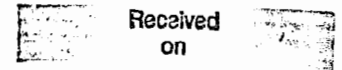


**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**



JUN 14 2013

by
State Corporation Commission
of Kansas

Before Commissioners: Chairman Mark Sievers
Commissioner Thomas E. Wright
Commissioner Shari Feist Albrecht

In the Matter of a General Investigation to Review the)
Kansas Lifeline Service Program (KLSP) to)
Determine the Impact of the Increase in the Statewide) Docket No. 13-GIMT-597-GIT
Affordable Residential Rate for Rural Local Exchange)
Carriers to Their Lifeline Subscribers and Whether the)
\$7.77 Monthly Credit Should be Modified)

VERIZON'S INITIAL COMMENTS

MCImetro Access Transmission Services LLC d/b/a Verizon Access Transmission Services ("Verizon"), through its counsel and pursuant to the Commission's April 17, 2013 "Order Opening General Investigation" ("Order"), respectfully submits these initial comments urging the Commission to recognize the full \$9.25 per month federal Lifeline credit for non-Tribal Lifeline subscribers in calculating a new monthly Kansas Lifeline Service Program ("KLSP") credit.¹

As noted previously in Verizon's Initial Comments in Docket No. 13-GIMT-260-GIT, Kansans pay one of the highest state universal service surcharge rates in the country.² Kansas customers of telecommunications carriers, telecommunications public utilities, wireless telecommunications services providers and interconnected Voice over Internet Protocol ("VoIP") providers currently pay a 6.42% surcharge on the intrastate portion of their monthly phone bills

¹ Verizon reserves its right to file reply comments on all issues after reviewing the submissions of other parties.

² See "Verizon's Initial Comments," *In the Matter of a General Investigation to Review and Determine Whether the Kansas Universal Service Fund ("KUSF") Should Support All Lines or Be Limited to a Primary Line, Whether KUSF Support Available to Competitive Eligible Telecommunications Providers Should Be Limited, and Other Appropriate Issues Related to Initial or Supplemental KUSF Support*, Docket No. 13-GIMT-260-GIT (December 10, 2012) at 1-2. The Commission recently closed this docket because HB 2201 largely mooted it. See "Order Closing Docket" (May 30, 2013).

to fund the KUSF – an increase from the 6.13% surcharge that had been in place at the time Verizon filed those earlier comments at the end of 2012.³ This burden is on top of a hefty federal USF surcharge set at 15.1% for the third quarter of 2013.⁴ As Verizon noted in the 13-GIMT-260-GIT proceeding, the Commission should continually strive to reduce or eliminate the financial burden that the KUSF imposes on consumers. Recognizing the full \$9.25 per month federal Lifeline credit for non-Tribal Lifeline subscribers when calculating a new monthly KLSP monthly credit is a tangible way in which the Commission can help control the continued growth of the KUSF and the attendant burden it places on Kansas ratepayers.⁵

As the March 29, 2013 Staff Report and Recommendation (“Staff Report”) attached to the Order notes, current KLSP disbursement and credit data indicate that “the KLSP could experience the most significant growth ever, with the growth likely resulting from wireless providers receiving ETC designation for Lifeline services.” Staff Report at 4-5. Even with the Federal Communications Commission’s admirable efforts to combat waste, fraud and abuse in the federal Lifeline program (*id.* at 5), it is imperative that this Commission do whatever it can to combat unharnessed growth of the KUSF.

Recognizing the full \$9.25 federal Lifeline credit in reevaluating and recalculating the monthly KLSP credit will help avert situations in which a company’s local service rate could

³ See “Order Setting the Kansas Universal Service Fund Assessment Rate for Year Seventeen and Setting Affordable Rates for Rural Local Exchange Carriers,” *In the Matter of a General Investigation to Determine the Assessment Rate and the Affordable Local Service Rates for Rate-of-Return Regulated Carriers for the Seventeenth Year of the Kansas Universal Service Fund Effective March 1, 2013*, KCC Docket No. 13-GIMT-130-GIT (January 16, 2013).

⁴ See Public Notice, “Proposed Third Quarter 2013 Universal Service Contribution Factor,” DA 13-1361 (rel. June 12, 2013), available on-line at <http://www.fcc.gov/document/proposed-3rd-quarter-usf-contribution-factor-151>. As of the date of these comments, the proposed factor is not final, but it will be deemed approved unless the FCC takes action to the contrary by June 26, 2013.

⁵ Historically, the Commission has not recognized the up to \$6.50 per month Tier 1 Federal Lifeline credit in determining the level of the KLSP credit. Staff Report at 7.

wind up being less than zero after all support is considered. The Staff Report indicates that this could occur unless the Commission reduces the current \$7.77 KLSP credit. *Id.* at 7. While the Commission has an obligation to ensure the continued availability of universal service, it must also prevent the unfettered growth of the KUSF through adoption of an excessive KLSP credit that results in completely free service (the costs of which excessive subsidies must be financed by the customers of competitors). Such subsidies translate into a larger KUSF and higher KUSF surcharges imposed on Kansas consumers, and may ultimately force Kansans to scale back or cancel their communications services. As the Fifth Circuit noted years ago, “[b]ecause universal service is funded by a general pool subsidized by all telecommunications providers – and thus indirectly by the customers – excess subsidization in some cases may detract from universal service by causing rates unnecessarily to rise, *thereby pricing some consumers out of the market.*”⁶ The Commission should strive to avoid this result by keeping the KUSF in check to the greatest extent possible. Verizon thus urges the Commission to avert undesirable and wasteful results by recognizing the full \$9.25 federal Lifeline credit in its calculation of a new monthly KLSP credit.

Conclusion

The Commission should take the opportunity to reduce the financial burdens it places on Kansas consumers already paying one of the highest state USF assessments in the country by recognizing the full \$9.25 monthly federal Lifeline credit for non-Tribal Lifeline subscribers in calculating a new monthly KLSP credit, preventing the excess subsidization that would result from maintaining the current \$7.77 KLSP credit despite changes in federal law.

Dated: June 14, 2013

⁶ See *Alenco Communications, Inc. v. FCC*, 201 F.3d 608, 620 (5th Cir. 2001).



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CERTIFICATE OF SERVICE

I certify that on the 14th day of June, 2013, a true and correct copy of the above and foregoing document was deposited in the U.S. mail, postage prepaid addressed to those persons listed on the attached service list.



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