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September 27, 2017

Ms. Lynn M. Retz  
Secretary to the Commission  
Kansas Corporation Commission  
1500 SW Arrowhead Road  
Topeka, Kansas 66604-4027

Re: KCC Docket No. 17-WSLC-019-KSF

Dear Ms. Retz:

Attached you will find the Reply of AT&T Mobility to Response of GVNW Consulting, Inc., to Petition for Reconsideration of Order Accepting and Adopting Audit Report and Closing Docket, for electronic filing in the above referenced docket.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bruce A. Ney".

Bruce A. Ney  
AVP - Senior Legal Counsel

Attachment

cc: Parties of Record

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

In the Matter of the Audit of New Cingular Wireless     )  
PCS, LLC d/b/a AT&T Mobility by the Kansas             )  
Universal Service Fund (KUSF) Administrator         ) Docket No. 17-WSLC-019-KSF  
Pursuant to K.S.A. 2015 Supp. 66-2010(b) for KUSF     )  
Operating Year 19, Fiscal Year March 2015 –         )  
February 2016.   )

**REPLY OF AT&T MOBILITY TO RESPONSE OF GVNW CONSULTING, INC.,  
TO PETITION FOR RECONSIDERATION OF ORDER ACCEPTING  
AND ADOPTING AUDIT REPORT AND CLOSING DOCKET**

COMES NOW New Cingular Wireless PCS, LLC d/b/a AT&T Mobility (“AT&T Mobility”), in reply to the response of GVNW Consulting, Inc. (“GVNW”)<sup>1</sup> to AT&T Mobility’s Petition for Reconsideration of the Commission’s August 31, 2017 Order Accepting and Adopting Audit Report and Closing Docket in the above captioned matter. For its reply, AT&T Mobility shows the Commission as follows:

1. AT&T Mobility appreciates the work of GVNW in conducting the audit in this proceeding for the Kansas Universal Service Fund (KUSF). AT&T Mobility’s disagreement with Audit Finding No. 2 stems from the *Audit Report* and Finding’s mischaracterization of both the nature of the intrastate revenues reported on AT&T Mobility’s Carrier Remittance Worksheets (“CRWs”) and the methodology by which those numbers are derived from AT&T Mobility’s billing systems and calculated for reporting purposes. GVNW’s response herein serves nothing more than to perpetuate those inaccurate mischaracterizations.

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<sup>1</sup> Response to Petition of New Cingular Wireless PCS, LLC d/b/a AT&T Mobility for Reconsideration of Order Accepting and Adopting Audit Report and Closing Docket, Docket No. 17-WSLC-019-KSF, filed Sept. 21, 2017 (hereinafter “GVNW Response”).

**A. AT&T Mobility Reports Actual Intrastate Revenue.**

2. GVNW's Response states that Audit Finding No. 2 is based on the Commission's KUSF policy that "carriers are required to report '*actual* revenues' to determine their KUSF assessment."<sup>2</sup> For the record, it must be noted that source of authority relied upon by GVNW for the proposition that "actual revenues" must be reported, the Commission's January 13<sup>th</sup> Order in Docket No. 10-GIMT-188-GIT, never mentions the term "actual revenues" anywhere in the body of the Order or the Ordering language. In various places the Order references "intrastate retail revenues"<sup>3</sup> or "KUSF-assessable revenues"<sup>4</sup>, but it never employs the term "actual revenues". The fact remains, notwithstanding the 10-188 Order's silence on the issue of "actual revenues", there is simply no evidence or any other basis on which AT&T Mobility's assertion that it reports "actual intrastate revenues" can reasonably be refuted or denied.

3. In further support of its position, GVNW's reply alleges that it was unable to reconcile the audit revenue data it was provided to the revenue data reported to the KUSF by AT&T Mobility via the CRWs for the three (3) audit test months.<sup>5</sup> Regardless of the reason GVNW made this statement, the implication that the revenue data "could not be reconciled to the revenue report" is misleading.<sup>6</sup> This implication runs squarely

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<sup>2</sup> GVNW Response ¶12 (citing KCC Docket No. 10-GIMT-188-GIT (Docket 10-188), January 13, 2010 Order, Ordering ¶1E). (Emphasis original).

