

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairperson Don Myers at 9:00 a.m. on February 17, 1998 in Room 313-S of the Capitol.

All members were present except: Rep. Sloan - excused

Committee staff present: Lynne Holt, Legislative Research Department  
Mary Ann Torrence, Revisor of Statutes  
Mary Shaw, Committee Secretary

Conferees appearing before the committee: Jan Kruh, AARP  
Kendall Mikesell, Southern Kansas Telephone Company  
Richard Lawson, Sprint  
Karen Matson, KCC

Others attending: See attached list

Chairman Don Myers opened the meeting to discussion of the minutes that were distributed last week for the meetings of January 27, January 29, January 30, February 2, February 3 and February 4. The Chairman recognized Representative Dreher who made a motion to accept the minutes as distributed. Representative Alldritt seconded the motion. Motion carried.

**Hearing on HB 2802 - Two-year freeze on KUSF rates**

The Chairman asked Staff, Mary Ann Torrence, Revisor of Statutes Office, to brief the Committee on **HB 2802**.

The Chairman recognized Jan Kruh, proponent, Congressional District Coordinator, AARP/VOTE, who testified in support of **HB 2802**. Ms. Kruh indicated that AARP urges that the KCC be given the authority for revision of KUSF rates based on audits of revenues and actual expenses. Also AARP recommends that the cap for KUSF funding should extend beyond the two-year period now in **HB 2802** and that costs of enhanced services be eliminated from the KUSF. (Attachment#1)

The Chairman recognized Kendall Mikesell, opponent, President of Southern Kansas Telephone Company, Clearwater, representing thirty-five independent telephone companies of Kansas, who testified in opposition of **HB 2802**. Mr. Mikesell indicated that on behalf of the thirty-five independent telephone companies from across Kansas encourage the Committee to defer action on **HB 2802** and that legislative action would be premature until the Kansas Supreme Court has ruled on parts of the Kansas Telecommunications Act. (Attachment#2)

The Chairman recognized Richard Lawson, opponent, Sprint - State Executive - Kansas and Missouri, who testified in opposition to **HB 2802**. Mr. Lawson mentioned that Sprint believes it is premature for the Legislature to take any action that would change how the KUSF functions. (Attachment#3)

The Chairman recognized Karen Matson, neutral party, Chief of Telecommunications for the Kansas Corporation Commission, who spoke on behalf of the Commission Staff regarding **HB 2802**. In summary, the KCC mentioned the anticipated effect of the proposed change is that consumers will benefit for two years in that the assessment or monthly additive would not be increased. Also, after the two years, when the cap is removed, staff expects the KUSF level will move to approximately the same point as if the cap had not been in place. (Attachment#4)

Questions and discussion followed. The Chairman announced that the hearings on **HB 2802** will continue tomorrow.

The Chairman recognized Representative Aurand, Chairman of the Sub-Committee on **Sub for HB 2649**, who announced that the Sub-Committee will meet tomorrow, February 18, in Room 529-S at 10:00 a.m.

The meeting was adjourned at 10:00 a.m.

The next meeting is scheduled for February 18, 1998.

# HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: February 17, 1998

NAME	REPRESENTING
Carroll O'Neil	ATT
Michael Reepht	"
Tom Leches	McGill's Assn.
MORE ECKINS	Cellular One
Jim Youally	Cellular One
Teresa Neher	Cellular One
Larrie Ann Brown	KS Govt Consulting
WALKER HENDRIX	CURB
Jan Kemp	AARP
Carlotta	SWB
Bill Drefel	SWBT
Rosa Belen	KAPR
KENDALL MILCEBELL	SOUTHERN KANSAS TELEPHONE
Tom Gleason	Independent Telecom Group
CARL KREHBIEL	MOUNDRIEGE TELEPHONE CO.
Doug Smith	SITA
John Pinegar	SITA
MARK CAPLINGER	SITA
Dave Dittmore	KCC





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CONSUMER CONCERN RE KUSF CHARGES

