

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before: Brian J. Moline, Chairman
Robert E. Krehbiel, Commissioner
Michael C. Moffet, Commissioner

STATE CORPORATION COMMISSION

JUN 09 2006

In the Matter of Sage Telecom, Inc. Filing)
Tariff Revisions Adding a Public Switched)
Network Recovery Charge, Adding More)
Plan Minutes to Specified Plans, and Making)
Rate Changes.)

Docket No. 06-SAGT-1031-TAR

 Docket Room

REPLY TO STAFF RESPONSE TO PETITION FOR RECONSIDERATION

Comes now Sage Telecom, Inc. ("Sage"), by its undersigned counsel, and in reply to Staff's Response to the Petition for Reconsideration filed by the Citizens Utility Ratepayer Board ("CURB"), states the following:

1. On June 2, 2006, Staff responded to CURB's Petition for Reconsideration, raising two issues which Sage addresses in this Reply: first, whether the charge is reasonable and should be presented as a rate increase, and second, Sage's withdrawal of a similar tariff filing in Missouri.

2. With respect to the first issue, the access recovery charge was necessitated by an increase in Sage's underlying costs. In specific, AT&T raised the wholesale rate for access lines charged to Sage by \$1.00 on January 1, 2006. Sage intended to absorb the increased cost, but it soon became evident that its margins were so tightly squeezed by that increase and other cost increases (such as higher costs for employee benefits) that a rate increase was necessary. However, by that time Sage's principal competitors in Kansas had received Commission approval of tariffs which incorporated discrete charges for access cost increases (e.g., Xpedius' tariff docket cited in footnote 4 of Sage's Reply to CURB), so it was competitively impossible

for Sage to initiate a general rate increase. For that reason -- and not to pass on any government-mandated charge or to disguise a rate increase -- Sage filed its proposed tariff.

3. Similar tariff filings were approved in nearly all of the twelve states in which Sage provides service. The only states in which the discrete access recovery charge was not implemented were Ohio, where no other competitor had implemented discrete charges, so Sage could remain competitive while proposing a general rate increase, and Missouri. The Missouri situation is addressed below.

4. Sage filed a tariff change seeking approval of the access recovery charge in Missouri. Before the tariff became effective, the Office of Public Counsel (CURB's counterpart in Missouri) sought suspension and the Missouri Commission agreed. Sage and the Missouri Staff negotiated an agreement that called for a clear explication of the charge on the customer invoice, but by the time the agreement was negotiated the Missouri Commission had set the case for hearing many months in the future. Given the small number of customers Sage has in Missouri (far fewer than in Kansas, for example), Sage made the business decision to withdraw the tariff filing, as the increased revenues which the charge would yield were far outweighed by the cost of a contested proceeding. The Missouri Commission made no decision on the merits.

5. Sage clearly informs new customers that the access recovery charge is not government-mandated. As demonstrated by Sage's customer "Welcome Packages," which are sent to all new customers, the access recovery charge "is not a tax or fee imposed by a government entity." See attached Exhibits A and B (Ex. A was used through April, 2006; Ex. B was substituted in May, 2006). To reiterate the point made in Sage's Reply to CURB, Sage fully discloses the nature, purpose, and amount of the access recovery charge. Customers are given clear guidance on the charge.

Wherefore, Sage respectfully requests that the Commission deny CURB's Petition for Reconsideration.

Respectfully submitted,



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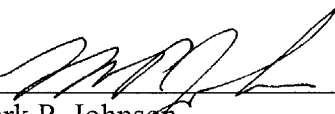
ATTORNEYS FOR SAGE TELECOM, INC.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via First-Class United States mail, postage prepaid, on this 9th day of June, 2006, to:

C. Steven Rarrick
David Springe
Citizens' Utility Ratepayer Board
1500 SW Arrowhead Road
Topeka, KS 66604

Eva Powers
Bret Lawson
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604-4027



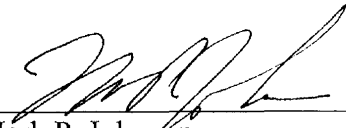
Mark P. Johnson

VERIFICATION

STATE OF MISSOURI)
)
COUNTY OF JACKSON) ss.