<sup>3</sup> Order Setting the Kansas Universal Service Fund Assessment Rate for Year Fourteen and Canceling January 20, 2010 Technical Hearing, Docket No. 10-GIMT-188, dated Jan. 13, 2010, at ¶12 (hereinafter the "10-188 Order").

<sup>4</sup> *Id.* at ¶17, Ordering ¶1E.

<sup>5</sup> GVNW Response ¶12 at p.2.

<sup>6</sup> Upon receiving an audit request, AT&T Mobility generates the requested audit report from its data warehouses of customer level detail activity in order that billed transactions (revenue and associated tax/fee amounts) can be verified by the auditor for accuracy. For example, the audit report provided to GVNW contained a report of Kansas customers who were assessed the KUSF surcharge and the associated revenue on which the KUSF

into the primary nature of an audit and the reality of the *Audit Report* itself, wherein GVNW found, after necessarily reconciling and testing the data, “***an immaterial variance*** of .0096%”.<sup>7</sup>

4. GVNW’s response, as well as the *Audit Report*, continues to use the term “calculated revenue” as a negative in regard to the revenue reported by AT&T Mobility.<sup>8</sup> Through the *Audit Report* it is clear that GVNW does not treat or consider what it terms as “calculated revenue” to be “actual revenue”.<sup>9</sup> AT&T Mobility strongly disagrees with that position; further, there is no evidence that the Commission has ever sanctioned such a position and neither the *Audit Report* nor GVNW’s response offers any support for the proposition. This distinct treatment is important, because to the extent GVNW, as well as the Commission’s Staff, treat AT&T Mobility as filing “estimated” revenue, the

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surcharge was assessed. As is typical with audits of transaction taxes/fees, GVNW tested such transactions to the actual invoices to ensure that there were no errors in billing (over or under reporting). As a result of the testing and reconciliation, GVNW found no such errors.

The existence of any alleged differences between a generated audit report and the monthly CRW ***does not*** render either of them inaccurate. Revenue amounts on the filed monthly CRWs represent actual intrastate revenue billed during the respective periods. AT&T Mobility experiences some timing differences when creating and generating audit reports upon request several years later, as capturing the exact historic accounting period can be problematic for various reasons; for example, when some customer bills overlap into a previous or following month. In other words, there are times when a customer bill is held due to a particular issue and actually bills in the following month. This can be seen with the slight ups and downs in the remittance amounts on a monthly basis while on average amounts are reasonably consistent. Auditors generally understand the issue (audit report discrepancy or limitation) and through the testing of the detailed transactions, become comfortable with the accuracy reflected on the filings. Again, GVNW tested such transactions to the actual invoices to ensure that there were no errors in billing (over or under reporting). As a result of the testing and reconciliation, GVNW found no such errors. Therefore, the intrastate revenue amounts on the monthly CRWs are actual amounts and variance in revenue reported on the generated audit report is explainable as varying due to the timing differences mentioned above versus an actual error in reported revenue.

<sup>7</sup> Kansas Universal Fund Audit Report, Docket No. 17-WSLC-019-KSF, filed Aug. 25, 2017, Audit Finding No. 2 at p.3. (hereinafter the “*Audit Report*”). (Emphasis added).

<sup>8</sup> GVNW Response, ¶12 at p.2; *Audit Report*, Audit Finding No. 2.

<sup>9</sup> *Audit Report*, Audit Finding No. 2 at p.2.

quarterly true-up filing comes into play. Contrary to the assertion of Audit Finding No. 2, AT&T Mobility contends that the reporting methodology it employs results in the filing of CRWs reflecting its Kansas “actual intrastate revenue” on which the KUSF surcharge has been properly assessed. As a result, quarterly true-up filings, absent a material change or billing error correction, would produce no substantively different change in revenue numbers.

