



**GVNW CONSULTING, INC.**

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[www.gvnw.com](http://www.gvnw.com)

May 16, 2018

Ms. Lynn M. Retz  
Secretary to the Commission  
Kansas Corporation Commission  
1500 SW Arrowhead Road  
Topeka, KS 66604-4027

RE: Docket No. 18-CPKT-035-KSF  
*In the Matter of the Audit of Comcast Phone of Kansas, LLC by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A 2015 Supp. 66-2010(b) for KUSF Operating Year 20, Fiscal Year March 2016-February 2017*

Dear Ms. Retz:

In its August 1, 2017 order the Kansas Corporation Commission (KCC) directed GVNW to perform a KUSF carrier audit of Comcast Phone of Kansas, LLC (Comcast Phone 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 Comcast Phone's customers, if applicable, are appropriate and accurate.

The KCC directed GVNW to file two (2) versions of the audit report with the KCC; one (1) version containing confidential information and one (1) version with the confidential data redacted for public disclosure. A public audit report is filed; however, Attachments A and B to this report are confidential. Therefore enclosed is both a public and confidential audit report and confidential Attachments A and B.

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 stylized flourish extending to the right.

David Winter  
Senior Consultant

cc w/encl: Sandy Reams

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

In the Matter of the Audit of Comcast	)	
Phone of Kansas, LLC by the Kansas	)	
Universal Service Fund (KUSF)	)	Docket No. 18-CPKT-035-KSF
Administrator Pursuant to K.S.A. 2016	)	
Supp. 66-2010(b) for KUSF Operating	)	
Year 20, Fiscal Year March 2016-	)	
February 2017	)	

**KANSAS UNIVERSAL SERVICE FUND AUDIT REPORT**

**Prepared By:** Blake Young and David Winter  
GVNW Consulting, Inc.

**Company Representatives:** Warren Fitting: – Executive Director, Regulatory Affairs  
Jim Gray – Senior Director, Regulatory Accounting  
Joe Lance – Executive Director, Regulatory Accounting  
Kirk Iyama – Senior Manager, Regulatory Accounting  
Adrienne Schaeffer – Staff Accountant, Regulatory Accounting

**Date of On-Site Visit:** February 20 - 21, 2018

**Date Submitted to Company:** April 27, 2018

**Audit Summary**

Based on the Kansas Universal Service Fund (KUSF) Carrier Review Procedures for Operating Year 20,<sup>1</sup> GVNW Consulting, Inc. (GVNW) identified three (3) reporting deficiencies regarding Comcast Phone of Kansas, LLC (Comcast Phone or Company) with a net impact of an additional \$33,972.66 due to the KUSF.

- Finding No. 1: Comcast Phone reported revenues to the KUSF net of discounts for the period of March through June 2016 and underpaid \$33,972.66 in KUSF assessments.
- Finding No. 2: The Company failed to file a pleading advising the Commission of its use of a traffic study for its Voice over Internet Protocol (VoIP) traffic,<sup>2</sup> an

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<sup>1</sup> Order Accepting GVNW's KUSF Year 20 Audit Selections, Proposed Revisions to Selection Criteria and Audit Review Procedures, Docket No. 16-GIMT-067-GIT, July 25, 2017 (16-067 Order).

<sup>2</sup> Implementation Order Adopting Staff Report and Recommendation and Requiring VoIP Providers Operating in Kansas to Report and Remit to the Kansas Universal Service Fund by January 15, 2009, ¶ 3, 12, 14, Docket No. 07-GIMT-432-GIT, Sept. 22, 2008 (07-432 Order); Amended Order Setting the Kansas Universal Service Fund Assessment Rate for Year Sixteen and Cancelling Hearing, Docket No. 12-GIMT-168-GIT, February 1, 2012 (12-168 Amended Order).

affidavit from an officer of Comcast Phone, to verify that the Company is using this same methodology for both Federal Universal Service Fund (Federal USF) and KUSF purposes, since 2012, and the intrastate factors used and the applicable time periods.

- Finding No. 3: The KUSF surcharge collected from customers was not separately identified, but included in a single line item charge identified as “Regulatory Recovery Fee.”

GVNW recommends that the Commission issue an Order to: (1) adopt the audit findings and recommendations in this Report; (2) direct the Company to submit Audit True-ups for the period of March through June 2016 and pay the associated \$33,972.66 of assessments to the KUSF within 30-days of the issuance of a Commission Order; and (3) and direct Comcast Phone to: (a) submit an amended or revised Notice of Allocation Methodology by Comcast Phone and/or affidavit to comply with all Commission-directed requirements; (b) separately identify the KUSF surcharge on the subscriber’s bill; and (c) provide ten (10) copies of customer bills to GVNW that clearly demonstrate the KUSF surcharge as a separate line item within 30-days of the issuance of a Commission Order. GVNW further states it will file a Compliance Report in this Docket within 60-days of issuance of an Order.

