

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Shari Feist Albrecht, Chair
 Jay Scott Emler
 Pat Apple

In the Matter of a General Investigation for)
Chit Chat Holdings, LLC d/b/a Chit Chat)
Mobile to Show Cause Why this Commission) Docket No. 18-CHCZ-013-SHO
Should Not Initiate Sanctions and Fines and/or)
refer to the Attorney General’s Office for Non-)
Compliance with Commission Orders and)
Kansas Statutes.)

**ORDER AUTHORIZING GVNW TO WRITE-OFF CHIT CHAT’S KUSF BALANCE
AND CLOSE ACCOUNT**

NOW, the above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed its files and records and being duly advised in the premises, the Commission makes the following findings:

1. On January 16, 2018, Commission Staff (Staff) submitted a Report and Recommendation (R&R) to the Commission requesting it to issue an Order authorizing GVNW Consulting, Inc. (GVNW), the current third-party Kansas Universal Service Fund (KUSF) administrator¹, to write-off Chit Chat Holdings, LLC d/b/a Chit Chat’s (Chit Chat) delinquent KUSF balance, close its account, and maintain its KUSF records in such a manner as to track the amount of the write-off, the reason for the write-off, and any future transactions applicable to Chit Chat. Staff also asked that the Commission direct GVNW to notify Staff of any future transactions or correspondence with Chit Chat or its owner, Mr. John Hennessey. The R&R is attached hereto and made a part hereof by reference.

¹See K.S.A. 66-2010.

2. Staff states in its R&R that Chit Chat's KUSF delinquency as of January 1, 2018, is \$1,727.87. However, this is based upon best available data as Chit Chat has not reported its revenue to the KUSF since February 2017. Staff notes that through communications with Mr. Hennessey, it learned that Chit Chat ceased operating on February 28, 2017, at which time Blue Casa Mobile, LLC (Blue Casa) took on the Chit Chat d/b/a. Staff states that Blue Casa is compliant with its KUSF obligations, and the outstanding KUSF delinquencies remain with Chit Chat Holdings, LLC and Mr. Hennessey.

3. Staff explained in its R&R that the Commission's write-off policy, adopted on June 2, 2000, allows GVNW to write-off balances, after notification to the Commission Staff, when: (1) the company is at least 180-days delinquent with its KUSF obligations; (2) the company no longer operates in Kansas; or (3) the KUSF Administrator does not have any current contacts for the company. If the balance owed to the KUSF exceeds \$99.00, the Commission must authorize the write-off. For any balance written-off, the KUSF Administrator must maintain the KUSF records to reflect the amount of the write-off and the reason for the write-off. The Commission's write-off policy also allows credit balances meeting certain criteria to be retained in the KUSF.

4. The Commission finds Staff's findings and recommendations to be reasonable and hereby adopts the same.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. GVNW is authorized to write-off Chit Chat's delinquent KUSF balance and close Chit Chat's KUSF account.

B. GVNW shall maintain its records in such a manner that allows it to track the amount written off, the reason for the write-off, and any future transactions applicable to Chit Chat's

account. GVNW shall notify the Commission Staff of any future transactions or correspondence with Chit Chat or Mr. Hennessey.

C. The parties have fifteen (15) days, plus three (3) days if service of this order is by mail, from the date this order was served in which to petition the Commission for reconsideration of any issue or issues decided herein. K.S.A. § 66-118b; K.S.A. § 77-529(a)(1).

D. The Commission retains jurisdiction over the subject matter and parties for the purpose of issuing such further order, or orders, as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Apple, Commissioner

Dated: JAN 25 2018



Lynn M. Retz
Secretary to the Commission

MRN

Order Mailed Date

JAN 26 2018

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chairman Shari Feist Albrecht
Commissioner Jay Scott Emler
Commissioner Pat Apple

FROM: Sandy Reams, Assistant Chief of Telecommunications
Christine Aarnes, Chief of Telecommunications
Jeff McClanahan, Utilities Division Director

DATE: January 16, 2018

SUBJECT: Docket No. 18-CHCZ-013-SHO
In the Matter of a General Investigation for Chit Chat Holdings, LLC d/b/a Chit Chat Mobile to Show Cause Why this Commission Should Not Initiate Sanctions and Fines and/or refer to the Attorney General's Office for Non-Compliance with Commission Orders and Kansas Statutes.

EXECUTIVE SUMMARY:

On October 10, 2017, the Commission issued an Order finding Chit Chat Holdings, LLC d/b/a Chit Chat (Chit Chat) non-compliant with its Kansas Universal Service Fund (KUSF) obligations. Chit Chat did not respond to the Commission's Order, however, Mr. Hennessey advised Commission Staff (Staff) he ceased operating Chit Chat effective February 28, 2017.

Staff, therefore, recommends that the Commission issue an Order to authorize GVNW Consulting, Inc. (GVNW), the KUSF Administrator, to write off the \$1,727.87 delinquent balance on Chit Chat's KUSF account as of January 1, 2018, and close the Company's KUSF account. GVNW should be directed to maintain all KUSF-related records in such a manner as to track the amount of the write-off, the reason for the write-off, and any future transactions applicable to Chit Chat. GVNW should also be directed to notify Staff of any future transactions or correspondence with Chit Chat or Mr. Hennessey.