Statement to House Committee on Utilities

JAN KRUH

Congressional District Coordinator, AARP/VOTE

February 17, 1998

Statement to: Don Myers (Chairperson), Clay Aurand (Vice Chairperson), Dennis McKinney (ranking minority member), Richard Alldritt, Tom Burroughs, Stanley Dreher, Joe Humerickhouse, Dan Johnson, Tom Klein, Annie Kuether, Carlos Mayans, Laura McClure, Ellen Samuelson, Tom Sloan, Lloyd Stone, Dixie Toelkes, Billie Vining

KUSF -- Current law allows collection of user fees for the Kansas Universal Service Fund with no verifiable relation to cost. Local telephone exchange companies can use the fund for a variety of expenditures unrelated to providing basic service. Phone rates are going up unfairly without a sound business justification.

The KCC needs authority to audit and revise KUSF fees based on actual cost House Bill 2802 would provide for KCC review of fees relative to costs, with a cap that needs to extend beyond the year 2000. SB 666 would provide other consumer safeguards. However, House Bill 2830 exempts public agencies and would increase prices for the general public.

My name is Jan Kruh, and I have been an AARP volunteer working in the governmental utilities area since 1994. Today I would like to address the question of rates set for customer fees paid into the Kansas Universal Service Fund as specified in the Kansas Telecommunications Act.

AARP has followed legislation to deregulate telecommunications services and the debate over telephone pricing. There is now a provision for a Universal Service Fund, a concept designed to ensure affordable basic telephone service to all customers as rates are being rebalanced. We endorse the concept of universal service, but we are alarmed that little attention was given to reviewing and justifying the cost basis of fees paid into the Universal Service Fund.

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Attachment 1

As a result, the fees were established arbitrarily at \$2 per month for Sprint/United and Southwestern Bell Telephone Company effective March 1, 1997. In addition, the KCC set an assessment of 9.89% for toll and cellular services. Additional charges were to go into effect on March 1, 1998, but these have been stayed by the Kansas Supreme Court.

The problem is that this pricing scheme is unfair because there is no provision for audits to show that the fees bear any relation to the changes in revenue under rate rebalancing. It was even argued that the cost of providing universal service was irrelevant. So we are now in a position where local exchange companies have increased the rates paid by most residential customers without a way of relating the increases to actual cost experience.

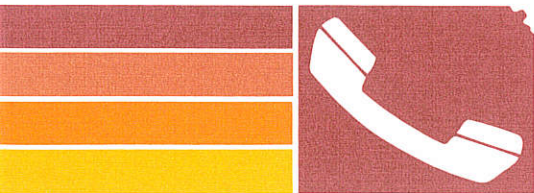
The problem is really worse than this because monies from the KUSF may be used for a number of purposes not even related to providing universal service. At present, monies are being collected with no cost rationale. And there are no restrictions against their being used, for example, to develop high tech services which are not part of basic service. Prior to deregulation, it was understood that local exchange companies provided these and other kinds of system enhancements through earnings.

It is imperative that the KCC should be allowed to review and revise the KUSF charges against actual cost experience in providing basic service. Without such audits there is every reason to expect that KUSF charges will continue to increase. Local exchange companies will see a continued accumulation of new revenues. AARP believes that this would be an unsound and unfair position to put telephone customers in -- especially residential users for whom the KUSF was supposed to provide basic service.

The current situation is complicated, and there are other problems. For example, I just mentioned that high tech enhanced services (such as upgrades to exchange networks, high speed lines, and fiber connectivity) are now allowed to be paid for from the KUSF. This goes beyond the concept of providing basic universal service. Also, House Bill 2830 would exempt public institutions from the KUSF fees, thereby increasing rates for remaining customers dramatically.

In conclusion, AARP strongly urges that the KCC be given the authority for revision of KUSF rates based on audits of revenues and actual expenses. We need to know how much it actually costs to provide basic universal service. AARP also recommends that the cap for KSUF funding should extend beyond the two-year period now in House Bill 2802 and that the costs of enhanced services be eliminated from the KUSF. Further, we would oppose the selective exemption of public institutions as provided in House Bill 2830 and ask that the provisions of Senate Bill 666 be considered as possible remedies for the concerns we have raised.

Finally, I would like to express my thanks for the opportunity to make this presentation before the Committee.



