

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

Before Commissioners: Jay Scott Emler, Chairman
Shari Feist Albrecht
Pat Apple

In the Matter of Southwestern Bell Telephone)
Company d/b/a AT&T Kansas' Compliance) Docket No. 16-SWBT-192-CPL
with the Kansas Lifeline Service Program)
Requirements.)

**ORDER RECOGNIZING COMPLIANCE AND ADOPTING STAFF'S REPORT AND
RECOMMENDATION**

NOW, the above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed its files and records and being duly advised in the premises, the Commission makes the following findings:

1. On October 23, 2015, Commission Staff (Staff) submitted a Report and Recommendation to the Commission detailing Southwestern Bell Telephone Company, d/b/a AT&T Kansas' (SWBT) recent problems with the erroneous reporting of SWBT's number of Kansas Lifeline Service Program (KLSP) subscriber lines and over-collection of KLSP credits.

2. On November 19, 2015, the Commission issued in this docket an *Order Adopting Staff's Report and Recommendation* (Order). The Order recognized that SWBT would self-fund monthly KLSP credits to qualifying subscribers and forego reimbursement of the credits from the Kansas Universal Service Fund (KUSF). The Order also directed SWBT to: (1) continue to file monthly estimated KLSP qualifying lines with the KUSF third-party administrator, GVNW Consulting, Inc. (GVNW); (2) collaborate with Staff to file True-Ups to report the correct number of monthly qualifying KLSP lines; and (3) file a quarterly affidavit, executed by an

SWBT officer, identifying the number of KLSP credits and subscribers to which SWBT provided KLSP credits.

3. On February 2, 2016, Staff submitted in this docket a subsequent Report and Recommendation (R&R) to the Commission, a copy of which is attached hereto and incorporated herein by reference. Staff recognized SWBT's compliance with the Commission's Order and SWBT's qualification for, and reimbursement of, an additional \$785 of KLSP credits for the period of January through August 2015.

4. Staff stated that SWBT remitted KLSP True-Ups to GVNW and provided the corresponding Federal Form 497s to Staff for the months of January through August 2015. Staff and GVNW verified that the revised KLSP data matches the data submitted on SWBT's Federal Form 497s. GVNW processed the True-Up data and reimbursed SWBT the additional \$785 in KLSP credits. Moreover, Staff noted that in December 2015, SWBT provided GVNW with revised KLSP line data for September and October 2015, and on January 14, 2016, SWBT filed an affidavit verifying the monthly KLSP credits provided to subscribers for the months of September through November 2015.

5. Staff's R&R detailed the process by which SWBT qualified to receive the additional \$785 in KLSP credits and stated that, based on SWBT's self-funding of KLSP credits to subscribers, no further KLSP True-Ups are necessary for KUSF reimbursement purposes. Staff also compared SWBT's self-funded KLSP credit amounts per its Affidavit to the True-Up data submitted by SWBT for the months of September through November. This comparison shows SWBT self-funded approximately \$9,000 more in credits than it would have qualified to receive from the KUSF.¹

¹ See Attachment 1, Summary of Southwestern Bell Telephone (SWBT) 2015 KLSP Revisions.

6. Staff explained it will continue to collaborate with SWBT on its progress towards compliance with its KLSP obligations, and that once SWBT affirms it can meet all KLSP requirements, Staff will submit a report to the Commission regarding SWBT's compliance with its KLSP obligations and address when SWBT should again start receiving KLSP reimbursement credits from the KUSF.

7. Staff recommends the Commission issue an Order to recognize that SWBT: (1) complied with the Commission's November 19, 2015, Order; (2) qualified for, and was reimbursed, an additional \$785 of KLSP credits for the period of January through August 2015; (3) will continue to self-fund KLSP credits to subscribers until such time that it is able to meet its KLSP obligations; (4) will continue to file the estimated number of KLSP qualifying lines with GVNW each month, provide Staff with its Federal Form 497s, and remit KLSP True-Ups; and (5) will file in this Docket, on a quarterly basis, an affidavit executed by an SWBT officer, providing the total amount of KLSP credits SWBT self-funded to subscribers each month. Staff also recommends the Commission direct GVNW to continue to withhold payment of KLSP credits to SWBT until further notice from the Commission.