I, Mark P. Johnson, being duly sworn upon oath, depose and state that I am an attorney for Sage Telecom, Inc., I am authorized to make this verification on its behalf, I have read the foregoing, know the contents thereof, and the statements contained therein are true to the best of my knowledge, information and belief.

Further Affiant sayeth not.



Mark P. Johnson

Subscribed and sworn to before me this 9th day of June, 2006.



Notary Public

My commission expires:

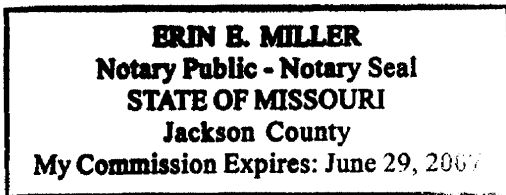


EXHIBIT A

The lowdown on taxes, fees and other charges.

Unlike some other telephone companies, we do NOT charge for these items:

- Touchtone Service
- 911 Equalization Surcharge
- Federal Telecommunications Relay
- North American Numbering Plan
- Expanded Local Calling Fee
- Rate Group Classification Fee
- Long Distance Plan Fee

The following taxes and fees are collected pursuant to federal regulations:

Federal Excise Tax	All local and long distance services are subject to 3% federal excise tax.
Interstate Subscriber Line Charge	A fee that pays for some of the cost of the local portion of the telephone network.*
Federal Universal Service Reimbursement	Fees are used to fund programs for schools, libraries, low-income consumers, rural health care providers and to subsidize telephone service in high-cost rural areas.

The following taxes and fees are collected pursuant to state and local regulations:

State Universal Service	Fees are used to fund programs for the hearing impaired, low-income subscribers and to subsidize the cost of telephone service in rural and high-cost areas.
911 Emergency Service Fee	Fees pay for the emergency telecommunications system for police, fire and medical services.
State and Local Sales Tax	Depending on your location, telephone services are subject to state and local sales taxes (including cities, counties, special purpose districts and transit authorities).
Municipal Fee	A franchise fee paid to your local government for providing telephone service.
Gross Receipts Tax	In some states, taxes are assessed against the total of customer billings.
Telecommunications Relay Service	In some states, a fee is assessed on telephone lines to support telephone service for the hearing impaired and disabled.
Public Switched Network Recovery Charge	This charge is used to offset increased costs incurred in gaining access to incumbent telephone company networks.*

* This charge is not a tax or fee imposed by a governmental entity.

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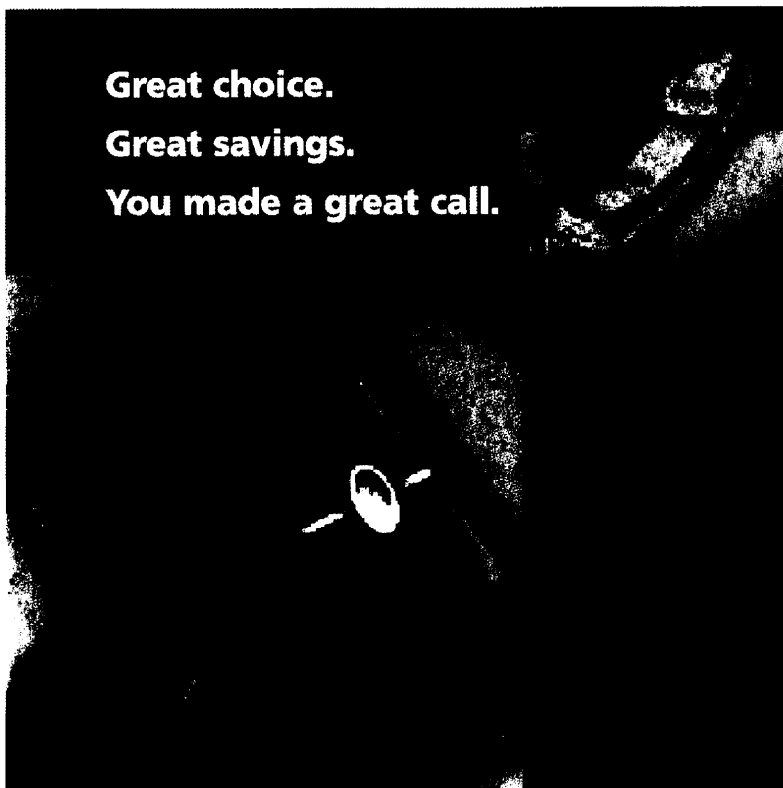
"Hello."

