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20180220134646
Filed Date: 02/20/2018
State Corporation Commission
of Kansas

February 20, 2018

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

RE: Docket No. 18-COSC-045-KSF

Dear Ms. Retz,

Attached please find Response of Consolidated Communications Enterprise Services, Inc. to Findings of Audit of Year 20 of the Kansas Universal Service Fund. Please note there are two versions of Exhibit B, one confidential for the public and one designated CONFIDENTIAL for the Commission and the Commission staff's use.

Should you have any questions, please contact Kevin Kastor kevin.kastor@consolidated.com or Lance Casey lance.casey@consolidated.com

Sincerely,



Rachel Lipman Reiber

cc: Sandy Reams
Christine Aarnes
Kevin Kastor
Lance Casey

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

| | | |
|--------------------------------------|---|----------------------------|
| In the Matter of an Investigation |) | |
| to Determine the Assessment Rate |) | |
| for the Twentieth Year |) | Docket No. 18-COSC-045-KSF |
| of the Kansas Universal Service Fund |) | |
| Effective March 1, 2016 |) | |

**RESPONSE OF
CONSOLIDATED COMMUNICATIONS ENTERPRISE SERVICES, INC.
TO FINDINGS OF AUDIT OF YEAR 20 OF
THE KANSAS UNIVERSAL SERVICE FUND**

COMES NOW Consolidated Communications Enterprise Services, Inc.

("Consolidated"), by and through its attorney, Rachel Lipman Reiber, and hereby submits its request to modify the method by which it calculates the amount it submits each month to the Kansas Universal Service Fund ("KUSF").

1. In late January 2018, Consolidated received the audit findings of GVNW Consulting, Inc. concerning its payments to the Kansas Universal Service fund during Year 20.
2. In 2014, SureWest, the predecessor of Consolidated, filed a motion requesting that the Commission permit SureWest to modify its KUSF allocation for VoIP/Local/Toll consistent with the capabilities of the billing system, which was scheduled to be installed in September 2014. SureWest requested that the changes be adopted absent a traffic study, since none was available prior to installation of the new billing system.
3. The Commission granted SureWest's Motion on August 19, 2014, but directed the Company "to provide updates to its traffic factors derived from such methodology on an annual basis in the KUSF assessment docket for which the factors apply".

4. Unfortunately, due to personnel changes at the company, these annual traffic factor updates were not provided to the Commission.

5. As stated by Michael Shultz in Exhibit "A" to this document, Consolidated has, at all times during the relevant periods from April 2015 through February 2016; March 2016-February 2017 ; and March 2017 -- present applied the inverse of the Federal USF factor for KUSF reporting purposes.

6. Consolidated submits, as a redacted Exhibit B, the traffic study, for the relevant periods as requested by the audit findings.

WHEREFORE, Consolidated respectfully requests that the Commission accept this Response as its good faith effort to comply with the Commission's annual KUSF reporting requirements, and indicates that in future years, such compliance filings will be made prior to the commencement of the new KUSF year.

Respectfully submitted,

/s/Rachel Lipman Reiber

Rachel Lipman Reiber KS Bar #12164

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Attorney for Consolidated Communications

Enterprise Services, Inc.

Exhibit "A"

STATE OF NEW HAMPSHIRE)

COUNTY OF HILLSBOROUGH)

I, Michael Shultz, being of lawful age and duly sworn, state as follows:

1. I am employed by Consolidated Communications Enterprise Services, Inc. ("Consolidated") as a Vice President – Regulatory and Public Policy. In this capacity, I am responsible for, *inter alia*, reporting and remittances relating to the Kansas Universal Service Fund ("KUSF") for Consolidated, and its predecessor, SureWest.
2. In 2014, SureWest, the predecessor of Consolidated, filed an application with this Commission advising that it would no longer be utilizing the safe harbor methodology of computing is KUSF/FUSF revenues, and requesting that it not be required to provide a traffic study until the new billing system was implemented.
3. Although it was anticipated that the new billing system would be implemented in September 2014, it actually went live in April 2015, enabling Consolidated to identify VoIP toll revenues by jurisdiction. The new billing system directly assigns the Local portion of the VoIP service 100% to Kansas retail revenue for KUSF reporting, and applies the inverse of the federal percentage derived therewith to calculate the toll portion of Kansas retail revenue for KUSF reporting purposes ($100\% - \text{FUSF \%} = \text{KUSF \%}$).
4. During all relevant time periods since the Commission's last order (April 2015 through the current date), Consolidated has used the inverse of the FUSF percentage derived therewith to calculate the Kansas retail revenue for KUSF reporting purposes ($100\% - \text{FUSF \%} = \text{KUSF \%}$). This approach provides a fair and balanced symmetry between federal and state USF

programs, and complies with the Commission's directive that carriers use the same allocation methodology for FUSF and KUSF purposes.

5. Attached to and accompanying this affidavit, are traffic factors for the relevant time periods.

Further affiant sayeth naught.


Michael Shultz

Subscribed and sworn to before me this 15th day of February, 2018.


Notary Public Karen A. Charren
My Appointment Expires: 8/5/21

Exhibit B

Traffic Study Percentages

| Year | Interstate | Intrastate |
|------|---|------------|
| 2015 |  | |
| 2016 | | |

Consolidated Communications Enterprise Services, Inc. operates in the Kansas City metropolitan area as one of many competitive local exchange carriers. CCES, Inc. seeks confidential treatment of this traffic study data pursuant to K.S.A. 66-1220a and K.A.R. 82-1-220a(a)(1)(D) because of the highly sensitive nature of this this traffic study, and because of the potential damage it could incur if competitors were to be able to access this information.