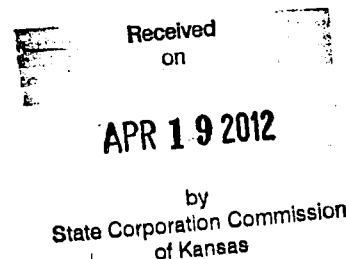




2012.04.19 10:07:15
Kansas Corporation Commission
GVNW CONSULTING, INC.
/s/ Patrice Petersen-Klein
2270 LA MONTANA WAY (80918)
P.O. BOX 25969 (80936)
COLORADO SPRINGS, CO
TEL 719.594.5800
FAX 719.594.5803
www.gvnw.com

April 17, 2012

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



Dear Ms. Petersen-Klein:

RE: Docket No. 12-ORIZ-021-KSF, Kansas No. 15 Limited Partnership

In its July 21, 2011 order the Kansas Corporation Commission (KCC) directed GVNW to perform a KUSF carrier audit of Kansas No. 15 Limited Partnership (Kansas No. 15) 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 Kansas No. 15'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. Kansas No. 15's audit does not require a separate confidential report; therefore, only the enclosed public audit report for Kansas No. 15 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-ORIZ-021-KSF
Kansas No. 15 Limited Partnership

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 (Operating Year 14)

Date of On-Site Audit: January 16, 2012

Date Submitted to Company: April 16, 2012

Company Representatives: Grant Spellmeier
Ada Cardona
Kaylene Laplante

Received
on
APR 19 2012
by
State Corporation Commission
of Kansas

Audit Summary

Based on the Kansas Universal Service Fund (KUSF) Carrier Review Procedures for KUSF Year 14,¹ GVNW Consulting, Inc. (GVNW) recommends that Kansas No. 15 Limited Partnership (Kansas No. 15 or Company) should be required to issue a refund of \$114,487.90 through one-time, equal billing credits to its current customers, with the Kansas Universal Service Fund (KUSF) refunding \$121,131.52 to the Company to correct the following reporting deficiencies:

- Finding No. 1: The Company applied the KUSF surcharge to the Federal Universal Service Fund (Federal USF) surcharge collected from customers and reported the associated revenues to the KUSF. This resulted in over-reporting revenues and a \$10,214.65 over-payment of assessments to the KUSF. This same amount was collected from customers through the KUSF surcharge. Kansas No. 15 ceased this practice in March 2011.
- Finding No. 2: The Company erroneously applied the KUSF surcharge to data and internet service plans, reported the related revenues, and paid the related assessments to the KUSF. As a result, Kansas No. 15 over-paid \$104,273.25 in KUSF assessments and over-collected from customers an equal amount via the KUSF surcharge. The Company stopped applying the KUSF surcharge to data and internet service plans in January 2011.

¹ Docket No. 10-GIMT-188-GIT (Docket 10-188), GVNW Consulting, Inc.'s letter dated June 28, 2011, Containing a List of Proposed Companies for Kansas Operating Year 14 and Proposed Modified KUSF Carrier Procedures (GVNW's June 2011 letter).

- Finding No. 3: Kansas No. 15 also reported data content applications and premium content data revenues to the KUSF, but did not collect its assessment from customers subscribed to these services. The KUSF should refund \$14,689.22 to the Company, but the Company does not need to issue customer refunds since the KUSF surcharge was not collected from them. The Company stopped reporting premium content revenues in January 2011.
- Finding No. 4: Kansas No. 15 did not report service contract early termination fees to the KUSF. As a result, the Company under-reported revenues to the KUSF and underpaid its assessment by \$8,045.60. Kansas No. 15 started reporting early termination fees in April 2011
- Finding No. 5: Kansas No. 15 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.

On March 26, 2012, Kansas No. 15 submitted Audit True-ups for Operating Year 14 and quarterly True-ups for Operating Year 15. The Audit True-ups reflect the correction of the revenue categories identified in Finding Nos. 1 through 4 and support the Company and customer refunds recommended by GVNW. Kansas No. 15 is now in compliance with these audit findings.

The Company is also now in compliance with Finding No. 5. On February 29, 2012 and on March 7, 2012, Kansas No. 15, filed pleadings and an affidavit, signed by an officer of the Company, in Docket No. 11-GIMT-201-GIT. The pleadings clarified that the May 10, 2011, request should have been submitted on behalf of both US Cellular entities: USCOC of Nebraska/Kansas LLC and Kansas No. 15. The pleadings incorporated both the May 10, 2011, request to use a company-specific traffic study for KUSF purposes and the traffic study factors filed on October 21, 2011. The Commission has approved the Company's May 10, 2011 and October 21, 2011 pleadings. An Order addressing the February 29 and March 7, 2012, pleadings has not yet been issued.

