ATTACHMENT 2

January 9, 2011 Industry Conference
1:00 p.m., Monday, January 9, 2012

Proposed Issues:

I. Issues for Briefing

A. Definition of universal service/enhanced universal service K.S.A. 66-2002(k).

1. To what extent is the KCC's general statutory authority to modify the KUSF limited by other constitutional or statutory authority?

2. Does the KCC have authority to adopt additional regulations to preserve and advance universal service? Does the Commission have the authority to review and redefine universal service and enhanced universal services?

3. In what specifics does the FCC's order explicitly mandate modification of any provision of state universal service funds, and do the provisions of the KUSF require modification in response to such mandate(s) (RLECs)

4. Should, and can, broadband be included as a universal service or enhanced universal service? Does the Commission have the statutory authority to do so?

    a. Is Broadband an interstate service? If yes, is the KUSF an appropriate recovery mechanism?

    b. Would this require every customer to have access to broadband, or would access only be required upon a firm customer order?

    c. How would the definition and statutes need to be modified if broadband is included?

    d. Other considerations: the KCC definition of basic services includes operator services and directory assistance as well as other functionalities not specified in the FCC requirements. Should the KCC modify/simplify its definition of basic (voice) service? Would other possible changes in the Commission's rules (e.g., modification of COLR requirements, or inclusion of broadband networks, with differing service capabilities) warrant changes in the definition of basic services?

    e. Should the definition of universal service include mobile broadband services? Should Kansas have a separate wireline and a separate mobility fund?

5. Does the FCC requirement for ETCs to utilize FUSF for broadband deployment only necessitate any changes to the KUSF (e.g., to provide support to carriers providing basic voice, but not broadband services, to high cost areas, and who may not be eligible for FUSF under the new rules)?

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6. What broadband facilities are available in Kansas? What are the Internet backbone facilities in Kansas? How can broadband data, such as that submitted to the FCC on Form 477 be provided to the Commission?

B. Should the KCC review the statutory and/or COLR obligations and policies in light of the FCC's changes?

1. Is it appropriate to maintain COLR obligations for entities that may no longer receive universal service funding (AT&T) (FCC Order, ¶ 83, fn. 468)?
2. Does the COLR obligation remain for voice services or basic (voice) services for ETCs providing only voice service?
3. What obligation does the Commission have to provide KUSF support to carriers that have no COLR obligations?
4. How would this impact FUSF support to Kansas ETCs?
5. Should KUSF support be similarly restricted? Does the KCC have statutory authority to do so?
6. Should the KUSF support ETCS serving areas where there are competitors be expanded to offset the loss of FUSF? Does the KCC have a statutory obligation to do so? How do we ensure that the KUSF compliments the CAF and efforts by the FCC (Cox)?
7. Along those same lines, as the CAF envisions not providing support in areas served by an unsubsidized competitor, what steps need to be taken with the KUSF to ensure it does not frustrate the goals of the FCC (Cox)?
8. Does current KUSF support remain or is it transitioned to a more incremental support to move to supporting broadband?
9. Do other state mechanisms need to be adopted to support any additional requirements (AT&T) (FCC Order, ¶ 574)?

C. Given the FCC's preemption, what responsibility, if any, does the KCC have to offset the loss of revenues? What are the Commission's obligations under the existing statute?

1. Does the Commission have any obligations if a LEC refuses CAF support, which is contingent on acceptance of broadband build-out obligations?

D. What role does the KCC play in advising and resolving complaint/disputes arising as the FCC roles out the CAF and ICC reform (Cox)?

II. Issues for Comments/Testimony

A. ETC Designation Requirements

1. How do the FCC's ETC designation requirements fit with the Commission's Federal and State USF Certification process?

2. Do the KCC requirements need to be modified to allow for simultaneous reporting to both the FCC and KCC? What modifications are needed? Can these be set for the same timeframe (AT&T, US Cellular)?

3. What role should the KCC play in ensuring that support flowing to Kansas carriers from the new federal fund will be used for their intended purpose and not to undermine competition?

B. How does CAF and ICC Reform impact KUSF?

1. In light of CAF, should the KUSF also support infrastructure build-out and if so, how does Kansas ensure double-dipping/recovery does not occur (Cox)?

2. Through phase out of legacy USF support to CAF/ICC recovery mechanisms, how does KUSF need modified to accounted for reduction in legacy support but recovery through CAF/ICC?

3. Is the KCC obligated under current rules to offset FUSF reductions through increases in the KUSF? Should those rules be revised? Would statutory changes be required?

4. Should the Commission consider changes in its cost studies for ROR LECs to adopt some of the FCC changes—e.g., limits on corporate operations expenses? Short term and Long-term impacts?
   a. Immediate impacts - how, and when, should data be submitted?

   b. Long term impacts - How, and when, should data be submitted?

   c. Historical data for Commission that may be helpful? (e.g. 2010, 2011, 2012

      Federal Support, whether companies are net contributors/receivers)?

5. How can we keep the KUSF sustainable? Significant expansion of the fund size and attempts to replace any federal support by the establishment of state USF programs weigh heavily on wireless consumers already paying significant taxes, fees and USF assessments.

6. Should the KUSF be phased out or eliminated, and if so, what is the impact on the industry and consumers (Sprint)?

C. Impacts on Price Cap Companies

1. Local Switching Support (LSS) is an offset in the KUSF cost model. LSS transitioned to ICC Recovery mechanism. How do we ensure LSS is accounted for going-forward?