5. It is indisputable that to some degree, all revenue is “calculated”, whether actual or estimated. “Estimated revenue” can be accounted for or defined in two ways:

In accrual basis accounting it signifies the revenue ***projected*** to accrue during an accounting period, whether or not all of it is to be collected during that period. In cash basis accounting it signifies the amount ***projected*** to be collected during an accounting period.<sup>10</sup>

In either case, the estimated amount is a mere “projection”. An estimate is necessarily always a rough or approximate calculation, without actually weighing, measuring or similar activities.<sup>11</sup> For the purpose of reporting its monthly KUSF-assessable intrastate revenue, AT&T Mobility does not engage in making estimates, projections or approximate calculations.

6. In response to Audit Data Request No. 10, cited in the *Audit Report*,<sup>12</sup> AT&T Mobility affirmatively stated that **it does** in fact report actual intrastate revenue and described the methodology/calculation it employs to generate the reported actual revenue amount.

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<sup>10</sup> BusinessDictionary, <http://www.businessdictionary.com/definition/estimated-revenue.html> (last visited Sept. 26, 2017). (Emphasis added).

<sup>11</sup> BLACK’S LAW DICTIONARY 550 (6<sup>TH</sup> ed. 1990) (defining the term “estimate”).

<sup>12</sup> *Audit Report* at fn. 10; see *Audit Report* Attachment B, letter filing, Docket No. 17-WSLC-019-KSF, filed Sept. 19, 2017 (KUSF Carrier Audit Information Request No. 10).

[T]he actual intrastate revenue reported is derived by dividing the sum of 1) KUSF amounts billed to the customer and 2) KUSF amounts owed that are not billed to the customer, divided by the KUSF assessment rate.<sup>13</sup>

It then further explains how the methodology/calculation employs actual revenue numbers.

***Each of AT&T Mobility's upstream billing systems are set up to identify actual KS intrastate retail revenue on which KUSF amounts are billed and/or calculated.***

These KUSF assessment amounts are recorded in the books and records and are reconciled to tax remittances. Therefore, dividing the KUSF amounts by the KUSF assessment rate produces the actual intrastate retail revenue identified in the upstream systems.<sup>14</sup>

Unlike an “estimated” amount or projection, AT&T Mobility’s calculated and reported revenue is based upon **actual**<sup>15</sup> amounts identified by its billing systems, billed and owed. Characterizing AT&T Mobility’s reported revenue as “calculated” does not make it “estimated”, when in fact it is based upon actual revenue and billing information that is testable, verifiable and auditable. There is absolutely no substantial, competent evidence in the record of this proceeding controverting any part of AT&T Mobility’s description of the processes by which it calculates and reports actual intrastate revenues.

7. By definition, an audit is the “[s]ystematic inspection of accounting records involving analyses, tests and confirmations.”<sup>16</sup> GVNW, by its own admission, through

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<sup>13</sup> *Audit Report* Attachment B at ¶a.

<sup>14</sup> *Id.* at ¶b. (Emphasis added).

<sup>15</sup> BLACK’S LAW DICTIONARY 34 (6<sup>TH</sup> ed. 1990) (defining the term “actual”). Actual. Real; substantial; existing presently in fact; having a valid objective existence as opposed to that which is merely theoretical or possible. Opposed to potential, possible, possible, virtual, theoretical, hypothetical or nominal. Something real, in opposition to constructive or speculative; something existing in act. *Id.*

<sup>16</sup> BLACK’S LAW DICTIONARY 130 (6<sup>TH</sup> ed. 1990).

the audit process inspected, analyzed, tested and confirmed AT&T Mobility's reported actual intrastate revenue data with no revenue impact on the KUSF having been identified.<sup>17</sup> GVNW's continued characterization of AT&T Mobility's reported intrastate revenue as anything but actual revenue is inaccurate and misleading. The Commission must find that AT&T Mobility reports actual intrastate revenue.