The Commission may wish to assess penalties, in accordance with K.S.A. 66-138, related to the Company's non-compliance with Commission orders for not having requested or received approval to use the traffic study methodology.

Background

Kansas No. 15 is a wireless service provider headquartered in Chicago, Illinois. The Company is required to report its revenues and pay the related assessments to the KUSF on a monthly basis.² Kansas No. 15 is authorized to collect an amount equal to or less than its assessment from customers,³ and does so.

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.

The Company has not requested or received designation as an eligible telecommunications carrier (ETC) in the state of Kansas. A wireless carrier that has not received ETC designation is not required to offer or advertise Lifeline services.

On July 21, 2011, the KCC issued Order No. 1 in Docket No. 12-ORIZ-021-KSF (Docket 12-021) directing GVNW to conduct an audit for KUSF purposes.

Current KUSF Obligations

Kansas No. 15 is current with its KUSF obligations.

Audit Findings

GVNW conducted the audit of Kansas No. 15 in accordance with the KUSF Carrier Review Procedures adopted by the KCC.⁴ Based on the referenced procedures, GVNW identified the following audit findings and provides the following recommendations:

Audit Finding No. 1

Standard: Pass-through charges subject to the Federal jurisdiction are not subject to the KUSF surcharge.⁵

Finding: The Company applied the KUSF surcharge to the Federal USF surcharge collected from customers and reported the associated revenues to the KUSF for the period of March 2010 through February 2011. The error was corrected in March 2011.⁶ As a result, Kansas No. 15 over-paid \$10,214.65 in assessments and over-collected by the same amount from its customers.

Recommendation: Kansas No. 15 submitted Audit True-ups for KUSF Year 14 and quarterly True-ups for KUSF Year 15 to correct this reporting deficiency. The Commission should direct the KUSF Administrator to refund \$10,214.65 to the Company and the Company should be required to issue the same amount in refunds to customers through one-time equal bill credits.

Audit Finding No. 2

Standard: Non-Voice service revenue, including Optional Ring-Tones, Standard Messaging Services (text messaging, emails), Media Messaging Services (pictures, video, games), and Digitized Media Services (wallpaper, backgrounds, etc.) are excluded from assessable revenues.⁷

Finding: The Company erroneously applied the KUSF surcharge to data and internet service plans and reported the related revenues to the KUSF for the period of March 1

⁴ Docket No. 09-GIMT-272-GIT, February 2011, Order and June 30, 2011, letter GVNW proposed KUSF Contributors Selected for Year 14, Attachment B.

⁵ Docket No. 94-GIMT-478-GIT (Docket 94-478), December 27, 1996 Order. pp. 39-41.

⁶ Response to Data Request No. 5 (Attachment A)

⁷ Docket No. 06-GIMT-943-GIT (Docket 06-943), September 7, 2006, Order Granting Requests of Joint Petitioners.

through December 31, 2010.⁸ Kansas No. 15 corrected the error effective January 2011. As a result, it over-paid and over-collected \$104,273.25 in KUSF assessments. Kansas No. 15 also reported data content applications and premium content⁹ data revenues to the KUSF, but did not collect the surcharge for either service from its customers.¹⁰

Recommendation: Kansas No. 15 submitted Audit True-ups for KUSF Year 14 to correct this reporting deficiency. The KCC should direct the KUSF Administrator to refund the Company \$104,273.25 from the KUSF and Kansas No. 15 should be required to issue \$104,273.25 in refunds to customers through one-time equal bill credits.

Audit Finding No. 3

Standard: Non-Voice service revenue, including Optional Ring-Tones, Standard Messaging Services (text messaging, emails), Media Messaging Services (pictures, video, games), and Digitized Media Services (wallpaper, backgrounds, etc.) are excluded from assessable revenues.¹¹

Finding: Kansas No. 15 also reported data content applications and premium content data revenues to the KUSF, but did not collect the surcharge for either service from its customers.¹² The Company, therefore, over-paid \$14,689.22 to the KUSF for these services. The Company discontinued reporting data content applications and premium content revenues in January 2011.

Recommendation: Kansas No. 15 submitted Audit True-ups for KUSF Year 14 to correct this reporting deficiency. The KCC should direct the KUSF Administrator to refund the Company \$14,689.22 from the KUSF.