### **Current KUSF Obligations**

Comcast Phone is current with its KUSF obligations.<sup>3</sup>

### **Background**

Comcast Phone, headquartered in Phoenixville, Pennsylvania, is a provider of telecommunications services that enables retail interconnected Voice over Internet Protocol (VoIP) offerings including that of its affiliate, Comcast IP Phone, LLC (Comcast IP).<sup>4</sup> The Company is required to report its revenue and pay the related assessments to the KUSF on a monthly basis.<sup>5</sup> Comcast Phone is authorized to collect an amount equal to or less than its assessment from customers,<sup>6</sup> and does so. The Company has not been designated as an Eligible Telecommunications (ETC) in Kansas, therefore, it does not offer Lifeline service to its subscribers.

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<sup>3</sup> Confirmed with the KUSF Administrator on April 27, 2018.

<sup>4</sup> Source: Comcast Phone response to Data Request (DR) No. 15 (Attachment A). Comcast Phone remits Kansas USF on behalf of Comcast IP (Xfinity Voice) and contributes to the KUSF pursuant to K.S.A. 66-2008(a).

<sup>5</sup> Order Setting the Kansas Universal Service Fund Assessment Rate for Year Ten and Establishing Reporting Requirements, Docket No. 06-GIMT-332-GIT, January 23, 2006 (06-332 Order).

<sup>6</sup> K.S.A. 66-2008(a).

Comcast Phone bundles assessable and non-assessable services and reports the related revenues to the KUSF based on the service price of the assessable service.<sup>7</sup> The revenues were reported net of discounts, meaning revenues were reduced to recognize customer discounts. Comcast Phone uses the same bundled service and discount methodologies to identify, report, and allocate revenue to the KUSF and the Federal USF.<sup>8</sup>

On August 1, 2017, the Commission issued Order No. 1 in Docket 18-035 directing GVNW to conduct an audit for KUSF purposes.

### **Audit Findings**

GVNW identified the following audit findings and proposes the following recommendations:

#### **Audit Finding No. 1**

**Standard:** Carriers are to report gross revenues prior to recognizing any customer discounts for KUSF reporting purposes through June 30, 2016.<sup>9</sup> Effective July 1, 2016, companies are authorized to report revenues to the KUSF net of customer discounts.

**Finding:** Comcast Phone reported revenues to the KUSF after deducting discounts to customers for the period of March through June 2016.<sup>10</sup> Due to the manner in which the Company maintains its books and records, the Company was unable to provide the actual discounted revenues. Instead, Comcast Phone provided an estimate based on the full subscriber rate for its residential subscribers, indicating the Company under-paid its KUSF assessments by \$33,972.66. Based on the information provided to GVNW, the additional assessment owed to the KUSF is a reasonable approximation for purposes of this Docket.

#### **Comcast Phone Response to Audit Finding No. 1**

Please refer to Attachment D for Comcast Phone's response to Audit Finding No. 1.

**Recommendation:** The Company should be directed to submit Audit True-ups for the period of March through June 2016 and pay the additional \$33,972.66 of assessments to the KUSF within 30-days of the Commission's issuance of an Order in this Docket.

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<sup>7</sup> Order Determining KUSF Contribution Methodology, ¶ 27, Docket No. 14-GIMT-105-GIT, Oct. 20, 2016.

<sup>8</sup> *Ibid.* Effective July 1, 2016: "The commission shall not require any provider to contribute to the KUSF under a different contribution methodology than such provider uses for purposes of the federal universal service fund, including for bundled offerings."

<sup>9</sup> Order Adopting KUSF Assessment Rate for Year Eighteen of KUSF Operations, Docket No. 14-GIMT-105-GIT, January 23, 2014 (14-105 Order).

<sup>10</sup> Source: Comcast Phone response to DR No. 23. (Confidential Attachment B).

## **Audit Finding No. 2**

**Standard:** VoIP providers are to report their revenues to the KUSF Administrator using the same revenue identification methodology as that used for Federal USF purposes.<sup>11</sup> If a company identifies revenue using either a traffic study or direct assignment, the company is to submit a pleading, updated at least annually, advising the Commission of the methodology; provide the intrastate factor, if applicable, and relevant time period(s) for each factor; and verify this same methodology is used for federal and KUSF purposes. An affidavit, signed by an officer of the company is to accompany the pleading.