Welcome to Sage.

Great choice.

Great savings.

You made a great call.





Since you're
new to the
Sage family,
we thought
you might

have a **few**
questions.



**You can always ask us
about anything, anytime.
Just call 1-888-449-4940 or
visit www.sagetelecom.net.**

Q. What's so different about Sage?

A. That's an easy one. At Sage, savings are simple. Our calling plans combine low rates on local service with FREE long distance minutes every month, and calling features to save you money.

Q. When do my free long distance minutes start?

A. Right now! You will receive a credit for free long distance minutes used every month, starting with your second bill.

Q. How is my free long distance credit calculated?

A. Your free long distance credit is calculated by taking the free 1+ minutes used each month times your long distance rate per minute. The number of FREE minutes and the dollar amount of your credit are based on the Sage local service plan you selected.

Q. Why am I charged taxes and service fees?

A. Every telephone company has to collect some taxes and fees, as required by law. However, we DON'T charge for certain fees that other phone companies do. For an explanation of taxes, fees and other charges, please see the back of this brochure.

Q. Who do I call if I need help with my billing or service?

A. At Sage, service to our customers is our #1 priority. That's why our friendly Customer Service Representatives are available 24 hours a day, 7 days a week, 365 days a year to answer your call. Talk to us anytime at 1-888-449-4940 or visit us at www.sagetelecom.net. We never close.



Simply about savings

EXHIBIT B

UNDERSTANDING YOUR BILL

Paying your bills are never easy, but with Sage, we try to make it as EASY as possible.



Each month, you'll get a simple easy-to-read combined bill for all your communications services with Sage. Also, we've created this map of your bill to help you quickly locate the answer to your most important questions.

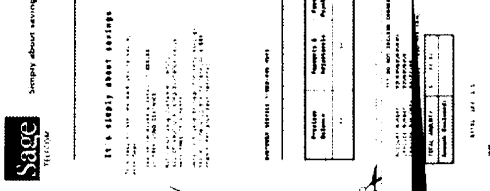
Sage
TELECOM

Simply About Savings

YOUR SAGE BILL

HOW MUCH HAVE I SAVED WITH SAGE?
Look here for the savings you have received and/or credits earned as a Sage customer.

HOW DO I PAY?
To pay by check, credit/debit card, or Auto-pay, detach and complete the Payment Stub. Pay online at www.sage telecom.com (go to "My Sage Account") or pay by phone using our automated system.



WHEN DO I HAVE TO PAY?
Here is the due date for your bill. If you're on a payment plan, you'll see the due date for each payment. You'll also see the amount due for each payment.

HOW CAN I GET IMPORTANT INFO ABOUT MY ACCOUNT?
Look to this message from Sage for opportunities to save more with Sage and other general customer service communications that may be of interest to you.

HOW MUCH DO I OWE?
Find your total amount due here, which includes any past due balances.

WHERE'S MY FREE LONG DISTANCE?
If you received free long distance minutes with your plan, look here to see your credit for the minutes you used each month. Your first bill is in advance for your local service only, so your LD credits will begin with your second bill. Your free minutes start now, so start using them right away!

WHERE ARE MY FREE FEATURES?
Look here for the free and optional calling features and services you have with your plan. See the reverse side of this page for information on using our most popular features. If you have Voice Mail or Wire Maintenance, look for information in your mail.

STATE, LOCAL AND FEDERAL REGULATIONS

Unlike some other telephone companies, we do NOT charge for these items:

- Long Distance Service
- Local Service
- Payphone Service
- Payphone Call Fee
- Long Distance Call Fee
- Long Distance Plan Fee

Great Choice. Great Savings. You made the right call.

THE FOLLOWING TAXES AND FEES MAY BE ASSESSED:

- Local Service Tax
 - Excise Tax
 - Interest Subsidy Tax
 - Form Charge
 - Federal Universal Service
 - Number Portability Service Charge
 - State Universal Service Fee
 - 911 Emergency Service Fee
 - State and Local Sales Tax
 - Municipal Fee
 - Gross Receipts Tax
 - Local Communications
 - Relay Service
 - Public Safety Network Recovery Charge
- * This charge is not a fee imposed by governmental entity.