchmark should be increased to 135%.

7. In summary, Sprint supports the Commission's efforts to comply with the statutory directive to determine whether a decrease in KUSF support distributed to price cap carriers is appropriate for 2019 and beyond. Sprint appreciates the opportunity to provide its initial comments and looks forward to further participation in the proceeding.

Respectfully submitted this 30th day of March, 2018.

SPRINT

By:



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VERIFICATION

I, Diane C. Browning, being of lawful age duly sworn, state that I have read the above and foregoing Initial Comments and verify the statements contained herein to be true and correct to the best of my knowledge and belief.

STATE OF KANSAS
COUNTY OF JOHNSON

Diane Browning

Subscribed and sworn to before me this 30th day of March, 2018.

Judith A. Evers
Notary Public

EXPIRATION DATE: September 25, 2020.