2. Does the KUSF have any responsibility for ICC recovery?

3. If a price cap LEC is eligible for FUSF, under Phase I or II of the FCC's plans, but declines such support, should that affect KUSF support to high cost areas served by that carrier? Should, for example, the KUSF provide support to high cost areas where the LEC has refused FUSF support? Should any KUSF support be adjusted to reflect the refusal of FUSF support? How would alternative approaches affect a LEC's incentive to accept or refuse FUSF? For example, how might the availability of KUSF support alter a carrier's incentives to opt into FUSF (and its attendant obligations)?

4. What are the financial impacts of the FCC's bill & keep plan on Kansas price cap LECs (i.e., the loss of intrastate access and net reciprocal compensation revenues)?

5. How do the revenue flows (CAF and ARC) provided for by the FCC's plan compare to projected revenues under the current rate structure and rules?

D. Impacts on Rate of Return Companies

1. High-Cost loop, Safety Net, Safety Valve – used in determination of rural LEC's intrastate revenue requirement (Staff).

    a. Should the CAF/ARC be used in the revenue requirement determination?

    b. Is a total company review reasonable?

E. Impacts on Competitive ETCs

1. Should the KCC also eliminate KUSF support to CETCs (if it does not adopt the FCC rule of targeting USF support only to areas where there is not a competitor)?
2. Should the KCC differentiate between CMRS and landline CETCs? For example, should it maintain KUSF for CMRS ETCs, if it determines that universal availability of mobile voice and broadband services is desirable?
3. If KUSF supports CETCs, should the basis of support be changed (e.g., Identical support, ETC's costs, etc.?

F. Arbitrage and "traffic/mileage" pumping.

1. Traffic-pumping is a significant problem that costs wireless consumers millions, and takes resources away from network investment. While the Order addresses intrastate traffic-pumping by migrating those rates to a unified national structure, there are concerns that traffic-pumping will shift to an intrastate-based scheme to the extent that intrastate rates are above costs.
2. Mileage-pumping, which is related, is also in play because the FCC's Order does not address transport costs, incentivizing arbitrage to increase mileage of transport. The KCC's oversight of intrastate rates is a critical responsibility for ensuring that traffic-pumping scams do not illegitimately increase network costs in the state.

G. Procedural Schedule –

1. Sprint - order no later than summer 2012
2. AT&T - Hearing Officer should meet with industry to discuss a docket schedule. Possible Technical Conference/Industry workshop later in the year (Aug.-Sept.) and then develop a detailed procedural schedule

3. CTIA - KCC proceedings should be coordinated with the FCC comment cycles to avoid having to revisit issues in light of new federal developments and avoid duplicative efforts.

4. US Cellular - KCC should refrain from a comprehensive rulemaking given the many complex issues and the numerous outstanding challenges to the Connect America Fund Order. For now, U.S. Cellular urges the KCC to limit its proceeding to harmonizing the state ETC reporting requirements with the FCC's and moving them up to match the new April 1 reporting deadline adopted in the CAF.

Other Comments:

AT&T: It continues to review the FCC's Order and believes it is premature to attempt to formulate a complete, definitive list of issues for KCC consideration. As the parties to this proceeding are undoubtedly aware, the Order is currently subject to numerous petitions for reconsideration and Court challenges; in addition to the fact that the Order itself schedules several issues for Further Notice of Proposed Rulemakings (see Section XVII of the Order). In light of the breadth and complexity of the challenges to the Order; the issues and changes addressed in the Order, and the brief amount of time that has passed since the Order was released, it is difficult to fully understand the impacts of the Order and the potential impacts of the FNPRMs.

SITA: Given the enormity of the FCC's order, the still fluid state of that order with pending petitions for reconsideration and petitions for review, the rural companies believe it imprudent at this time to move forward on any immediate response at this time. The RLECs are committed to working cooperatively with the Commission and its Staff to best address the order's impact on the critical rural areas of Kansas and the Governor's Roadmap for Kansas, with its particular emphasis on keeping local businesses vibrant and expanding the state's broadband network. We reserve the right to raise additional issues throughout the course of this proceeding as those issues are clarified either by the FCC or the courts.

CTIA: CTIA is still reviewing the lengthy Order/FNPRM. Our members' views of it reflect a variety of circumstances depending on their current ICC/USF position, and how the reforms impact either their ICC obligations or USF support levels. Pursuant to the Commission's direction in its recent Order, CTIA submits the following issues list for the above referenced docket. It is our understanding that this list is intended to be preliminary and that modifications can be made in the future as these matters continue to evolve.

Sprint: The FCC's CAF Order effectively eliminates an outdated federal USF on the grounds that it unnecessarily burdens consumers with surcharges and is harmful to competition in that it distorts service prices in the telecommunications marketplace by forcing carriers and their customers to subsidize their competitors. The outdated federal USF is replaced with a targeted fund designed to promote and expand broadband deployment in unserved areas. The existing KUSF also unnecessarily burdens consumers and is harmful to competition, and the new targeted federal fund will sufficiently provide for Kansas carriers to deploy broadband in currently unserved areas, making it unnecessary to continue the KUSF for the purpose of providing funds to carriers for broadband deployment.