TESTIMONY ON BEHALF OF  
THIRTY FIVE INDEPENDENT TELEPHONE COMPANIES OF KANSAS  
BEFORE THE HOUSE UTILITIES COMMITTEE  
KENDALL S. MIKESELL  
FEBRUARY 17, 1998

Chairman Myers and Members of the Committee:

Thank you for giving me the opportunity to testify before you today. It's always a pleasure to address members of the Kansas House of Representatives. My name is Kendall Mikesell. I am President of Southern Kansas Telephone Company, headquartered in Clearwater, about 15 miles southwest of Wichita. My company has been owned and operated by the Mikesell family since 1940, and I represent the third generation of family management. Southern Kansas Telephone is a certificated local exchange carrier serving approximately 4,500 customers across seven counties of south central Kansas.

I'm here today to speak on behalf of 35 independent telephone companies from across Kansas to encourage you to defer action on HB 2802. Legislative action would be premature until the Kansas Supreme Court has ruled on parts of the Kansas Telecommunications Act.

Since other bills have been introduced to amend sections of the Act, and some legislators appear to be questioning what was done in 1996, I'd like to spend some time discussing why the Kansas Telecommunications Act is good public policy. I'd like to begin by revisiting with you the vision statement embodied in the Kansas Telecommunications Act:

*Be it enacted by the Legislature of the State of Kansas:*

*New Section 1. 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;*
- (b) ensure that consumers throughout the state realize the benefits of competition through increased services and improved telecommunications facilities and infrastructure at reduced rates;*
- (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;*
- (d) advance the development of a statewide telecommunications infrastructure that is capable of supporting applications, such as public safety, telemedicine, services for persons with special needs, distance learning, public library services, access to internet providers and others; and*
- (e) protect consumers of telecommunications services from fraudulent business practices and practices that are inconsistent with the public interest, convenience and necessity.*

**SOUTHERN KANSAS TELEPHONE CO., INC.**

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Attachment 2

That was a bold statement by a legislature that knew what was needed for Kansas to prosper in the 21<sup>st</sup> century. In the Act, the Legislature, for the first time in Kansas, defined universal service. The definition includes all the telecommunications services that are to be available to every Kansan who wants them. The Act further mandates the deployment of enhancements to universal service. Enhanced universal service will provide advanced telecommunications services that are comparable in urban and rural areas throughout the state.

The independent telephone companies of Kansas wholeheartedly support this vision of a telecommunications landscape for all Kansans. As we have for the better part of a century, we are willing to make it a reality. We take very seriously the obligations we have under the Act, noting there is no distinction between classes of customers. We have been comfortable in accepting the obligations, in part, because of our ability to seek sufficient and predictable universal service support.

Unfortunately, it seems there are some misconceptions on the rate structure of the independent telephone companies. All the independents in Kansas currently operate under rate-of-return regulation. The KCC has always had the authority to review our costs and earnings, and determine whether they are correct. They had this authority before the Kansas Act was passed, and they have it now that the Act has become law.

Our long distance revenue does not come directly from our customer's long distance telephone bills. Instead, it long comes from access charges paid to us by long distance companies. These access charges help pay for our investment in the infrastructure necessary to complete local and long distance calls. Generally, local service rates in rural areas have been set far below cost to keep them affordable.

One of the primary goals of the Kansas Telecommunications Act was to lower intrastate access rates leading to lower intrastate long distance rates, which is good for Kansas in a competitive world. The Act called for the establishment of a Kansas Universal Service Fund (KUSF), to replace universal service support that had previously been built into intrastate access charges (see Attachment 1).

The Act contemplated KUSF future growth in Section 9(e), establishing the existing regulatory procedure as the method in which a telephone company could seek additional KUSF funding. It is important to note that the combination of intrastate access and KUSF, according to the Act, is available for the same purposes, and through the same procedure as was covered by intrastate access charges alone before the Kansas Act was passed. If intrastate access is limited, the KUSF becomes the only variable. When a telephone company invests in infrastructure, it has only two sources of recovery on the intrastate portion of the investment: The combination of intrastate access and KUSF, and the local ratepayer. There simply is nowhere else to go.