**B. The Quarterly True-Up Requirement is intended as a Penalty.**

8. In its response, GVNW asserts that in requiring quarterly true-ups the Commission was simply restating a policy adopted in 2010.<sup>18</sup> However, AT&T Mobility disagrees with that assertion because GVNW makes clear the purpose of the filing is for AT&T Mobility to report "*actual* revenues without the effects of 'normal billing system adjustments/churn and rounding differences.'" <sup>19</sup> To assert such an additional filing is necessary to eliminate differences the auditor previously characterized as "normal"<sup>20</sup> is what appears to be out of the norm. The true-up requirement appears to be purely related to the methodology/calculation employed by AT&T Mobility to report its actual intrastate revenues.

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<sup>17</sup> *Audit Report*, pp. 1-4.

<sup>18</sup> GVNW Response at ¶4.

<sup>19</sup> *Id.* at ¶3. (Emphasis original).

<sup>20</sup> *Audit Report*, Audit Finding No. 2 at p. 3. "GVNW attributes this variance to *normal* billing system adjustments/churn and rounding differences. Tests of subscriber bills and other work related to this issue noted no discrepancies." *Id.* (Emphasis added).

AT&T Mobility should be directed that, as a monthly filer that reports **estimated** revenue, it is **required to report its actual revenue** by a Quarterly True-up within 45-days after the end of the each KUSF fiscal quarter. The Company should also be reminded that **while it reports calculated revenue**, AT&T Mobility is responsible for ensuring that the assessment owed and paid to the KUSF is no less than it would be **if the Company reported its actual Kansas-specific revenues**.<sup>21</sup>

9. AT&T Mobility has demonstrated that, on a monthly basis, it reports “actual” intrastate revenue for KUSF purposes. It is clear from the language of both the *Audit Report* and GVNW’s response, that the quarterly true-up is being required because of the incorrect perception or characterization of AT&T Mobility’s revenue numbers as “calculated” or “estimated”. To the extent a “true-up” requirement is imposed and requires AT&T Mobility to employ or use different methodologies/calculations or incur unnecessary time or expense in preparing a true-up when no changed circumstances or known billing-related error exists, it is a penalty.

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<sup>21</sup> *Audit Report*, Audit Finding No. 2 at p. 4 (Recommendation).

WHEREFORE, AT&T Mobility respectfully requests an Order of the Commission granting its petition for reconsideration of that part of the Commission's August 31, 2017 Order Accepting and Adopting Audit Report and Closing Docket in the above captioned proceeding adopting Audit Finding No. 2 of the Audit Report.

Respectfully submitted,



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**VERIFICATION**

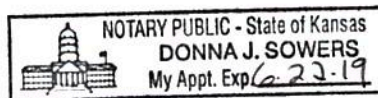
I, Janet L. Arnold, of lawful age, and being first duly sworn, now state: I am Area Manager-External Affairs, and have read the Reply of AT&T Mobility to Response of GVNW Consulting, Inc., to Petition for Reconsideration of Order Accepting and Adopting Audit Report and Closing Docket, and verify the statements contained herein to be true and correct to the best of my knowledge and belief.

  
Janet L. Arnold

Subscribed and sworn to before me on this 27<sup>th</sup> day of September, 2017.

  
Notary Public

My appointment expires:

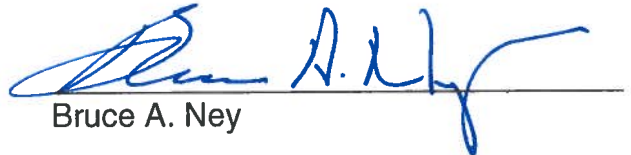


### **CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the Reply of AT&T Mobility to Response of GVNW Consulting, Inc., to Petition for Reconsideration of Order Accepting and Adopting Audit Report and Closing Docket, was sent via electronic mail on this 27<sup>th</sup> day of September 2017 to:

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