

January 31, 2023

IMPORTANT INFORMATION REGARDING YOUR LOCAL TELEPHONE SERVICE

Dear Valued Customer,

The Kansas Legislature enacted legislation in 2002 allowing them to set the local telephone service rates at what the Legislature considered to be an affordable level. The Kansas Corporation Commission (KCC) has ordered that a new basic telephone rate adjustment take effect in 2023. Beginning March 1, 2023 the KCC will increase basic telephone rates to a statewide average of \$20.50 per month.

To bring our local service rate in line with the KCC adjustment, Pioneer Communications' telephone customers will experience a \$0.25 increase in their monthly basic telephone service charge, effective March 1st, as the current rate of \$20.25 per month will become \$20.50 per month. The State of Kansas sets rural telephone rates and Pioneer Communications has no say in rates or rate increases.

If you have any questions about this notice or the rate adjustment, please contact a local Pioneer Communications office, or call us toll free at 1-800-308-7536. You can also review the frequently asked questions and answers on the reverse side of this letter.

Questions regarding this rate adjustment may be directed to the Kansas Corporation Commission's Office at 1-800-662-0027.

Sincerely,

Pioneer Communications

Frequently Asked Questions About Changes in Your Local Telephone Service Rate

Why is my local telephone basic service charge increasing? Who is responsible for this decision?

The Kansas Legislature enacted legislation, KSA 66-2005(3), in 2002 to address the state's telecommunications infrastructure, universal service mechanisms and rate rebalancing. The Kansas Corporation Commission (KCC), is authorized to determine and set local telephone service rates for rural telephone subscribers at what they consider to be an affordable level. In some telephone service areas, this order has made it necessary for local telephone companies to raise their local service rates from existing levels to new higher rates to match the prescribed targets set by the regulations. For customers in the Pioneer Communications service area the KCC's latest adjustment will result in an increase of the monthly local telephone service rate from \$20.25 to \$20.50.

When does the new basic service rate become effective?

The basic local service rate of \$20.50 per month will go into effect for Pioneer Communications' telephone customers March 1, 2023.

What types of telephone service are affected by the new rate adjustment?

Pioneer Communications provides telephone service under a unified local service rate, so the new basic telephone service rate will apply to all Pioneer Communications telephone subscribers. Both residential and business lines will be charged at the rate of \$20.50 per month.

Will the increase in local phone rates result in an increase in local phone company revenue?

No. To encourage rural telephone companies to move their subscribers toward the new, elevated local service rate targets, the legislation has called for rural companies to begin receiving less money from the Kansas Universal Service Fund (KUSF), and to recover this loss in the form of local service rate increases. Revenues are balanced in this process and the net effect for the rural telephone company is revenue neutral. The legislation was written in such a manner to make certain that rural telephone companies do not receive any more revenue as a result of the rate adjustment than they currently do today.

What is the Kansas Universal Service Fund?

The Kansas Universal Service Fund, or KUSF, was created by the enactment of the 1996 Telecommunications Act that addressed competition and regulation for intrastate telecommunications services. The legislation required reductions in the access rates that local telephone companies charge to inter-exchange carriers (long distance companies such as AT&T, Sprint, etc.) for long distance calls that originate and terminate within the state of Kansas. Before the reductions, the rates were based on the actual costs incurred by rural local telephone companies to provide access to the inter-exchange carriers. In return, for this access charge reduction that benefited the long-distance companies, the Legislature created the Kansas Universal Service Fund. The purpose of the fund was to compensate telephone companies that serve high-cost rural areas for the loss in access charge revenue, so that local service rates would be kept at an affordable level. All telephone users in the state of Kansas, including those of wireless and long-distance companies, pay a KUSF assessment on their monthly bill. Portions of the KUSF are also assigned to support Lifeline assistance for the disadvantaged, Kansas Relay Services for the hearing impaired, and the Telecommunications Access Program that provides terminal equipment for disabled individuals.

How does the new basic service charge and Pioneer's local telephone service with expanded calling area plan compare to services and rates available elsewhere?

Under the new rate, Pioneer Communications' telephone subscribers will receive local service at a rate of \$20.50 per month and will continue to receive the added value of a bundle of additional calling features (Calling Number Identification, Call Waiting, Call Forwarding, 8-List Speed Dialing, and Voice Mail) at no additional charge. Pioneer's local telephone service customers will continue to enjoy the additional value of 240 minutes of toll-free area-wide calling with the standard Pioneer Advantage expanded area calling plan included with basic service. By comparison, if purchased from the telephone company in a neighboring area such as Dodge City, Garden City, or Liberal, the cost of primary line service and the additional calling features would be estimated to be close to \$30.00 or more per month.