What has the Kansas Telecommunications Act accomplished? The Kansas Legislature recognized that since Kansas is a geographically large and relatively sparsely populated state, competition would not likely flourish for some time outside of Kansas City, Wichita, and Topeka. They also recognized that competitors likely would not target Kansas ahead of more populous states in the country. Accordingly, to achieve the five objectives articulated in the vision, lawmakers recognized there had to be viable incentives to assure the continuation of universal service and for the development of the infrastructure needed to provide advanced telecommunications services throughout Kansas, and that in all likelihood, the existing providers would be the key to realizing these goals.

The incentives took the form of continued state-level support for universal service. These incentives also provide the basis for significant consumer benefits including:

- Continued KCC oversight of the costs and earnings of companies electing to continue under rate of return regulation. (All the independent telephone companies have been under rate of return regulation and have elected to remain in that status.)
- Reductions in long distance rates for consumers, and access rates for long distance companies
- Geographic averaging of long distance rates
- Advanced infrastructure investment throughout Kansas, including digital switches, fiber optic transmission and SS7 signaling
- Sophisticated future telecommunications services available everywhere in Kansas
- Discounted broadband services to schools, hospitals, and libraries, and state and local government facilities
- Establishment of a Lifeline program to assure services will remain affordable to Kansans with low incomes by providing discounts to offset basic service price increases
- Funding of a dual party relay service for Kansans who are speech or hearing impaired, and the Telecommunications Access Program (TAP) to help provide the special equipment that these Kansans need to use the telephone

Under the provisions of the Kansas Telecommunications Act, we stand ready, willing, and able to continue bringing the vision of an advanced telecommunications infrastructure to a reality statewide. One key element of that ability is a sufficient and predictable KUSF. We understand that some legislators are alarmed at the size of the KUSF. And we understand that some consumers are concerned about the amounts they pay to support universal service. But it is premature to take action on this or any other bill that affects portions of the Kansas Telecommunications Act that currently are under review by the Kansas Supreme Court. Further, this bill would cap the contribution levels that affect what goes into the fund without addressing distributions that have to come out of the fund to support investments required by the Act. For these reasons, Mr. Chairman, the independent telephone companies of Kansas ask you to defer action on HB 2802.

I would be happy to stand for any questions of the committee.