**Finding:** Comcast Phone has used a company-specific methodology to identify local, intrastate and interstate revenues, but did not submit the required pleading to the KCC until February 2018. Comcast has filed a Notice of Allocation Methodology Utilized by Comcast Phone of Kansas, LLC in Docket No. 17-GIMT-008-GIT (17-008 Notice) and an affidavit. However, Staff has advised GVNW that it has requested the Company to submit an amended or revised pleading and/or affidavit to comply with all Commission-directed requirements.

## **Comcast Phone Response to Audit Finding No. 2**

Please refer to Attachment D for Comcast Phone's response to Audit Finding No. 2.

**Recommendation:** The Commission should direct the Company to submit a corrected pleading and/or affidavit, as applicable, to include the required information and submit annual updates in accordance with Commission Orders. The Commission may wish to consider the assessment of fines pursuant to K.S.A. 66-138 for non-compliance with Commission Orders.

## **Audit Finding No. 3**

**Standard:** Any federal, state, local government and/or regulatory taxes, fees and/or surcharges, shall be itemized on a subscriber's bill and be clearly identified.<sup>12</sup>

**Finding:** Comcast Phone has not clearly identified the KUSF surcharge on its subscriber's bills. The KUSF surcharge is included in the billing category entitled "Regulatory Recovery Fee" that also includes other federal regulatory fees.<sup>13</sup> Billing fees

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<sup>11</sup> 07-432 Order, 12-168 Amended Order.

<sup>12</sup> Second Report and Order Declaratory Ruling and Second Further Notice of Proposed Rulemaking, Federal Communications Commission (FCC), CC Docket No. 98-170, CG Docket No. 04-208, March 10, 2005 (FCC Second Order). The FCC removed the exemption of Commercial Mobile Radio Service from its Truth In Billing Standards (47 CFR 64.2401). Section 64.2401(b) states, in part, "Charges contained on telephone bills must be accompanied by a brief, clear, non-misleading plain language description of the service or services rendered."

<sup>13</sup> Source: Comcast Phone response to DR No. 24. (Attachment C). The Regulatory Recovery Fee is a Comcast service charge imposed on voice services to recover Comcast's contributions for federal, state and municipal regulatory programs and assessments, including, without limitation, universal service.

and surcharges are to be detailed and plainly listed on a customer's bill. The Company is unaware of any...obligation applying to its affiliate's VoIP services.<sup>14</sup>

### **Comcast Phone Response to Audit Finding No. 3**

Please refer to Attachment D for Comcast Phone's response to Audit Finding No. 3.

**Recommendations:** GVNW recommends that the KCC direct Comcast Phone to clearly identify the KUSF surcharge as a separate line item on a subscriber's bill and provide ten (10) copies of customer bills to GVNW that clearly demonstrate the KUSF surcharge as a separate line item. Once GVNW has received and reviewed the sample customer bills, GVNW will submit a Compliance Report to the Commission.

Comcast Phone's response to Audit Finding No. 3 indicates that Comcast IP Phone, LLC is the responsible company for ensuring that the subscriber invoice separately identifies the KUSF surcharge. Alternatively, the Company suggests that the Comcast Xfinity Voice Residential Pricing List effective March 1, 2018 adequately addresses this finding. (Attachment C, page 3 of 3). Since Comcast Phone reports to the KUSF on behalf of these entities, GVNW is required to identify this finding to the Commission.

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<sup>14</sup> *Ibid.*



May 10, 2018

David Winter  
GVNW Consulting, Inc.  
2270 La Montana Way Suite 200  
Colorado Springs, CO 80918

Re: KUSF Draft Audit Report of Comcast Phone of Kansas, LLC

Dear David:

We have reviewed GVNW Consulting, Inc.'s draft KUSF audit report of Comcast Phone of Kansas, LLC (Comcast Phone) that you provided on April 27, 2018. We have attached the following response to the findings that are contained in the audit report. We understand that you will file the audit report, as well as Comcast Phone's response, with the Kansas Corporation Commission (Commission).

We are also providing the following Statement of Confidentiality to be included with the audit report to in order to properly designate Comcast Phone's confidential information that is contained in the audit report.

Statement of Confidentiality for KUSF Information Request Responses:

Comcast Phone is designating certain information provided in response to the KUSF Year 20 audit, conducted by GVNW Consulting, Inc. ("GVNW"), as confidential. This designation is made pursuant to K.S.A. 66-1220a(a). Further, pursuant to the Commission's standard protective order, any document, data, customer-specific contract, proprietary information, trade secret, or other commercial information filed with or furnished to the Commission is eligible for confidential designation. The term "document" refers broadly to correspondence, notes, memoranda, studies, reports, records, charts, invoices, bills, diaries, calendars, books, statements, appointment books, tape recordings, videos, faxes, computer printouts and software, electronically recorded media, and any other writing or tangible record of any kind, type, or nature, and however produced. K.A.R. 82-1-221a(a)(1).