BACKGROUND:

On July 25, 2017, the Commission issued an Order opening this Docket to address Chit Chat's delinquency with its KUSF obligations (Show Cause Order). The Commission directed Chit Chat

to respond to the allegations regarding its failure to comply with its KUSF obligations under K.S.A. 66-2008(a) within thirty (30) days of the issuance of the Show Cause Order.

In its September 21, 2017 Report and Recommendation (R&R), Staff explained that subsequent to the Commission issuing the Show Cause Order, Mr. John Hennessey, Chit Chat's owner, advised Staff that he no longer owned or operated Chit Chat, effective February 28, 2017.¹ Mr. Hennessey further advised that since March 1, 2017, the Chit Chat d/b/a name and website have been operated by Blue Casa Mobile, LLC (Blue Casa), which Blue Casa has confirmed. Blue Casa is in compliance with its KUSF obligations. Staff further explained that the Kansas Secretary of State's Business Center shows Chit Chat with an "Active and in Good Standing" designation, however, the Company's last filed Annual Report was for the year ended December 2016.² The Federal Communications Commission's (FCC) service registration database shows Chit Chat last registered with the FCC in 2016.³ Staff, therefore, recommended that since Chit Chat had not responded to the Show Cause Order or come into compliance with its KUSF obligations, the Commission assess penalties, pursuant to K.S.A. 66-138(a)(2), to Chit Chat. Staff recommended a penalty being assessed based on the number of months the Company failed to comply with its KUSF obligations and continue until such time that Chit Chat comes into full compliance with its legal and/or Commission obligations.

On October 10, 2017, the Commission issued an Order finding Chit Chat remained non-compliant with its KUSF obligations and, noting the Company owed \$1,660.40 to the KUSF at the time, assessed a \$100 per month penalty, effective with the Company's first violation on July 16, 2016 (Penalty Order).

ANALYSIS:

Mr. Hennessey advised that he ceased operating Chit Chat and maintaining Chit Chat's website as of February 28, 2017. Blue Casa confirmed it has operated using the "d/b/a Chit Chat" and maintained the website since March 1, 2017 and is in compliance with its KUSF obligations. Thus, Chit Chat, under Mr. Hennessey's ownership, remains delinquent with the following KUSF obligations:

1. remittance of the Carrier Remittance Worksheet (CRWs) for February 2017;
2. payment of its KUSF assessments for the months of June 2016 through February 2017; and
3. payment of all Late CRW,⁴ Late Payment,⁵ and Delinquent Balance Penalties⁶ for March 2016 through February 2017.

¹ Aug. 28, 2017, email from John Hennessey to Sandy Reams.

² Kansas Business Center, Chit Chat Holdings, LLC's 2016 Annual Report, last viewed Dec. 27, 2017, at: <https://www.kansas.gov/bess/flow/main?execution=e1s5>.

³ FCC Form 499 Filer Database, last viewed Sept. 19, 2017 at: <http://apps.fcc.gov/cgb/form499/499detail.cfm?FilerNum=829351>.

⁴ Docket No. 06-GIMT-332-GIT, Jan. 23, 2006 Order. Chit Chat is subject to Late CRW Penalties for March through June, August through October, and November 2016.

⁵ Docket No. 94-GIMT-478-GIT, Feb. 19, 1997 Order.

⁶ Docket No. 10-GIMT-188-GIT, Jan. 23, 2010 Order. Delinquent Balance Penalties continue to accrue until the balance is paid.

As of January 1, 2018, the Company owes \$1,727.87 to the KUSF, with all applicable penalties continuing to accrue. Furthermore, the total amount Chit Chat owes to the KUSF cannot be determined since the Company has not reported its revenue for February 2017. Effective February 28, 2017, Mr. Hennessey ceased operating Chit Chat.

On June 2, 2000, the Commission adopted a policy to write-off monies owed to the KUSF when: (1) the company is at least 180-days delinquent with its KUSF obligations; (2) no longer operates in Kansas; or (3) the Administrator does not have any current contacts for the company. If the balance owed to the KUSF exceeds \$99.00, the Commission must authorize the write-off. For any balance written-off, the KUSF Administrator must maintain the KUSF records to reflect the amount of the write-off and the reason for the write-off. The Commission's write-off policy also allows credit balances meeting certain criteria to be retained in the KUSF.

RECOMMENDATION:

Staff recommends that the Commission issue an Order finding Chit Chat has failed to comply with its statutory KUSF obligations and, as of January 1, 2018, owes \$1,727.87 in assessments and penalties to the KUSF. Staff recommends that the Commission issue an Order to authorize GVNW to write-off the Company's delinquent balance, close the Company's KUSF account, and maintain all KUSF records in such a manner as to track the amount of the write-off, the reason for the write-off, and any future transactions applicable to Chit Chat. GVNW should also be directed to notify Staff of any future transactions or correspondence with Chit Chat or Mr. Hennessey.

CERTIFICATE OF SERVICE

18-CHCZ-013-SHO

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of first class mail/hand delivered on JAN 25 2018

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/S/ DeeAnn Shupe

DeeAnn Shupe

Order Mailed Date

JAN 26 2018