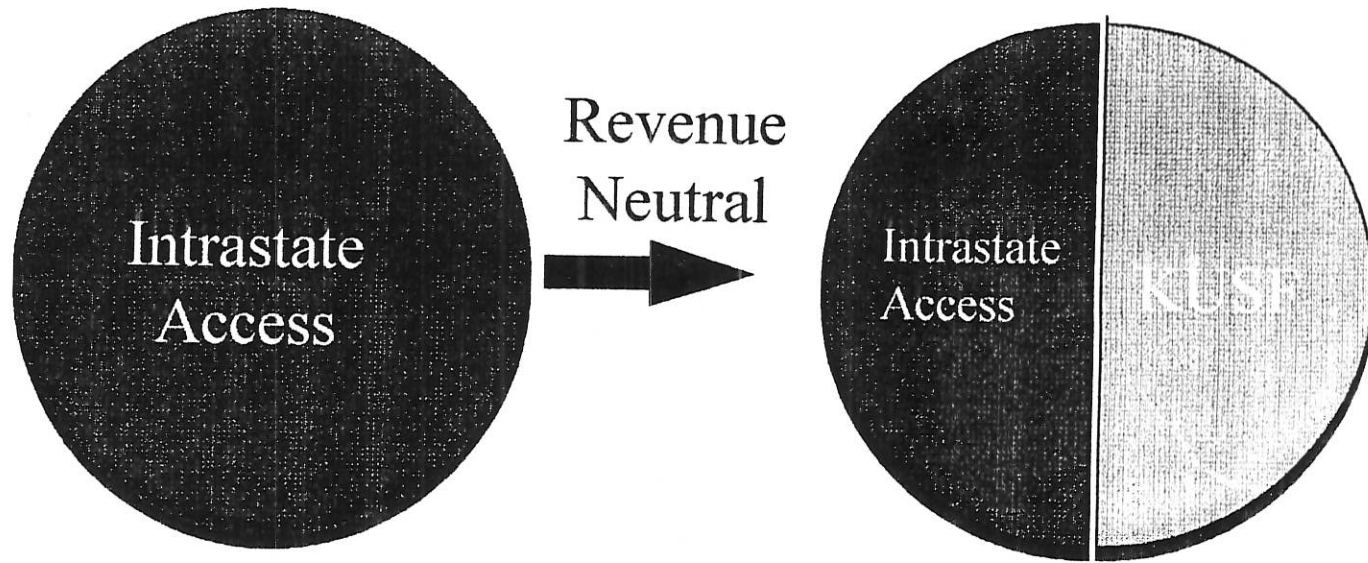


Attachment 1

BEFORE

AFTER

The Kansas  
Telecommunications Act



Intrastate  
Access  
Recovery

Intrastate  
Access  
Recovery



**Testimony of  
Richard Lawson  
Sprint - State Executive - Kansas and Missouri  
Before the House Utilities Committee  
February 17, 1998**

Good morning, Mr. Chairman and members of the Committee. My name is Richard Lawson. I manage Sprint's regulatory and legislative activities in Kansas and Missouri. My role today is to offer Sprint's views about House Bill 2802. As I understand it, the proposed legislation would freeze the current level of funding from the Kansas Universal Service Fund (KUSF) until the year 2000.

What I want to do today is explain very briefly how Sprint's customers are impacted by the KUSF and why Sprint believes it is premature for the Legislature to take any action that would change how the KUSF functions. I also want to clear up any misunderstandings about Sprint's recently completed modernization work in Kansas and its sale of several exchanges in the western part of the state.

First, I think it is important for me to note that Sprint's views are not just those of a local telephone company. While Sprint provides service to about 127,000 access lines in Kansas, Sprint is also a long distance company providing service to millions of customers across America. I only explain this because I think it helps to understand the unique voice we have. The positions we take on regulatory and legislative issues come only after vigorous debate internally in an attempt to balance the legitimate business interests of these two diverse units and the customers they serve.

With that in mind, let me say that Sprint generally supports how the Kansas Corporation Commission is enacting the policies you articulated in the Kansas Telecommunications Act of 1996. The Commission's December 27, 1996, Order, which established the KUSF, was one in a series of orders designed to provide a timely and orderly transition to a competitive local exchange telecommunications market.

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Attachment 3

A fundamental policy the Commission recognized in its order – and you articulated in the Kansas Act – is that prices for a service must accurately reflect the underlying costs of providing the service if there's to be a truly competitive marketplace. In other words, one particular service can not subsidize another service if competition is going to work. That is why the Kansas Act required that state access rates (what long distance companies pay to use local telephone company networks) be reduced by removing subsidies that have traditionally been used to keep local service rates artificially low.

But the Legislature and the Commission also recognized that universal service could be endangered if local service rates were allowed to rise too sharply as the result of the lost subsidies. While the Act gives the Commission authority to increase local rates to offset the lost subsidies, the Act also directs the Commission to establish a KUSF. The fund is another tool to be used by the Commission to offset lost subsidies and, thus, keep local rates a reasonable level.

You directed the fund to be financed by all telecommunications providers because all providers will ultimately benefit from competition.

You and I know too well that the workings of the KUSF are intricate. But what I ask you to keep in mind is that the KUSF is not a source of new revenue for local telephone companies. It is simply a mechanism that allows local companies to recover part of the revenue they lost when they reduced their state access rates. The rest of the revenue the local companies lost is being made up through modest local rate increases.

I have attached illustrations of how Sprint receives funds from the KUSF and how these funds impact Sprint customers.

I think it is important to also point out that local companies can apply to the Commission for KUSF support if the companies are required by law to do something that forces them to lose other revenues or incur new costs. For example, the Kansas Act requires local companies to deploy enhanced universal service capabilities, even where there's little or no demand for advanced services. Without sufficient demand, local carriers have no choice but to increase rates for all their customers or apply for KUSF support to recover these uneconomic investments. But nothing is automatic. A company's

application for KUSF support is just that -- an application. The merits of any such application will be hotly debated.