Finding No. 4

Standard: Other Miscellaneous charges, including non-recurring late payment charges, service initiation, activation, disconnection and early termination charges, return check charges, and other customer charges are to be included in assessable revenues reported to the KUSF.¹³

Finding: Kansas No. 15 did not report Early Termination Fee revenues to the KUSF. As a result, the Company under-reported KUSF revenues for the period of March 2010 through March 2011 and owes an additional \$8,045.60 to the KUSF.¹⁴ The Company started reporting Early Termination Fees to the KUSF as of April 2011.

⁸ Response to Data Request No. 4 (Attachment B)

⁹ Premium Content a/k/a Premium SMS billings are for text events such as polling & voting, chat rooms, sweepstakes, etc.

¹⁰ Responses to Data Request No. 3 (Attachment C) and Data Request No. 4 (Attachment B)

¹¹ Docket 06-943, September 7, 2006, Order Granting Requests of Joint Petitioners.

¹² Responses to Data Request No. 3 (Attachment C) and Data Request No. 4 (Attachment B)

¹³ Kansas Universal Service Fund (KUSF) Carrier Remittance Worksheet (CRW) Instructions March 2010 – February 2011 (FY 14), page 11.

¹⁴ Response to Data Request No. 2 (Attachment D).

Recommendation: Kansas No. 15 submitted Audit True-ups for KUSF Year 14 and quarterly True-ups for KUSF Year 15 to correct this reporting deficiency.

Audit Finding No. 5

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 and the applicable factors are used for Federal USF purposes.¹⁵

Finding: Kansas No. 15 did not request authorization from the KCC to use a company-specific traffic study to determine its intrastate revenue to the KUSF. The Company stated that Kansas No. 15 was inadvertently left off the entity list¹⁶ when it filed the USCOC of Nebraska/Kansas LLC's May 10, 2011, pleading and affidavit with the Commission to request authorization to use its company-specific traffic factors for KUSF purposes.¹⁷ On March 7, 2012, Kansas No. 15, filed another pleading to clarify that the traffic study factors, filed on October 21, 2011, also applied to Kansas No. 15. The Commission approved the Company's May 10, 2011 and October 21, 2011 pleadings. An Order addressing the February 29 and March 7, 2012, pleadings have not yet been issued. Therefore, Kansas No. 15 was not authorized by the KCC to use a company-specific traffic study to determine its intrastate revenue to report to the KUSF. Kansas No. 15 changes its intrastate factor each year when the KUSF rate changes. The Company will need to file annual updates to its traffic study factor applied for KUSF purposes to the KCC.

Recommendation: GVNW recommends that the KCC approve the company-specific traffic factors, effective March 2010. GVNW further recommends that the Commission consider assessing penalties, in accordance with K.S.A. 66-138, for the Company's non-compliance with Commission orders. Such penalties could be applied on a monthly basis or an annual basis. Any penalties should be applied for the period March 2010 through February 2012. On a going-forward basis, Kansas No. 15 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.

¹⁵ Docket 94-478, August 13, 1999, Order, and Docket 06-332, September 2006, Order.

¹⁶ Response to Data Request No. 6 (Attachment E).

¹⁷ Docket No. 11-GIMT-201-GIT (Docket 11-201), Affidavit of John C. Glockley on Behalf of Kansas No. 15 Limited Partnership, February 29, 2012, In the Matter of a General Investigation to Determine the Assessment Rate for the Fifteenth Year of the Kansas Universal Service Fund and the Affordable Local Service Rates for Rate-of-Return Regulated Carriers, Effective March 1, 2011.

CERTIFICATE OF SERVICE

I hereby certify that on this 17th day April 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:

Jeff Gough
KUSF Administration
GVNW Consulting, Inc.
3220 Pleasant Run
Springfield, IL 62711
E-mail: jgough@gvnw.com

Stephanie Cassioppi
Legal and Regulatory Affairs
Kansas No. 15 Limited Partnership
8410 Bryn Mawr
Suite 700
Chicago, IL 60631
Email: stephanie.cassioppi@uscellular.com

Ada Caronda
Senior Manager - Tax Compliance & Planning
U.S. Cellular
8410 W Bryn Mawr Ave
Chicago, IL 60631
Email: ada.cardona@uscellular.com

Kaylene Laplante
Sales & Use Tax Lead
U.S. Cellular
8410 W Bryn Mawr Ave
Chicago, IL 60631
Email: kaylene.laplante@uscellular.com



David G. Winter