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July 22, 2015

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

RE: Docket No. 16-COXT-027-KSF

In the Matter of the Audit of Cox Kansas Telecom LLC d/b/a Cox Communications 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 Cox Kansas Telecom LLC d/b/a Cox Communications (Cox Communications 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 Cox Communications' 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. Cox Communications' audit does not require a separate confidential report; therefore, only the enclosed public audit report for Cox Communications 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-COXT-027-KSF
Cox Kansas Telecom LLC d/b/a Cox Communications

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: Bryan Goss
Laci Hood
Kathy Cornwell

Date of On-Site Visit: March 15 -16, 2016

Date Submitted to Company: June 14, 2016

Audit Summary

Based on the Kansas Universal Service Fund (KUSF) Carrier Review Procedures for Operating Year 18,¹ GVNW Consulting, Inc. (GVNW) identified the following reporting deficiency regarding Cox Kansas Telecom LLC d/b/a Cox Communications (Cox Communications or Company) with a net impact of an additional \$10,495.65 due to the KUSF.

- Finding No. 1: Cox Communications reported revenues to the KUSF net of discounts. The discount deduction reduced Cox Communications' Kansas intrastate revenues reported to the KUSF and the Company under-paid the associated KUSF assessments by \$10,495.65, for the period of March 2014 through April 2015. The Company corrected this reporting deficiency effective with the May 2015 data reported in June 2015.

GVNW recommends that the Kansas Corporation Commission (KCC or Commission) issue an Order to: (1) adopt the findings of this audit report; (2) direct Cox Communications to submit Audit True-ups for the period of March 2014 through April 2015 to correct the noted audit deficiencies within sixty (60) days of an Order and pay the related assessments to the KUSF; and (3) require GVNW to submit a Compliance Report upon the submission of the Audit True-ups and payment to 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.

Current KUSF Obligations

Cox Communications is current with its KUSF obligations.²

Background

Cox Communications is a competitive local exchange company (CLEC) headquartered in Atlanta, Georgia. The Company is required to report its revenue and pay the related assessments to the KUSF on a monthly basis.³ Cox Communications is authorized to collect an amount equal to or less than its assessment from customers,⁴ and does so. Cox Communications is an eligible telecommunications carrier (ETC) for low-income Lifeline support purposes.⁵ As an ETC, Cox Communications is required to offer and advertise Lifeline services to its customers,⁶ which it does. GVNW advises the Commission that Cox Communications represents that it is a separate legal entity and does not inter-mix or bundle non-assessable services⁷ with its KUSF assessable telecommunications services.^{8 9} Cox Communications reports gross revenues to the KUSF except for an older customer service discount that was deducted for KUSF reporting purposes as discussed in Audit Finding No. 1.

On July 30, 2015, the Kansas Corporation Commission (KCC or Commission) issued Order No. 1 in Docket No. 16-027 directing GVNW to conduct an audit for KUSF purposes.

Audit Findings

GVNW conducted the audit of Cox Communications in accordance with the KUSF Carrier Review Procedures adopted by the KCC.¹⁰ Based on these procedures, GVNW identified the following audit finding and recommendation:

² Confirmed on June 14, 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 No.10-COXT-174-ETC, May 5, 2010, *Order Designating Cox Telecom as an Eligible Telecommunications Carrier in Certain AT&T Wire Centers*.

⁶ Docket No. 94-GIMT-478-GIT, December 27, 1996, Order.

⁷ Television and Internet services are provided by Cox Communications Kansas, LLC a separate operating entity from Cox Communications. Source: Cox Communications to Response to DR No. 15.a.

⁸ *Ibid.*

⁹ *Ibid.* GVNW ascertained that Cox Communications offers an internet/telephone service package in which the telephone service is offered at a reduced price. Cox Communications asserts that the reduced price for the telephone service represents a promotional offering (DR No. 16 - Attachment A).

https://www.cox.com/residential/phone.html?campcode=splash_phone_learn3_3 (Last viewed June 1, 2016)

¹⁰ *Ibid.* Docket No.14-105, July 7, 2015, Order.

Audit Finding No. 1

Standard: Carriers contributing to the KUSF are to report gross revenues prior to any service discounts for KUSF reporting purposes.¹¹

Findings: Cox Communications reported revenues to the KUSF net of discounts.¹² The Company represents that it reports revenues net of discounts consistent with how it bills the customer. The customer discounts deducted for KUSF reporting purposes were from an older customer service offering that was discontinued with the May 2015 revenues reported in June 2015.¹³ For the period of March 2014 through April 2015, Cox Communications under-paid \$10,495.65 in KUSF assessments.¹⁴

Cox Communications Response

During our review, we have argued that reporting/assessing on net is appropriate and consistent practice (see, e.g., our comments and PFR filed in 14-105 docket), and that the Kansas legislature (HB 2131) and Staff (motion to reopen the 14-105 docket) both recognize the appropriateness of reporting/assessing on net. With regard to the coding/billing issue, please note that the error only occurred for 6 month before it was caught and corrected, which should demonstrate that it was not intentional. Cox will pay the assessment of \$10,495.65 if that is what the Commission requires.

Recommendation: GVNW recommends that Cox Communications be directed to: 1) submit Audit True-ups for March 2014 through April 2015 to correct this audit deficiency within sixty (60) days of the issuance of an Order. After GVNW has reviewed the Company's submission and Cox Communications has paid \$10,495.65 to the KUSF, GVNW will submit a Compliance Report.

Cox has reported gross revenue to the KUSF with the exception noted in Finding No. 1. Due to pending litigation and the Court of Appeal's Stay regarding the Commission's October and December 2015 Orders regarding the reporting of net revenues, GVNW recommends that the KCC use its discretion regarding the reporting of net revenues, effective October 2015.

¹¹ Docket No. 14-GIMT-105-GIT, January 23, 2014, Order Adopting KUSF Assessment Rate for Year Eighteen of KUSF Operations.

¹² Source: Cox Communications response to DR No. 15.b.

¹³ *Ibid.*

¹⁴ *Ibid.*

CERTIFICATE OF SERVICE

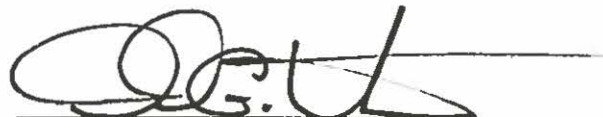
I hereby certify that on this 22nd day of July, 2016, the above Kansas Universal Service Fund Audit Report was e-filed with the Kansas Corporation Commission and a copy was sent via electronic mail and/or U.S. Mail to:

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A handwritten signature in black ink, appearing to read 'D.G. Winter', with a long horizontal line extending to the right.

David G. Winter