Is the KUSF too large? Is it too small? Is it designed for the right things? Currently, local exchange carriers depend on the KUSF to recover a part of the revenues they lost when they removed subsidies from their state access rates. What the fund looks like in the future will depend on actions taken by the courts, the Commission and the Legislature. For example, if state access rates were reduced by less than originally planned, future demands on the fund would shrink. After all, reducing intrastate access rates to interstate levels is a goal of the Kansas Act, not a mandate. And if the Commission were to decide that local rates could rise to a moderately higher level (without jeopardizing universal service), demands on the fund would also be less. As I pointed out earlier, Sprint would not be drawing from the KUSF today if it had been permitted to increase local rates by about \$4.83, rather than \$1.35.

Sprint does not believe that any legislation is necessary right now. The Kansas Supreme Court has yet to rule on a lower court decision that could dramatically impact the design and size of the KUSF. In addition, the Commission has said that it intends to take a longer view of KUSF requirements and develop appropriate rules to govern its size and purpose.

The Kansas Act set a lot of things into motion, and sufficient time has not passed to understand if events are unfolding as planned.

With your indulgence, I want to digress for just a minute and address Sprint's modernization of its exchanges. It was suggested in earlier testimony that Sprint was granted a rate increase to fund the modernization of its Kansas exchanges and that Sprint then sold its Dighton exchange, pocketed the money from the rate increase, and left the costly modernization to the purchasing company. Here are the facts as I know them:

1. In May 1994, the Commission ordered Sprint to accelerate the modernization of its Kansas exchanges and set a December 31, 1997, deadline for completion.
2. Late last year, Sprint completed the modernization of all its Kansas exchanges. The modernization included changing all analog switching systems to state-of-the-art

digital technology, making one-party service available to anyone requesting it, and providing equal access.

2. Since accelerating the modernization of exchanges, Sprint has invested \$163 million for modernization, growth and maintenance.
3. Sprint did not receive a rate increase to fund modernization.
4. When Sprint sold its Dighton exchange, the contract called for the purchasing company to modernize the exchange by the deadline established by the Commission.
5. The Kansas Universal Service Fund did not exist when Sprint sold the Dighton exchange.
6. Finally, Sprint was required to return to its customers a portion of its gain on the sale of the Dighton exchange.

The suggestion that Sprint has in some way abused the Kansas Universal Service Fund or engaged in "gaming the system" is simply incorrect.

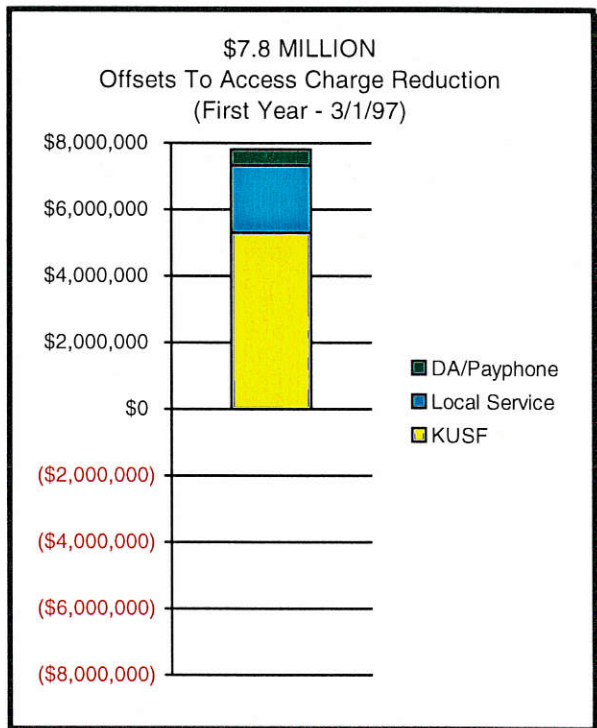
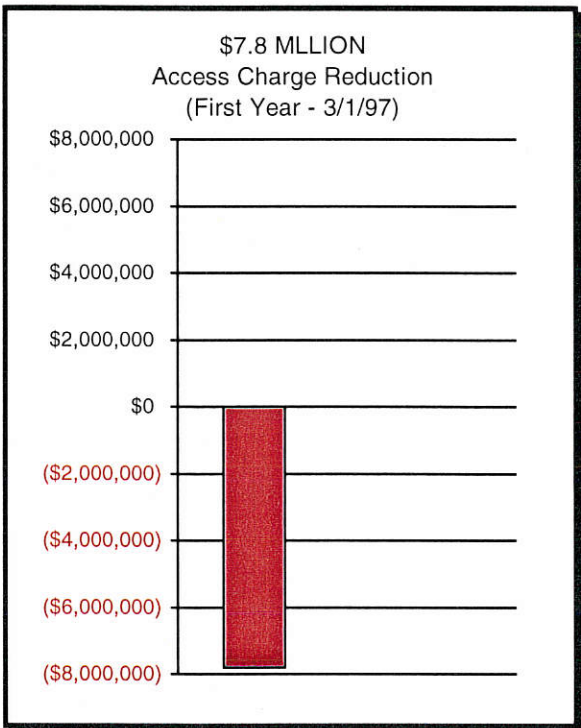
With that said, let me emphasize again that Sprint generally supports how the Commission is implementing the policies you established in the Kansas Act. I encourage you not to alter prematurely how the KUSF functions. Not all the facts have been brought to bear on this issue; that is because we do not yet know all the facts.

