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Kansas Corporation Commission
/S/ Patrice Petersen-Klein
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May 10, 2012

Ms. Patrice Petersen-Klein, Executive Director
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604-4027

Received
on

MAY 14 2012

by
State Corporation Commission
of Kansas

Dear Ms. Petersen-Klein:

RE: Docket No. 12-ALTC-018-KSF, Alltel Communications, Inc.

In its July 21, 2011 order the Kansas Corporation Commission (KCC) directed GVNW to perform a KUSF carrier audit of Alltel Communications, Inc. (Alltel) to ensure that the data submitted to the KUSF via the KUSF CRWs, the assessments paid, and the calculation and application of the flow-through surcharge billed to and collected from Alltel's customers, if applicable, are appropriate and accurate.

The KCC directed GVNW to file two versions of the audit report with the KCC; one version containing confidential information and one version with the confidential data redacted for public disclosure. Alltel's audit does not require a separate confidential report; therefore, only the enclosed public audit report for Alltel is being filed.

Copies of the supporting documentation, including GVNW's audit work papers and information provided by the company, are not included with the audit report, but are available from GVNW upon request.

Sincerely,

David Winter
Senior Consultant

cc: Sandy Reams

Enclosures

Kansas Universal Service Fund Audit Report

Docket No.: 12-ALTC-018-KSF
Alltel Communications, LLC

Prepared For: Kansas Corporation Commission
Kansas Universal Service Fund

Prepared By: David Winter
GVNW Consulting, Inc.

Audit Period: March 1, 2010 through February 28, 2011
Kansas Operating Year 14 (KUSF Year 14)

Date of On-Site Audit: January 16, 2012

Date Submitted to Company: May 10, 2012

Company Representatives: Jean Capehart
Phil Gerber

Audit Summary

GVNW Consulting, Inc. (GVNW) identified one (1) reporting deficiency regarding Alltel Communication, LLC (Alltel or Company):

- Finding No. 1: Alltel did not request or receive authorization from the Kansas Corporation Commission (KCC or Commission) to allocate its revenues for KUSF purposes through a company-specific traffic factor prior to using such methodology and factors.

On April 13, 2012, in Docket No. 11-GIMT-201-GIT (Docket 11-201), Alltel filed a pleading, accompanied by an affidavit signed by an officer of the Company, to request approval to use a company-specific traffic study for KUSF reporting and to verify that the inverse factor is used for Federal Universal Service Fund (USF) purposes, as required by the Commission.¹ As a result, the Company is in compliance with Finding No. 1. On April 27, 2012, the Commission issued an Order approving the traffic factors and assessing the Company a penalty for non-compliance with Commission Orders. Therefore, GVNW recommends this Docket be closed.

Background

On July 21, 2011, the KCC issued Order No. 1 in Docket No. 12-ALTC-018-KSF (Docket 12-018) directing GVNW to conduct an audit for KUSF purposes.

¹ *In the Matter of the Investigation to Determine the March 1, 2006 Assessment for the Tenth Kansas Universal Service Fund Year*, Docket No. 06-GIMT-332-GIT (Docket 06-332), September 8, 2006, Order and *In the Matter of the Investigation to Determine Assessment Rate for the Sixteenth Year of the Kansas Universal Service Fund*, Docket No. 12-GIMT-168-GIT, January 24, 2012, Order.

Alltel is an operating subsidiary of Verizon Wireless and is headquartered in Alpharetta, Georgia. The Company offers wireless services and is required to report its revenues and pay the related assessments to the KUSF on a monthly basis.² Alltel is authorized to collect an amount equal to or less than its assessment from customers,³ and does so.

Alltel, on September 24, 2004, was designated as an eligible telecommunications carrier (ETC) for Lifeline purposes.⁴ As an ETC, Alltel is required to offer and advertise Lifeline services to its customers.⁵ The Company does offer Lifeline services to its customers, and requests Lifeline credits from the KUSF.

On January 9, 2009, Verizon Wireless completed its purchase of Alltel. Alltel's Kansas customers were converted to Verizon Wireless' customer billing and KUSF reporting systems in October 2009. The Verizon Wireless KUSF reporting system was subject of recent KUSF audits in Docket Nos. 11-VERZ-037-KSF⁶ and 11-TCTZ-039-KSF.⁷

This audit also requires a review of the Company's compliance with the recommendations adopted by the KCC in the previous audit, Docket No. 09-ALTC-123-KSF (Docket 09-123). In Docket 09-123, the Company: 1) reported calculated intrastate revenues; and applied the KUSF surcharge billed to customers on non-assessable revenues. Verizon Wireless' purchase of Alltel resulted in the elimination of the aforementioned reporting anomalies.