8. The Commission finds Staff's recommendations to be reasonable and hereby adopts the same.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. SWBT shall: (1) continue to self-fund KLSP credits to subscribers until such time that it is able to meet its KLSP obligations; (2) continue to file the estimated number of KLSP qualifying lines with GVNW each month, provide Staff with its Federal Form 497s, and remit KLSP True-Ups; and (3) file in this docket, on a quarterly basis, an affidavit executed by an

SWBT officer, providing the total amount of KLSP credits SWBT self-funded to subscribers each month.

B. GVNW shall continue to withhold payment of KLSP credits to SWBT until further notice from the Commission.

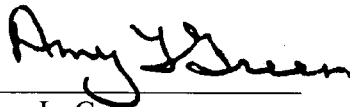
C. The parties have fifteen (15) days, plus three (3) days if mailed service, from the date this order was served in which to petition for reconsideration. K.S.A. 66-118b; K.S.A. 77-529(a)(1).

D. The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further orders, as necessary.

BY THE COMMISSION IT IS SO ORDERED.

Emler, Chairman; Albrecht, Commissioner; Apple, Commissioner

Dated: FEB 11 2016



Amy L. Green
Secretary to the Commission

MJD

Order Mailed Date

FEB 12 2016

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chairman Jay Emler
Commissioner Shari Feist Albrecht
Commissioner Pat Apple

FROM: Sandy Reams, Assistant Chief of Telecommunications
Christine Aarnes, Chief of Telecommunications
Jeff McClanahan, Director of Utilities

DATE: February 2, 2016

SUBJECT: Docket Number: 16-SWBT-192-CPL
*In the Matter of Southwestern Bell Telephone Company d/b/a AT&T
Kansas' Compliance with the Kansas Lifeline Service Program
Requirements.*

EXECUTIVE SUMMARY:

Pursuant to the Commission's November 19, 2015, Order, Southwestern Bell Telephone Company d/b/a AT&T Kansas (SWBT) filed the monthly number of lines the Company estimated qualified for the Kansas Lifeline Service Program (KLSP or Lifeline), provided its Federal Form 497s to Staff, filed KLSP True-Ups for January through August 2015 with GVNW Consulting, Inc. (GVNW), and remitted an affidavit attesting to the amount of KLSP credits the Company self-funded to subscribers for the months of September through November 2015.

Staff recommends the Commission issue an Order to recognize that SWBT: (1) complied with the Commission's November 19, 2015, Order; (2) qualified for, and was reimbursed, an additional \$785 of KLSP credits for the period of January through August 2015; (3) will continue to self-fund KLSP credits to subscribers until such time that it is able to meet its KLSP obligations; (4) continue to file the estimated number of KLSP qualifying lines with GVNW each month, provide its Federal Form 497s to Staff, and remit KLSP True-Ups; and (5) file in this Docket, on a quarterly basis, an affidavit executed by an officer of the Company providing the total amount of KLSP credits the Company self-funded to subscribers each month. Staff also recommends that the Commission direct GVNW to continue to withhold payment of KLSP credits to SWBT until authorization is granted by the Commission.

BACKGROUND:

In August 2014, Staff filed a Report and Recommendation in Docket No. 14-GIMT-105-GIT (Docket 14-105)¹ explaining that, as a result of erroneously reporting the number of lines that qualify for KLSP credits, the Company had over-collected \$83,831 in KLSP credits for the period of June 2012 through December 2013. Staff advised the Commission that SWBT self-reported the errors, repaid the credits to the KUSF, and explained the errors were caused by its third-party vendor adding new Lifeline enrollees without the appropriate documentation and failing to de-enroll Lifeline subscribers that did not timely re-certify their KLSP eligibility within the required timeframe.

