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January 22, 2016

Ms. Amy L. Gilbert
Secretary to the Commission
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604-4027

RE: Docket No. 16-NTHT-031-KSF

In the Matter of the Audit of Nex-Tech, Inc. by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A. 2014 Supp. 66-2010(b) for KUSF Operating Year 18, Fiscal Year March 2014-February 2015.

Dear Ms. Gilbert:

In its July 30, 2015 order the Kansas Corporation Commission (KCC) directed GVNW to perform a KUSF carrier audit of Nex-Tech, Inc. (Nex-Tech - CLEC or Company) 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 Nex-Tech - CLEC'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. Nex-Tech - CLEC's audit does not require a separate confidential report; therefore, only the enclosed public audit report for Nex-Tech - CLEC 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,

A handwritten signature in black ink, appearing to read "David Winter", with a stylized flourish extending to the right.

David Winter
Senior Consultant

cc w/encl: Sandy Reams

DW/dc – Encl.

Kansas Universal Service Fund Audit Report

Docket No.: 16-NTHT-031-KSF
Nex-Tech, Inc.

Prepared For: Kansas Corporation Commission
Kansas Universal Service Fund

Prepared By: David Winter
GVNW Consulting, Inc.

Audit Period: March 1, 2014 through February 28, 2015
Kansas Operating Year 18 (Operating Year 18)

Company Representatives: Rhonda Goddard
David Graham

Date of On-Site Audit: January 12, 2016

Date Submitted to Company: January 18, 2016

Audit Summary

Based on the Kansas Universal Service Fund (KUSF) Carrier Review Procedures for Operating Year 18,¹ GVNW Consulting, Inc. (GVNW) did not identify any KUSF deficiencies regarding Nex-Tech, Inc. (Nex-Tech - CLEC or Company) and recommends this Docket be closed.

Current KUSF Obligations

Nex-Tech - CLEC is current with its KUSF obligations.²

Background

Nex-Tech - CLEC is a certified Competitive Local Exchange Company (CLEC) headquartered in Lenora, Kansas. The Company is required to report its revenue and pay the related assessments to the KUSF on a monthly basis.³ Nex-Tech - CLEC is authorized to collect an amount equal to or less than its assessment from customers,⁴ and does so. Nex-Tech - CLEC is required to offer and advertise Lifeline services to its end-users⁵ and does so. The Company also claims monthly Lifeline credits from the KUSF.

¹ Docket No. 14-GIMT-105-GIT (Docket 14-105), July 7, 2015, Order Accepting GVNW's KUSF Year 18 Audit Selections, Proposed Revisions to Selection Criteria and Audit Review Procedures.

² Confirmed on January 15, 2016, with the KUSF Administrator.

³ Docket No. 06-GIMT-332-GIT, January 23, 2006, Order Setting the Kansas Universal Service Fund Assessment Rate for Year Ten and Establishing Reporting Requirements.

⁴ K.S.A. 66-2008.

⁵ Docket 94-478, December 27, 1996, Order.

On July 30, 2015, the KCC issued Order No. 1 in this Docket, No. 16-NTHT-031-KSF (Docket 16-031), directing GVNW to conduct an audit for KUSF purposes.

In its October 20, 2015 Order⁶ on KUSF contribution policies,⁷ the KCC authorized companies to report bundled service revenue to the KUSF using one of two safe harbor methodologies⁸ or an alternative methodology to assign or allocate revenue to assessable service(s). The Commission directed that when performing a KUSF carrier audit, the KUSF Administrator is to advise the Commission if a carrier uses one of the safe harbors or an alternative allocation methodology, and if a carrier uses an alternative methodology, the Administrator is to advise the Commission of the results of its review of the alternative methodology and any recommendations regarding the alternative methodology. In addition, for KUSF reporting purposes a company may also recognize end-user discounts if it reports bundled-service revenues using either of the safe harbors; if a company uses an alternative methodology, it may not report end-user discounts.⁹

Bundled Services Methodology

Nex-Tech - CLEC uses the stand-alone safe harbor when reporting bundled service revenue to the KUSF. The assessable service end-user retail rate is reported with bundled service price discounts assigned to non-regulated services.¹⁰ Nex-Tech - CLEC does not recognize end-user discounts for KUSF reporting purposes.

Audit Findings

GVNW conducted the audit of Nex-Tech - CLEC in accordance with the KUSF Carrier Review Procedures adopted by the KCC.¹¹

GVNW did not identify any KUSF audit deficiencies related to the current audit period and recommends closing this Docket.

⁶ Docket 14-105, October 20, 2015, Order Determining KUSF Contribution Methodology.

⁷ Issues addressed in the Order were: 1) Discounts; 2) Bundled Services; 3) VoIP Packages; 4) Electronic Billing/Revenue Records; 5) Early Termination Fees; and 6) Global Issue of KUSF Contributions.

⁸ Carrier may report: 1) the stand-alone price of KUSF assessable services; or 2) the total price of the bundle containing the service.

⁹ Id., December 3, 2015, Order on the Petitions for Reconsideration.

¹⁰ Source: Nex-Tech CLEC response to DR No. 3. Part E.

¹¹ Docket 14-105, July 7, 2015, Order.

CERTIFICATE OF SERVICE

I hereby certify that on this 22st day of January, 2016, the above Kansas Universal Service Fund Audit Report was e-filed with the Kansas Corporation Commission and a copy was sent via electronic mail and/or U.S. Mail to:

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