Current KUSF Obligations

Alltel is current with its KUSF obligations.

Audit Findings

GVNW conducted the audit of Alltel in accordance with the KUSF Carrier Review Procedures adopted by the KCC.⁸ Based on these procedures, GVNW identified the following audit finding and recommendation:

² Docket No. 06-GIMT-332-GIT (Docket 06-332), January 23, 2006, Order Setting the Kansas Universal Service Fund Assessment Rate For Year Ten and Establishing Reporting Requirements.

³ K.S.A. 66-2008.

⁴ Docket No. 04-ALKT-283-ETC, September 24, 2004, Order Granting ETC Designation and in Part the Application of Alltel Kansas Limited Partnership LLC for Designation as an Eligible Telecommunications Carrier for Federal Universal Service Fund Support.

⁵ Docket No. 94-GIMT-478-GIT (Docket 94-478), December 27, 1996, Order.

⁶ Docket No. 11-VERZ-037-KSF, July 22, 2010, *In the Matter of the Audit of Verizon Wireless for KUSF Purposes, Year Thirteen, Pursuant to K.S.A. 66-2010(b)(1)*.

⁷ Docket No. 11-TCTZ-039-KSF, July 22, 2010, *In the Matter of the Audit of Topeka Cellular Telephone Company for KUSF Purposes, Year Thirteen, Pursuant to K.S.A. 66-2010(b)(1)*.

⁸ Docket No. 09-GIMT-272-GIT, February 2011, Order and June 30, 2011, letter GVNW proposed KUSF Contributors Selected for Year 14, Attachment B.

Audit Finding No. 1

Standard: Wireless carriers are to report their revenues to the KUSF Administrator using the same revenue identification methodology as that used for Federal USF purposes to ensure 100 percent of their revenues are assessed. A company reporting actual revenues, based on either direct identification of jurisdictional traffic or a traffic study, is to submit a pleading to the Commission advising it of this methodology and file an affidavit with the KCC verifying this methodology is used for both KUSF and Federal USF purposes.⁹

Finding: Alltel did not request authorization from the KCC to use a company-specific traffic study to determine its intrastate revenue for KUSF purposes. Prior to Verizon Wireless' purchase of Alltel, the Company used the Intrastate Safe Harbor provision for KUSF reporting. Through the conversion to Verizon Wireless' customer billing and reporting systems, Verizon Wireless' company-specific traffic study includes Alltel and therefore, is used by Alltel. The Company will need to file annual updates to its traffic study factor applied for KUSF purposes to the KCC.

Company Response: On April 13, 2012, Alltel filed a pleading with the Commission to request authorization to use its company-specific traffic factors for KUSF purposes. The Company also submitted a signed affidavit to verify that the methodology and inverse factors are used for Federal USF purposes. On April 27, 2012, the Commission issued an Order approving Alltel's traffic factors and assessing the Company a penalty. The penalty is due within 30 days of the Order.

Recommendation: On a going-forward basis, Alltel should file its traffic factor updates in the annual KUSF docket consistent with the Commission's January 24, 2012, Order in Docket No. 12-GIMT-168-GIT. The KCC has approved Alltel's traffic factors, effective January 2009 and assessed a penalty in Docket 11-201. Therefore, GVNW recommends this Docket be closed.

⁹ August 13, 1999, Order, Docket 94- 478 and September 2006, Order, Docket No. 06-332.

CERTIFICATE OF SERVICE

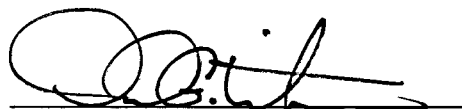
I hereby certify that on this 10th day May 2012, the original and seven (7) copies of the above and foregoing were sent via U.S. Mail, first class postage prepaid to:

Kansas Corporation Commission
1500 S.W. Arrowhead Road
Topeka, KS 66604

And an electronic copy to:

Deborah Kuhn
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A handwritten signature in black ink, appearing to read 'D. G. Winter', written over a horizontal line.

David G. Winter