In a September 9, 2014, Order, the Commission found that SWBT over-collected \$83,831 in KLSP credits and repaid the unearned credits. The Commission directed Staff to file proposed guidelines and penalties for non-compliance with KLSP requirements and to suggest a penalty to levy against SWBT for failure to comply with its KLSP obligations.

On September 29, 2014, Staff submitted a Report containing its recommended KLSP guidelines for non-compliance with KLSP requirements. Staff also recommended a \$250 penalty per month of non-compliance for a total penalty of \$4,750.

On November 20, 2014, the Commission issued an Order adopting the recommended KLSP non-compliance guidelines and assessing a \$4,750 penalty against SWBT. SWBT paid the penalty on December 3, 2014.

On June 8, 2015, Staff filed a second Report advising the Commission that SWBT also erroneously reported the number of qualifying Lifeline subscribers for the 2014 calendar year and received \$99,984 of KLSP credits, which SWBT repaid to the KUSF. Staff also explained that SWBT was reviewing its 2015 Lifeline subscriber data for errors. Staff, therefore, recommended that the Company be subject to additional penalties for its continued non-compliance with its KLSP obligations and be required to report the monthly estimated number of KLSP qualifying lines and submit True-Ups to report the correct lines.

On July 11, 2015, the Commission issued an Order adopting Staff's Report and assessing SWBT a \$15,000 penalty, which SWBT timely paid. In addition, the Commission directed SWBT to continue to report the estimated number of qualifying KLSP lines to GVNW each month, file True-Ups with GVNW, and provide copies of its corrected Federal Form 497s, entitled "Lifeline Worksheet," to Staff.

On October 14, 2015, SWBT filed a letter with the Commission stating that as a result of the Commission addressing SWBT's non-compliance with its KLSP obligations in Docket 14-105 and being assessed two penalties, the Company would no longer seek reimbursement of KLSP credits from the KUSF; instead, the Company would self-fund

¹ *In the Matter of an Investigation to Determine the Assessment Rate for the Eighteenth Year of the Kansas Universal Service Fund, Effective March 1, 2014*, Docket No. 14-GIMT-105-GIT.

the \$7.77 monthly KLSP credit to qualifying subscribers, effective with the September 2015 data. SWBT further stated that it would self-fund the KLSP credits until such time that it could meet its KLSP reporting obligations, but would continue to report estimated KLSP line data to GVNW and remit True-Ups when corrected data was available.

On November 19, 2015, the Commission opened this Docket to address SWBT's continued non-compliance with its KLSP requirements. The Order recognized that SWBT would self-fund monthly KLSP credits to qualifying subscribers and forego reimbursement of the credits from the Kansas Universal Service Fund (KUSF). The Commission directed SWBT to: (1) continue to file monthly estimated KLSP qualifying lines; (2) collaborate with Staff to file True-Ups to report the correct number of monthly qualifying KLSP lines; and (3) file a quarterly affidavit, executed by an officer of the Company, identifying the number of KLSP credits and subscribers to which the Company provided KLSP credits.

SWBT remitted KLSP True-ups to GVNW and provided the corresponding Federal Form 497s to Staff for the months of January through August 2015. Staff and GVNW verified the revised KLSP data matches the data submitted on the Company's Federal Form 497s. The True-ups show that the total number of estimated lines SWBT reported for January through August 2015 was less than the total number that qualified for KLSP credits. Thus, as shown on Attachment 1 to this Report, SWBT qualified to receive an additional \$785 of KLSP credits for the eight month period. GVNW has processed the True-up data and reimbursed SWBT the \$785 in KLSP credits.

In December 2015, SWBT submitted revised KLSP line data for September and October 2015 to GVNW. In January 2016, the Company submitted revised KLSP line data for November 2015 to GVNW. On January 14, 2016, SWBT filed an affidavit, signed by Mr. Ronald L. Hilyer, Director – Accounting, AT&T Services, Inc., to verify the monthly KLSP credits provided to subscribers for the months of September through November 2015.

