

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

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

In the Matter of the Audit of Virgin Mobile USA, L.P.)
by the Kansas Universal Service Fund (KUSF))
Administrator Pursuant to K.S.A. 2015 Supp. 66-2010(b))
for KUSF Operating Year 19, Fiscal Year March 2015-)
February 2016.)
Docket No. 17-VMBZ-023-KSF

**ORDER ACCEPTING AND ADOPTING GVNW CONSULTING, INC.'s
AUDIT REPORT AND RECOMMENDATION**

The above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and determination. Having examined its files and record, and being duly advised in the premises, the Commission finds and concludes as follows:

1. On August 2, 2016, the Commission directed GVNW Consulting, Inc. (GVNW) to perform an audit of Virgin Mobile USA, L.P. (Virgin Mobile) for Kansas Universal Service Fund (KUSF) purposes.

2. On June 1, 2017, GVNW filed its Final Audit Report, including Attachments A through D stating that the company is current with its KUSF obligations. GVNW's Audit Report identifies and describes in detail one reporting deficiency, including the applicable reporting standard, GVNW's finding and recommendation, and Virgin Mobile's response (Attachment D), resulting in the following:

Audit Finding No. 1:

Standard: For Lifeline customers, the total gross intrastate customer charge prior to any Federal or State Lifeline credit or discount reimbursements is to be reported to the KUSF.¹

¹ Kansas Universal Service Fund (KUSF) Carrier Remittance Worksheet (CRW) Instructions dated February 3, 2015, March 2015-February 2016 (FY 19).

Finding: Virgin Mobile reports top-up revenue, but does not report a monthly recurring service charge (MRC) to the KUSF. Virgin Mobile receives \$9.25 per month from the Federal Lifeline program for each eligible Kansas Lifeline subscriber in lieu of collecting it from its end-user subscribers. The company has chosen not to report this revenue to the KUSF, claiming that it does not collect an MRC from subscribers and Federal Lifeline support is exempt from the KUSF.

KUSF Lifeline subscriber-related revenue reporting requirements support reporting gross intrastate retail revenue that would be charged to the subscriber if the charge were not recovered from the state or federal lifeline program.² This requirement applies to all carriers that offer Lifeline services.³ The \$9.25 Federal Lifeline reimbursement is provided in lieu of the customer paying the MRC and should be reported for KUSF purposes.⁴ For the period January 2012 through February 2017, Virgin Mobile owes an estimated \$227,000 in additional KUSF assessments to the KUSF. Commission Staff addressed this matter with the company in a conference call and follow-up e-mail.⁵

Virgin Mobile Response to Audit Finding No. 1: See Attachment D for Virgin Mobile's management response to GVNW's draft Audit Report, Finding No. 1. Virgin Mobile did not file a response with the Commission following GVNW's submission of the Final Audit Report on June 1, 2017.⁶

Recommendation: The Commission should direct Virgin Mobile to include all Lifeline-related revenue, including revenue that would be collected directly from the end-user, absent the customer's Lifeline eligibility (including the \$9.25 Federal Lifeline reimbursement), to the KUSF. The KCC should also order the company to submit Audit True-ups for the period January 2012 through the period when Virgin Mobile ceases this reporting practice to correct this audit deficiency and pay the additional assessments owed within 60 days of the issuance of an Order. After GVNW reviews the submission and the company pays the additional assessment to the KUSF, GVNW will submit a Compliance Report.

Follow-Up Docket No. 12-VMBZ-025-KSF Audit Compliance: The following finding was adopted by the Commission in Docket No. 12-VMBZ-025-KSF.

Finding No. 1: The company had not requested or received authorization from the KCC to use a company-specific traffic factor to allocate revenues for KUSF purposes.

Audit Finding Compliance: Virgin Mobile is in compliance with this KUSF reporting requirement.

² Kansas Universal Service Fund (March 1, 2015-February 29, 2016 (FY 19) Frequently Asked Questions, page 4.

³ Id.

⁴ 47 C.F.R. §254 authorizes a state to determine its policies that result in contributions being equitable and non-discriminatory.

⁵ February 27, 2017 e-mail from Sandy Reams, KCC Staff, to Andy Lancaster, Virgin Mobile. (Attachment C).

⁶ Docket No. 17-VMBZ-023-KSF, August 2, 2016 Order, ¶8.

3. The Commission has reviewed GVNW's KUSF Audit Report submitted in this matter on June 1, 2017, and finds that it should accept the Audit Report and adopt GVNW's recommendation.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The Commission accepts and adopts GVNW Consulting, Inc.'s KUSF Audit Report and recommendation for Virgin Mobile USA, L.P. filed in this docket on June 1, 2017.

B. In accord with GVNW's recommendation with respect to Audit Finding No. 1, as set forth in paragraph 2 above, Virgin Mobile is directed to include all Lifeline-related revenue, including revenue that would be collected directly from the end-user, absent the customer's Lifeline eligibility (including the \$9.25 Federal Lifeline reimbursement), to the KUSF. Virgin Mobile is also directed to submit True-ups for the period January 2012 through the period when Virgin Mobile ceases its present reporting practice to correct this audit deficiency and pay the additional assessments owed within sixty (60) days from the date of this Order. Upon GVNW's receipt, review, and acceptance of the True-ups and Virgin Mobile's payment of the additional assessment to the KUSF, GVNW is directed to submit a Compliance Report.

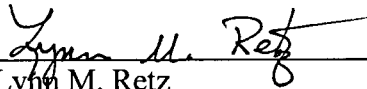
C. The parties have fifteen (15) days, plus three (3) days if service of this Order is by mail, from the date this Order was served in which to petition the Commission for reconsideration of any issue or issues decided herein. K.S.A. 66-118b; K.S.A. 2016 Supp. 77-529.

D. The Commission retains jurisdiction over Virgin Mobile USA, L.P. and the subject matter of this docket for the purpose of issuing such additional orders as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Apple, Chairman; Albrecht, Commissioner; Emler, Commissioner

Dated: JUL 11 2017


Lynn M. Retz
Secretary to the Commission

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Order Mailed Date

JUL 12 2017

CERTIFICATE OF SERVICE

17-VMBZ-023-KSF

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 11 2017.

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Order Mailed Date

JUL 12 2017