Thank you for this opportunity explain Sprint's views on the proposed legislation. I will be glad to try to answer any questions you have.



## THE KANSAS UNIVERSAL SERVICE FUND (KUSF) A mechanism to keep local rates reasonable

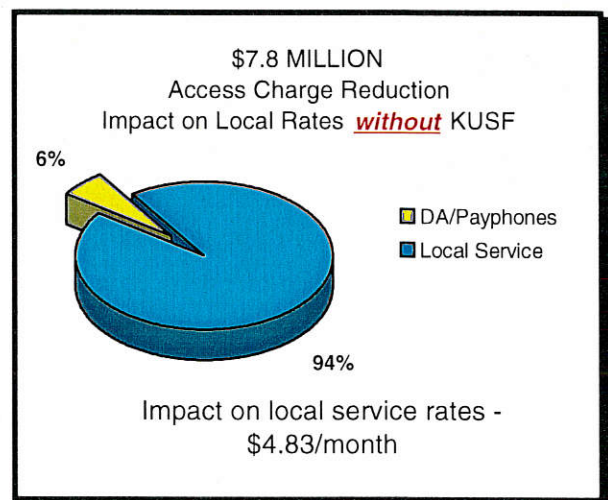
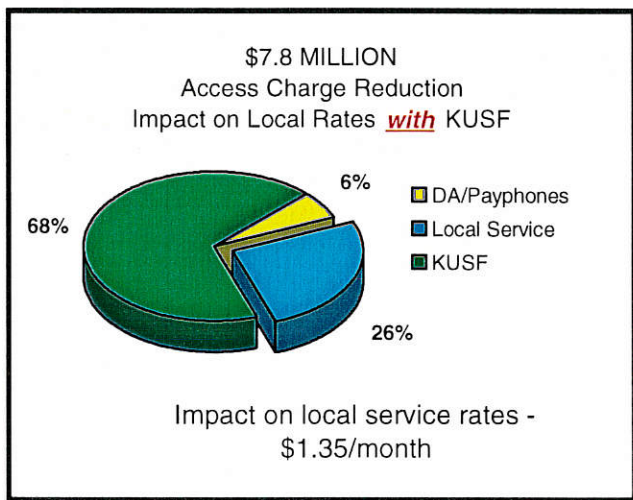
- ✓ The KUSF is *not* a source of new revenues.
- ✓ The KUSF *is* a tool to keep local rates at reasonable levels.
- ✓ The Kansas Act makes implicit subsidies explicit:
  - By removing local support from intrastate access rates. Intrastate rates are to be reduced to their corresponding interstate levels over three years.
  - By reducing long distance rates to reflect the lower access rates.
  - By increasing other rates to offset the access and long distance reductions.
  - By allowing recovery from the KUSF to limit local rate increases.





