

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

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

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 TO SHOW CAUSE

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. Chit Chat Holdings, LLC d/b/a Chit Chat Mobile (Chit Chat) is a wireless telecommunications service provider headquartered in Wichita, Kansas.
2. As a wireless telecommunications service provider, Chit Chat is required to comply with K.S.A. 66-2008(a) regarding contributions to the Kansas Universal Service Fund (KUSF).
3. Commission Staff (Staff) submitted a Report and Recommendation (R&R) to the Commissioners on July 12, 2017, attached hereto and made a part hereof by reference.
4. Staff explained that in a memorandum dated July 11, 2017, GVNW Consulting, Inc. (GVNW), the current KUSF administrator, indicated that Chit Chat has the following delinquencies pertaining to its compliance with K.S.A. 66-2008(a) and the KUSF:

(1) Chit Chat did not remit payment of KUSF assessments for the months of June 2016 through January 2017. GVNW assessed Chit Chat Late Carrier Remittance Worksheet (CRW) Penalties for March, April, May, June, August, September, October, and November 2016 and Delinquent Balance Penalties. GVNW explained that, as of July 1, 2017, Chit Chat owes \$1,627.73 to the KUSF. This balance will change as Chit Chat will be assessed Late Payment Penalties for June 2016 through January 2017 once the assessment payments are received.

(2) Chit Chat has not reported to the KUSF since February 2017 and, therefore, is delinquent in reporting its revenues and paying the related assessments to the KUSF for the months of February through June 2017.

(3) Chit Chat has not registered with the KUSF for the March 2017 through February 2018 Fiscal Year (FY 21).

5. Staff indicates that once Chit Chat remits all outstanding reports and payments additional penalties will be applied consistent with Commission Orders. Furthermore, GVNW has sent monthly delinquent notices to Chit Chat since July 2016 and Staff has also sent correspondence to Chit Chat to no avail.

6. Staff recommends that the Commission issue an Order to open a new proceeding and require Chit Chat to show cause why it should not be subject to penalties, sanctions, or fines and/or referred to the Kansas Attorney General's Office for failure to comply with Commission Orders and its Kansas statutory obligations.

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

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. Chit Chat shall show cause, within thirty (30) days of receipt of this Order, why it should not be subject to penalties, sanctions, or fines and/or referred to the Kansas Attorney General's Office for failure to comply with Commission Orders and its Kansas statutory obligations.

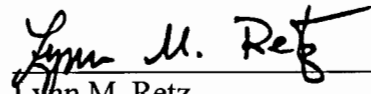
B. The parties have fifteen (15) days, plus three (3) days if service of this order is by mail, from the date this order was served in which to petition the Commission for reconsideration of any issue or issues decided herein. K.S.A. 66-118; K.S.A. 77-529(a)(1).

C. 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.

Apple, Chairman; Albrecht, Commissioner; Emler, Commissioner

Dated: JUL 25 2017



Lynn M. Retz
Secretary to the Commission

MRN

Order Mailed Date

JUL 26 2017

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

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

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

DATE: July 12, 2017

SUBJECT: Docket No. 18-~~CHL-Q3-KSF~~ 5 H0
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:

Chit Chat Holdings, LLC d/b/a Chit Chat Mobile (Chit Chat) is non-compliant with Commission Orders and K.S.A. 66-2008(a) regarding its Kansas Universal Service Fund (KUSF) obligations. Chit Chat, headquartered in Wichita, Kansas,¹ offers wireless telecommunications services in Kansas.²

Staff recommends the Commission issue an Order to open a new proceeding and require Chit Chat to show cause why it should not be subject to penalties, sanctions or fines and/or referred to the Attorney General's Office for failure to comply with its Kansas obligations.

BACKGROUND:

K.S.A. 66-2008(a), as amended effective July 1, 2016, states:

The commission shall require every telecommunications carrier, telecommunications public utility and wireless telecommunications service provider that provides intrastate telecommunications services and, to the extent

¹ Kansas Business Center, last viewed July 10, 2017, at: <https://www.kansas.gov/bess/flow/main;jsessionid=854D4EFEDC2CEA88CB4AE3410A55E600.aptes03-inst0?execution=els5>.

² Chit Chat Mobile, last viewed July 10, 2017, at: <https://mychitchatmobile.com/store/x/?>.

not prohibited by federal law, every provider of interconnected VoIP service, as defined by 47 C.F.R. 9.3, to contribute to the KUSF based upon the provider's intrastate telecommunications services net retail revenues on an equitable and nondiscriminatory basis. The commission shall not require any provider to contribute to the KUSF under a different contribution methodology than such provider uses for purposes of the federal universal service fund, including for bundled offerings. Any telecommunications carrier, telecommunications public utility, wireless telecommunications service provider or provider of interconnected VoIP service which contributes to the KUSF may collect from customers an amount equal to such carrier's, utility's or provider's contribution, but such carrier, provider or utility may collect a lesser amount from its customer. The commission shall require every telecommunications carrier, telecommunications public utility and wireless telecommunications service provider that provides intrastate telecommunications services and, to the extent not prohibited by federal law, every provider of interconnected VoIP service, as defined by 47 C.F.R. § 9.3 (October 1, 2005), to contribute to the KUSF on an equitable and nondiscriminatory basis. Any telecommunications carrier, telecommunications public utility, wireless telecommunications service provider or provider of interconnected VoIP service which contributes to the KUSF may collect from customers an amount equal to such carrier's, utility's or provider's contribution, but such carrier, provider or utility may collect a lesser amount from its customer.

