

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Susan K. Duffy, Chair
Shari Feist Albrecht
Dwight D. Keen

In the Matter of the Audit of Google Fiber North America)
by the Kansas Universal Service Fund (KUSF))
Administrator Pursuant to K.S.A. 2018 Supp.) Docket No. 20-GFNV-066-KSF
66-2010(b) for KUSF Operating Year 22, Fiscal Year)
March 2018-February 2019.)

ORDER ADOPTING AUDIT REPORT

The above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and determination. Having examined its files and record, and being duly advised in the premises, the Commission finds and concludes as follows:

1. On August 15, 2019, the Commission directed GVNW Consulting, Inc. (GVNW) to perform an audit of Google Fiber North America (hereinafter referred to as “Google Fiber”) for Kansas Universal Service Fund (KUSF) purposes.

2. On April 6, 2020, GVNW filed its Audit Report, making two findings for Google Fiber as a result of the audit for Operating Year 22.¹ The GVNW Audit Report finding is as follows:

Audit Finding No. 1:

Google Fiber used a Wireless Safe Harbor rate instead of the Voice over Internet Protocol (VoIP) Safe Harbor rate to report KUSF revenue.

Audit Finding No. 2:

Google Fiber incorrectly completed Box C of the monthly Carrier Remittance Worksheets (CRWs).

¹ Kansas Universal Service Fund Audit Report, Docket No. 20-GFNV-066-KSF (March 9, 2020).

3. The Commission finds the GVNW Audit Report to be thorough and complete and accepts it as filed. The Audit Report provides a detailed analysis to support the GVNW findings. It recommends Google Fiber file an affidavit of a corporate officer to document it has corrected KUSF reporting procedures to show the KUSF assessments collected from customers in Box C of its CRWs and the date Google Fiber implemented these changes. It also endorses directing Google Fiber to submit audit True-up Reports for March 2016 through February 2017 (Fiscal Year 20), March 2017 through February 2018 (Fiscal Year 22), March 2018 to February 2019 (Fiscal Year 22) and Revised CRWs for March 2019 through January 2020, to permit Google Fiber to correctly report intrastate revenue using the VoIP Safe Harbor rate and the KUSF surcharge collected from customers in Box C of the CRWs. The Audit Report also recommends Google Fiber taking action within 60-days of the Order Adopting Audit Report and GVNW filing a Compliance Report within 90-days of the Order to indicate the actions ordered by the Commission were fulfilled. The Commission now addresses the GVNW recommendations.

4. Google Fiber provides interconnected VoIP services in Kansas and is headquartered in Mount View, California. It is required to report revenue and pay related assessments to the KUSF on a monthly basis. It is not an Eligible Telecommunications Carrier for both Federal and Kansas Lifeline Programs in Kansas.

5. Google Fiber offers unbundled assessable and non-assessable services to its Kansas customers. It remits its assessment to the KUSF based on the service price of the assessable service subject to KUSF assessment, with the intrastate assessable revenue being separated using the VoIP Safe Harbor rate. The same allocation methodology is also used for Federal Universal Service Fund. However, as noted, Google Fiber did not use the correct Safe Harbor rate during Audit review periods.

6. Audit Finding No. 1 indicates Google Fiber incorrectly used the Wireless Safe Harbor rate rather than the VoIP Safe Harbor rate to report intrastate VoIP revenue to the KUSF, which resulted in over reporting intrastate revenue. Notwithstanding, Google Fiber surcharged customers using the VoIP Safe Harbor rate and did not over-collect assessments from customers. To remedy the reporting issue, GVNW proposed having Google Fiber file annual True-up Audit Reports for March 2016 through February 2019 and revised CRWs for March 2019 through January 2020 to correct the reporting for intrastate revenue using the VoIP Safe Harbor rate.

7. Audit Finding No. 2 indicates Google Fiber did not report actual KUSF assessments collected from customers in Box C of the CRWs. Instead, Google Fiber reported the amount of the assessment owed to the KUSF. To address this situation, GVNW recommended having Google Fiber file an affidavit in this Docket of a corporate office indicating it had corrected its reporting and had put into place new procedures to accurately report the actual surcharges collected from its customers in Box C of the monthly CRWs. Correspondingly, GVNW proposed Google Fiber correctly reporting the surcharge collected from customers in Box C by submitting annual True-up Audit Reports for the period from March 2016 to February 2019 and revised CRWs for the period extending from March 2019 through January 2020. GVNW indicated that Google Fiber should take corrective action within 60-days of the Order Adopting Audit Report.

8. The Commission adopts the recommendations of GVNW in its Audit Report and Finding Nos. 1 and 2. Google Fiber is directed to submit audit True-up Reports for March 2016 through February 2019 and CRWs for the period from March 2019 through January 2020 to correct reporting using the VoIP Safe Harbor rate. Google Fiber is also to file an affidavit by a corporate officer attesting to changes in its reporting procedures to accurately show KUSF assessments collected from customers in Box C of the CRWs. Additionally, Google Fiber is to file annual

True-up Audit Reports for March 2016 to February 2019 and CRWs for March 2019 to January 2020 to correct KUSF assessments collected from customers in Box C of the CRWs. These actions shall be completed within 60-days of the Commission's issuance of this Order. GVNW will then file a Compliance Report to confirm Google Fiber has fulfilled the adopted actions ordered by the Commission within 90-days of the issuance of this Order.

IT IS THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The Commission accepts and adopts GVNW Consulting, Inc.'s Audit Report filed April 6, 2020.

B. Google Fiber North America shall file audit True-up Reports for March 2016 through February 2019 and CRWs for the period March 2019 through January 2020 to correct reporting associated with using the VoIP Safe Harbor rate and reflecting the surcharge amounts collected from customers in Box C of the CRWS. Additionally, Google Fiber North America is directed to file an affidavit of a corporate officer attesting to changes it has made to its procedures for correctly reporting surcharge assessments collected from customers in Box C of the CRWs and the date in which the changes were made. These actions shall be taken within 60-days of the issuance of this Order.

C. GVNW Consulting, Inc., shall file a follow-up report showing compliance with the actions directed by the Commission within 90-days of the issuance of this Order.

D. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).²


E. The Commission retains jurisdiction over the subject matter and parties for the purpose of entering such further orders as it may deem necessary.

² K.S.A. 66-118b; K.S.A. 77-503(c); and K.S.A. 77-531(b).

BY THE COMMISSION IT IS SO ORDERED.

Duffy, Chair; Albrecht, Commissioner; Keen, Commissioner

Dated: 04/21/2020

A handwritten signature in black ink, appearing to read "Lynn M. Retz", written over a horizontal line.

Lynn M. Retz
Executive Director

WAH

CERTIFICATE OF SERVICE

20-GFNV-066-KSF

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service on 04/21/2020.

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