## THE KANSAS UNIVERSAL SERVICE FUND How it impacts local rates

- ✓ Sprint removed \$7.8 million in local service subsidies from its intrastate access and long distance rates on March 1, 1997.
- ✓ Sprint began recovering a part of these costs (\$2.03 million) from its local service customers and from its Directory Assistance and payphone customers (\$475,000) on March 1, 1997.
  - The local service rate increase (or surcharge) was \$1.35 a month per customer.
- ✓ Sprint began recovering the balance of these lost revenues (\$5.3 million) from the Kansas Universal Service Fund.
- ✓ The Kansas Corporation Commission could have allowed full recovery through adjustments to local rates.
  - The impact would have been an additional \$3.48, or a total of \$4.83 a month per customer.



**H.B. 2802**  
Before the House Utilities Committee  
Karen J. Matson  
Chief of Telecommunications  
Kansas Corporation Commission  
February 17, 1998

**INTRODUCTION**

Mr. Chairman and members of the committee, I am Karen Matson, Chief of Telecommunications for the Kansas Corporation Commission. I head the research staff for the Commission in matters dealing with telephone companies and their services. I am speaking for the Commission Staff today regarding H.B. 2802.

I would like today to provide the committee our staff analysis of the proposed language and its effect upon the Kansas Universal Service Fund (KUSF). Just as a refresher, the KUSF began March 1, 1997. Two major shifts occurred at that time: 1) all customers in Kansas began paying an assessment on their bills; and 2) all long distance rates (basic calling plans) were reduced an equivalent amount. (Sort of a teeter-totter effect) On March 1, 1998, another smaller shift was scheduled to occur; and on March 1, 1999, the final, and smallest shift would occur. During this three year time, which we call "the transition", the staff expected to be conducting the auditing necessary to start making cost-based adjustments to the KUSF following that last shift in the transition (March 1, 1999.)

Also during the transition, the telephone companies would begin ramping up to provide the Enhanced Universal Services by the target date of July 1, 2001 and the Internet Access speed (28.8 kilobit per second) by the target date of July 1, 1999. As those investments come on-line and become used and useful, the companies would be expected to apply for additional funding from the KUSF.

This proposed addition to the law would cap or limit the anticipated upward growth in the KUSF assessment for two years (from January 1, 1998 - January 1, 2000). As a positive aspect,



the proposed language would limit consumer's exposure to increases in their monthly additive for these two years. As a technical point, the committee may wish to clarify the language to make clear if the intent is to cap what the customer pays (the 9% additive on the bill), or if the intent is to cap the fund at its original projected level of \$ 77.8 million. The better consumer protection, in our staff's opinion, is to cap the amount which a customer pays. Choosing to cap the actual fund itself could force local rate increases which would negate the benefits of the cap.

While the language capping the fund protects consumers from paying any increasing amount that might have been flowed-through by their service providers from the KUSF; please be aware the forces that will place pressure to increase the fund remain unchanged. The impact will be delayed for two years, but it will still happen. The major upward pressures on the KUSF are:

- Enhanced Universal Services which are required by July 1, 2001.
- Advanced Internet Access Speeds which are required by July 1, 1999.
- The Federal Communications Commission which has announced it will reduce its support to the states substantially in the next few years. The result of Federal Universal Service fund changes will reduce the support to Kansas companies by \$17.3 million next year with a total potential reduction in support to Kansas companies of \$45 million by the year 2000.
- The Federal Law which requires new technology be put in place to allow Local Number Portability so that customers will not have to change phone numbers if they sign up with a new company. While the numbers are not firm and the procedures are still in the developmental stage, the Kansas company costs are estimated to be in the range of \$75 million.

Our Kansas law provides that all of these changes and upgrades to the network be eligible for payment out of the KUSF. The proposed change before you in H.B. 2802 does not alter that.

It would be my expectation that in year three, after the cap is lifted, the KUSF demands would be as great as if the cap had not been in place.

In summation, the anticipated effect of the proposed change is that consumers will benefit for two years in that the assessment or monthly additive would not be increased. After the two years, when the cap is removed, staff expects the KUSF level will move to approximately the same point as if the cap had not been in place.

I wish to thank you for your time; as always, I am available for questions.