Chit Chat is current with K.S.A. 17-7931 and maintains an "Active and in Good Standing" designation with the Kansas Secretary of State's Office.³ Chit Chat, however, last registered with the Federal Communications Commission (FCC) in 2016.⁴

In a memorandum dated July 11, 2017, GVNW Consulting, Inc. (GVNW) explained that Chit Chat registered with the KUSF in August 2012. The Company reported its Kansas intrastate retail revenues on a monthly basis for the period of September 2012 through January 2017. Chit Chat paid its KUSF assessments for the months of September 2012 through May 2016; however, the Company did not remit payment of the assessments for the months of June 2016 through January 2017. GVNW, in accordance with Commission Orders, assessed Chit Chat Late Carrier Remittance Worksheet (CRW) Penalties⁵ for March, April, May, June, August, September, October, and November 2016 and Delinquent Balance Penalties.⁶ GVNW explained that, as of July 1, 2017, Chit Chat owes \$1,627.73 to the KUSF. This balance will change as Chit Chat will be assessed Late Payment Penalties⁷ for June 2016 through January 2017 once the assessment payments are received.

Chit Chat has not reported to the KUSF since February 2017 and, therefore, is delinquent in reporting its revenues and paying the related assessments to the KUSF for the months of

³ Kansas Business Center, last viewed July 10, 2017, at: <https://www.kansas.gov/bess/flow/main?execution=els9>.

⁴ FCC Form 499 Filer Database, last viewed July 11, 2017 at: <http://apps.fcc.gov/cgb/form499/499detail.cfm?FilerNum=829351>.

⁵ Docket No. 06-GIMT-332-GIT, Jan. 23, 2006 Order.

⁶ Docket No. 10-GIMT-188-GIT, Jan. 23, 2010 Order.

⁷ Docket No. 94-GIMT-478-GIT, Feb. 19, 1997 Order.

February through June 2017. Additionally, Chit Chat has not registered with the KUSF for the March 2017 through February 2018 Fiscal Year (FY 21). Once the Company remits all outstanding reports and payments, additional penalties will be applied consistent with Commission Orders.

GVNW has sent monthly delinquent notices to Chit Chat since July 2016 and Staff has also sent correspondence to Chit Chat to no avail.

ANALYSIS:

Chit Chat has failed to comply with its KUSF obligations pursuant to Commission Orders and K.S.A. 66-2008(a). As of July 1, 2017, Chit Chat owes \$1,627.73 to the KUSF. Chit Chat will remain subject to additional penalties until such time that it remits all past due CRWs, assessment payments, and payment of the accrued penalties.

RECOMMENDATION:

Staff recommends that the Commission issue an Order to open a new proceeding and require Chit Chat to show cause why it should not be subject to penalties, sanctions, or fines and/or referred to the Kansas Attorney General's Office for failure to comply with Commission Orders and its Kansas statutory obligations.



CONSULTING

KUSF MEMO

Date: July 11, 2017
To: Sandy Reams
From: Nicole Stephens, KUSF Compliance Administrator
RE: Chit Chat Mobile, LLC – KUSF Account KS006335

BACKGROUND

This Memorandum provides KUSF reporting information to the Kansas Corporation Commission (Commission) for Chit Chat Mobile, LLC ("Chit Chat"), KUSF Account No. KS006335, for the March 2016 – February 2017 (FY20) period.

Chit Chat Mobile has been registered with the KUSF since August 2012, and reported that it began generating Kansas intrastate retail revenues effective September 2012. Chit Chat has reported on a monthly basis to the KUSF for the September 2012 through January 2017 monthly revenue periods.

Chit Chat currently has an outstanding balance on its KUSF account in the amount of \$1,627.73 as of July 1, 2017. This balance consists of past due KUSF assessments for the monthly revenue periods of June 2016 through January 2017, along with late worksheet penalties and delinquent balance penalties. From August 2016 through February 2017, Chit Chat continued to report to the KUSF but did not remit the related KUSF assessment payments.

Chit Chat has not reported to the KUSF since February 2017, when it reported the January 2017 revenue. Chit Chat is delinquent in submitting its February – June 2017 monthly worksheets and assessments payments. Chit Chat is also delinquent in submitting its March 2017 – February 2018 (FY 21) Company Identification and Operations registration.

Chit Chat has been sent monthly delinquent letters in regard to the past due balances since July 2016. On June 30, 2017, GVNW sent an email to Mr. John Hennessy, with copy to Sandy Reams (KCC) and Michael Neely (KCC), detailing the past due balance and

requesting response no later than July 5, 2017. The company has not responded to GVNW's request.

As of July 1, 2017, the company has not filed a pleading with the Commission requesting waiver of the penalties nor has it remitted payment for the late penalties assessed. Chit Chat has been delinquent for more than 360 days. The company continues to incur a 1% delinquent balance penalty each month on the balance remaining at the end of the month. The company continues to receive monthly delinquent letters from GVNW. The company's current delinquent balance, as of July 1, 2017 is \$1,627.73.

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 JUL 25 2017.

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/S/ DeeAnn Shupe
DeeAnn Shupe

Order Mailed Date

JUL 26 2017