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January 19, 2016

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

RE: Docket No. 16-WTCT-037-KSF
*In the Matter of the Wamego Telecommunications Company, 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 Wamego Telecommunications Company, Inc. (Wamego 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 Wamego'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. Wamego's audit does not require a separate confidential report; therefore, only the enclosed public audit report for Wamego 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", written over a horizontal line.

David Winter
Senior Consultant

DW/dc – Encl.

cc w/encl: Sandy Reams

Kansas Universal Service Fund Audit Report

Docket No.: 16-WTCT-037-KSF
Wamego Telecommunications Company, 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: Jeff Wick
Suzanne Hemphill
Craig Baumgartner

Date of On-Site Audit: November 17, 2015

Date Submitted to Company: January 6, 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 Wamego Telecommunications Company, Inc. (Wamego or Company):

- Wamego did not report PRI lines² or the associated revenues to the KUSF for the period of September 2007 through November 2015, therefore under-reporting its revenues and KUSF assessments. Wamego starting reporting PRI revenues and access lines to the KUSF, effective with the November 2015 data reported in December 2015.

GVNW recommends that the Kansas Corporation Commission (KCC or Commission) issue an Order to: (1) adopt the findings of this audit report; and (2) direct Wamego to submit revised True-Ups for the period of September 2007 through October 2015 to report all PRI lines and revenues subject to the KUSF within 60 days of an Order. Once Wamego submits the True-Ups, GVNW will submit a compliance report to the Commission.

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 A PRI arrangement typically consists of twenty-four channels. Effective January 2010, the KCC clarified that for KUSF purposes, each PRI arrangement would be treated in a manner consistent with the Federal Communications Commission's (FCC) determinations. PRI arrangements, therefore, are counted as 5 lines for KUSF reporting and assessment purposes. In other words, a PRI arrangement is counted as 5 lines when a Company reports the number of lines subject to the KUSF assessment and collects its KUSF assessment on a PRI arrangement from the end-user. (1/13/2010, Order, Docket No. 10-GIMT-188-GIT)

Current KUSF Obligations

Wamego is current with its KUSF obligations.³

Background

Wamego is a rural Incumbent Local Exchange Carrier (ILEC) headquartered in Wamego, Kansas. The Company pays, and is authorized to collect, its KUSF assessment based on an approved per-line rate.⁴ Wamego is authorized to collect an amount equal to or less than its assessment from customers,⁵ and does so. The Company is required to report its total intrastate assessable revenue, the number of KUSF-assessable access lines, and pay the related KUSF assessment on a monthly basis.⁶ Wamego is also required to offer and advertise Lifeline services to its customers.⁷

On July 30, 2015, the KCC issued Order No. 1 in this Docket, No. 16-WTCT-037-KSF (Docket 16-037), directing GVNW to conduct an audit for KUSF purposes.

In its October 20, 2015, Order⁸ on KUSF contribution policies,⁹ the KCC authorized companies to report bundled service revenue to the KUSF using one of two safe harbor methodologies¹⁰ 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. The Commission's December 3, 2015, Order on the Petitions for Reconsideration clarified that a company may also recognize end-user discounts for KUSF reporting purposes if it reports bundled-service revenues using either of the safe harbors; however, if a company elects to use an alternative methodology, it may not report end-user discounts for KUSF purposes.

When a carrier uses an alternative methodology, the KUSF Administrator is to advise the Commission of the results of its review of the alternative methodology and any recommendations regarding the review of the alternative methodology.

³ Confirmed on January 6, 2016, with the KUSF Administrator.

⁴ Docket No. 94-GIMT-478-GIT (Docket 94-478), December 27, 1996, Order.

⁵ K.S.A. 66-2008.

⁶ 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.

⁷ Docket 94-478, December 27, 1996, Order.

⁸ Docket 14-105, October 20, 2015, Order Determining KUSF Contribution Methodology.

⁹ Issued 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.

¹⁰ Carrier may report: 1) the stand-alone price of KUSF assessable services; or 2) the total price of the bundle containing the service.

Bundled Services Methodology

Wamego 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.¹¹ Wamego does not recognize end-user discounts for KUSF reporting purposes.

Audit Findings

GVNW conducted the audit of Wamego in accordance with the KUSF Carrier Review Procedures adopted by the KCC.¹² Based on these procedures, GVNW identified the following audit finding and recommendation:

Audit Finding No. 1

Standards: Companies are to report revenue from PRI arrangements and pay the related assessments to the KUSF. Each PRI arrangement is to be counted as five lines.

Finding: Wamego did not report PRI lines or the associated revenues to the KUSF for the period of September 2007 through November 2015, therefore under-reporting its KUSF obligations. Wamego pays its KUSF obligations using the per-line assessment rate methodology, thus, the number of lines reported impacts the assessment owed by the Company. Since the Company pays its assessment on a per line basis, the overall financial impact to the KUSF is immaterial; however, the PRI revenues reported affect the revenues considered by Staff during its annual KUSF assessment calculations. Wamego modified its KUSF reporting procedures and began reporting its PRI lines and revenues, effective with the November 2015 data reported in December 2015.

Recommendation:

GVNW recommends that Wamego be directed to submit Audit True-ups for KUSF Operating Years 11 (March 2007 – February 2008), 12 (March 2008 – February 2009), 13 (March 2009 – February 2010), 14 (March 2010 – February 2011), 15 (March 2011 – February 2012), 16 (March 2012 – February 2013), 17 (March 2013 – February 2014), 18 and quarterly True-ups for KUSF Year 19 (March 2015 - February 2016) to report the number of PRI lines and revenues to correct the audit deficiency outlined in this docket. GVNW recommends that the Company be directed to submit its True-Ups within 60-days of the issuance of an Order. After GVNW has reviewed the Company's submission and verifies it is in compliance with the audit finding, GVNW will submit a Compliance Report. GVNW notes that the Commission has, in a separate docket,

¹¹ Source: Wamego response to DR No. 3. Part E.

¹² Docket 14-105, July 7, 2015, Order.

directed a Company to revise prior period remittances to ensure it complied with its KUSF obligations.¹³

Management Response

In its response to Data Request (DR) 16, the Company stated that it was unaware that PRI related revenues and access lines were to be reported to the KUSF.¹⁴ The Company modified its KUSF reporting procedures in November 2015 and began reporting PRI lines and revenues with its submission for the month of December 2015.

¹³ *In the Matter of the Audit of Southern Kansas Telephone Co., Inc. for KUSF Purposes, Year Nine, Pursuant to K.S.A. 2005 Supp. 66-2010(b)(1), Docket No. 07-SNKT-184-KSF, Order, Aug. 2, 2007, Order Adopting Final Audit Report of Southern Telephone by Solix, Inc. and Directing Southern Telephone to Comply.*

¹⁴ Source: Wamego response to DR No. 16. Part B.

CERTIFICATE OF SERVICE

I hereby certify that on this 19th 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:

Kansas Corporation Commission
1500 S.W. Arrowhead Road
Topeka, KS 66604

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A handwritten signature in black ink, appearing to read "D. G. Winter", written over a horizontal line.

David G. Winter