ANALYSIS:

As shown on Attachment 1 to this Report, for the months of January through August 2015, SWBT reported an estimated 32,441 qualifying KLSP subscribers and received \$252,067 of KLSP credits to GVNW. Based, however, on the Company's Federal Form 497s provided to Staff and the KLSP True-ups remitted to GVNW for the months of January through August 2015, SWBT underestimated the number of KLSP qualifying lines, as shown on Attachment 1. The Company, therefore, qualified to receive \$785 more in credits than it did, thus, when GVNW processed the True-Ups, it reimbursed SWBT an additional \$785 of KLSP credits in January 2016. Effective September 2015, SWBT began self-funding KLSP credits to subscribers, thus for KUSF purposes, no further KLSP True-Ups are necessary.

Staff also compared the amount of KLSP credits SWBT self-funded per its Affidavit to the True-Up data submitted by the Company for the months of September through November. This comparison, also included in confidential Attachment 1, shows SWBT

self-funded approximately \$9,000 more in credits than it would have qualified to receive from the KUSF.

Staff will continue to collaborate with SWBT on its progress towards compliance with its KLSP obligations. Once SWBT affirms that it can meet all KLSP requirements, Staff will submit a Report to the Commission regarding the Company's compliance with its KLSP obligations and address when SWBT should resume being reimbursed KLSP credits from the KUSF.

RECOMMENDATION:

Staff recommends the Commission issue an Order to recognize that SWBT: (1) complied with the Commission's November 19, 2015, Order; (2) qualified for, and was reimbursed, an additional \$785 of KLSP credits for the period of January through August 2015; (3) will continue to self-fund KLSP credits to subscribers until such time that it is able to meet its KLSP obligations; (4) continue to file the estimated number of KLSP qualifying lines with GVNW each month, provide Staff with its Federal Form 497s, and remit KLSP True-Ups; and (5) file in this Docket, on a quarterly basis, an affidavit executed by an officer of the Company, providing the total amount of KLSP credits the Company self-funded to subscribers each month. Staff also recommends that the Commission direct GVNW to continue to withhold payment of KLSP credits to SWBT until further notice from the Commission.

Month	KLSP Lines - Original Filing	Original KLSP Credit	KLSP Lines - FCC Filing/ KS True-Ups	Revised KLSP Credit	Change in Lines	Over/(Under) KLSP Collection
Jan-15	5,210	\$ 40,482	3,728	\$ 28,967	1,482	\$ (11,515)
Feb-15	5,054	39,270	3,685	28,632	1,369	(10,637)
Mar-15	5,054	39,270	3,808	29,588	1,246	(9,681)
Apr-15	3,526	27,397	3,750	29,138	(224)	1,740
May-15	3,270	25,408	4,288	33,318	(1,018)	7,910
Jun-15	3,504	27,226	4,389	34,103	(885)	6,876
Jul-15	3,425	26,612	4,449	34,569	(1,024)	7,956
Aug-15	3,398	26,402	4,445	34,538	(1,047)	8,135
Total	32,441	\$ 252,067	32,542	252,851	(101)	\$ 785

Month	KLSP Lines - Original Filing (Estimate)	KLSP Credit (Not Reimbursed)	Revisions Submitted (12/15 - 1/16)	KLSP Credit (Not Reimbursed)	Self-Funded KLSP Credits
Sep-15	3,832	\$ 29,775	4,459	\$ 34,646	**
Oct-15	4,236	32,912	3,392	26,356	**
Nov-15	3,289	25,556	3,464	26,915	**
Total	11,357	\$ 88,242	11,315	\$ 87,918	

REDACTED

Denotes Confidential Information

2/2/2016

CERTIFICATE OF SERVICE

PUBLIC VERSION

16-SWBT-192-CPL

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of

first class mail/hand delivered on **FEB 11 2016**

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Order Mailed Date

FEB 12 2016

/S/ DeeAnn Shupe

DeeAnn Shupe

* Denotes those receiving the Confidential version