



GVNW CONSULTING, INC.

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May 26, 2015

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

RE: Docket No. 15-TWVC-055-KSF
In the Matter of the Audit of Twin Valley Telephone, Inc. by the Kansas Universal
Service Fund (KUSF) Administrator to K.S.A. 2013 Supp. 2010(b) for KUSF
Operating Year 17, Fiscal Year March 2013-February 2014

Dear Ms. Gilbert:

In its August 12, 2014 order the Kansas Corporation Commission (KCC) directed GVNW to perform a KUSF carrier audit of Twin Valley Telephone, Inc. (Twin Valley - IXC 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 Twin Valley IXC'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. Twin Valley IXC audit does not require a separate confidential report; therefore, only the enclosed public audit report for Twin Valley IXC 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 long horizontal 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: 15-TWVT-055-KSF
Twin Valley Telephone, Inc. (Toll/IXC)

Prepared For: Kansas Corporation Commission
Kansas Universal Service Fund

Prepared By: David Winter
GVNW Consulting, Inc.

Audit Period: March 1, 2013 through February 28, 2014
Kansas Operating Year 17 (Operating Year 17)

Company Representatives: Adam Glendening¹
Morgan May

Date of On-Site Visit: November 13, 2014

Date Submitted to Company: May 12, 2015

Audit Summary

Based on the Kansas Universal Service Fund (KUSF) Carrier Review Procedures for Operating Year 17 (March 2013 – February 2014),² GVNW Consulting, Inc. (GVNW) identified the following reporting deficiency regarding Twin Valley Telephone, Inc. (Twin Valley - IXC or Company):

- Finding No. 1: The Company applied the KUSF surcharge to wireless service text messaging and data plans, reported the related revenues, and paid the related assessments to the KUSF. As a result, Twin Valley – IXC over-paid \$2,888.80 in KUSF assessments and over-collected from customers an equal amount via the KUSF surcharge. The Company stopped applying the KUSF surcharge to text messaging plans in December 2014.

On April 20, 2015, Twin Valley – IXC submitted Audit True-ups for Kansas Operating Years 17 and 18 (March 2014 – February 2015) to correct this reporting deficiency. The Audit True-up reflects correction of the noted audit deficiency and supports the refunds recommended by GVNW. The Company is now in compliance with the audit findings.

GVNW recommends that the Kansas Corporation Commission (KCC or Commission) issue an Order to: (1) direct Twin Valley – IXC to issue refunds of \$2,888.80 through one-time, equal billing credits to its current wireless customers within 60 days of the Commission Order; (2) direct the KUSF Administrator to refund \$2,888.80 to the

¹ Adam Glendening served as GVNW's principal point of contact until he left Twin Valley in January 2015.

² Docket No. 13-GIMT-130-GIT (Docket 13-130), July 17, 2014, Order Accepting and Approving GVNW Selection Criteria) provided in GVNW Consulting, Inc.'s Letter dated June 25, 2014, Attachment B (Carrier Audit Review Procedures).

Company; (3) direct Twin Valley – IXC to provide GVNW with a signed affidavit from an officer of the Company verifying the amount of, and completion of the refunds and copies of customer bills to substantiate that Twin Valley – IXC issued the refunds; (4) direct Twin Valley - IXC that if it is unable to complete the refunds within the 60 day period, to submit a pleading to the Commission explaining why the refunds cannot be completed within the 60 days and identify when such refunds can be completed; and (5) direct GVNW, upon review of the supporting documentation and the affidavit, to submit a Compliance Report to the Commission.

Current KUSF Obligations

Twin Valley - IXC is current with its KUSF obligations.³

Background

Twin Valley – IXC is certified as a long-distance service provider headquartered in Miltonvale, Kansas. Intrastate wireless revenues⁴ are reported to the KUSF under this same Carrier Identification Code⁵. The Company is required to report its revenue and pay the related assessments to the KUSF on a monthly basis.⁶ Twin Valley - IXC is authorized to collect an amount equal to or less than its assessment from customers,⁷ and does so.

On August 12, 2014, the KCC issued Order No. 1 in Docket No. 15-055 directing GVNW to conduct an audit for KUSF purposes.

Audit Findings

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

Audit Finding No. 1

Standard: For wireless services, non-Voice service revenue, including Optional Ring-Tones, Standard Messaging Services (text messaging, emails), Media Messaging

³ Confirmed on May 12, 2015, with the KUSF Administrator.

⁴ The wireless services are offered by Twin Valley Telephone, Inc. a rural incumbent Local Exchange Company (ILEC). Twin Valley Telephone offers wireless services within its own service territory and that of Twin Valley Communications, Inc., a Competitive Local Exchange Company (CLEC) and a reseller of intrastate interexchange (IXC) services.

⁵ A Carrier Identification Code is issued to each reporting entity by the KUSF Administrator.

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 K.S.A. 66-2008.

Services (pictures, video, games), and Digitized Media Services (wallpaper, backgrounds, etc.) are excluded from assessable revenues.⁸

Finding: The Company applied the KUSF surcharge to its wireless text messaging service plans and reported the related revenues to the KUSF for the period of March 2013 through December 2014. Twin Valley – IXC corrected the error effective January 2015. As a result, the Company over-paid and over-collected \$2,888.80 in KUSF assessments.

Recommendation: Twin Valley – IXC submitted Audit True-ups for Kansas Operating Years 17 and 18 to correct this reporting deficiency on April 20, 2015. The Commission should direct the KUSF Administrator to refund \$2,888.80 to the Company and the Twin Valley – IXC should be required to issue the same amount in refunds to customers through one-time equal bill credits.

The KCC should direct the Company to complete the one-time refund of \$2,888.80 within sixty (60) days from the date of the Commission's Order and to provide GVNW with a signed affidavit attesting to the refund and copies of customer bills to substantiate that Twin Valley – IXC issued the refunds. If Twin Valley – IXC is unable to complete the ordered refunds within the 60 day period, the Company should file, in Docket 15-055 an explanation explicitly outlining why the Company is unable to comply with the 60 day refund requirement and the timeframe within which the Company expects the refund to be completed. Once GVNW has reviewed and verified the refund, it will provide a Compliance Report to the Commission.

⁸ Docket No. 06-GIMT-943-GIT (Docket 06-943), September 7, 2006, Order Granting Requests of Joint Petitioners.

CERTIFICATE OF SERVICE

I hereby certify that on this 26th day of May, 2015, 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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David G. Winter