Specifically, Comcast asserts confidentiality over the responses, or portions of responses, to the following Information Requests issued by GVNW:

-Information Request No. 15, which appears as Confidential Attachment A to GVNW's audit report: Comcast designates paragraph 2 of its response confidential. Information related to the specifics of Comcast's methodology for allocating revenues constitutes confidential and/or commercially sensitive information, which is neither publicly available nor available from public sources. Further, this information previously has been filed confidentially with the Commission on February 28, 2018 in the KUSF Year 21 docket, Docket No. 17-GIMT-008-GIT, in the Confidential

Affidavit of Donald S. Tyrie. Therefore, Comcast seeks the same treatment for purposes of its audit docket.

-Information Request No. 23, which appears as Confidential Attachment B to GVNW's audit report: Comcast designates the entirety of its response confidential. Information which appears in Comcast's books and records constitutes confidential and/or commercially sensitive information, which is neither publicly available nor available from public sources. Further, estimates prepared strictly for the purpose of responding to GVNW's Information Request, in addition to the details of the methodology used to generate such estimates, constitutes confidential and/or commercially sensitive information, which is neither publicly available nor available from public sources.

The information designated by Comcast as confidential, if disclosed, would likely result in harm to its economic and/or competitive interest, which, in turn, would result in harm to the public interest generally. It is in the best interest of Kansas consumers to have access to services by multiple competitive providers. An important way to ensure competition among providers is to maintain the confidentiality of their financial and commercially sensitive information, particularly information which has not been released to the public and is not otherwise available from public sources. Economic and/or competitive harm not only impacts Comcast, but ultimately the consumers as well. K.A.R. 82-1-221a(5).

Please contact me at (610) 665-2556 with any questions or concerns with Comcast Phone's attached response or Statement of Confidentiality.

Sincerely,



Joseph Lance  
Executive Director of Regulatory Accounting  
Comcast Cable Communications, LLC



Docket No. 18-CPKT-035-KSF

REDACTED

Attachment A

to Kansas USF Audit Report

Dated 5/16/2018

**KUSF Carrier Audit Information Request**

Docket No. 18-CPKT-035-KSF

Page 1 of 2

**Submitted By:** Warren Fitting  
**Submitted To:** Blake Young  
**Company Name:** Comcast Phone of Kansas  
**Docket Number:** 18-CPKT-035-KSF  
**Request Date:** December 18, 2017  
**Date Submitted:** January 16, 2017

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**Request No. 15**

Please provide the following information:

Confirm whether Comcast's Digital Voice offering is a Voice over Internet Protocol (VoIP) service. If so, please verify whether the Company reports revenues to the KUSF based upon a traffic study or direct assignment. If revenues are reported via a traffic study or direct assignment has Comcast Phone submitted a pleading to the Kansas Corporation Commission (KCC or Commission) advising the Commission of the use of either methodology? If so, please provide a copy of the pleading.

Comcast Phone of Kansas, LLC ("Comcast Phone") does not provide retail voice services in Kansas. Comcast Phone provides wholesale telecommunications services that enable retail VoIP offerings, including that of its affiliate Comcast IP Phone, LLC ("Comcast IP"). Several years ago, Comcast IP rebranded its retail residential VoIP service Xfinity Voice.

Although KUSF remittances were made, it does not appear that pleadings were filed to advise the KCC of the contribution methodology. This was an inadvertent administrative oversight. Comcast will complete its KUSF Year 21 filing by the February 28, 2018 due date and will provide any required certifications of its methodology for past KUSF years as requested.

**NOTE:** If for some reason, the above information cannot be provided by the date requested, please submit a Request for Additional Time (see Attachment A).

**KUSF Carrier Audit Information Request**

**Verification of Response -- Data Request No. 15**

I have read the foregoing Data Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to GVNW's auditor any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

Signed: William C. Kelly

Date: 1/16/19

Docket No. 18-CPKT-035-KSF

REDACTED

Attachment B

to Kansas USF Audit Report

Dated 5/16/2018

**KUSF Carrier Audit Information Request**

**Submitted By:** Blake Young  
**Submitted To:** Warren Fitting and Jim Gray  
**Company Name:** Comcast Phone of Kansas  
**Docket Number:** 18-CPKT-035-KSF  
**Request Date:** February 22, 2018  
**Date Information Needed:** March 8<sup>th</sup>, 2018

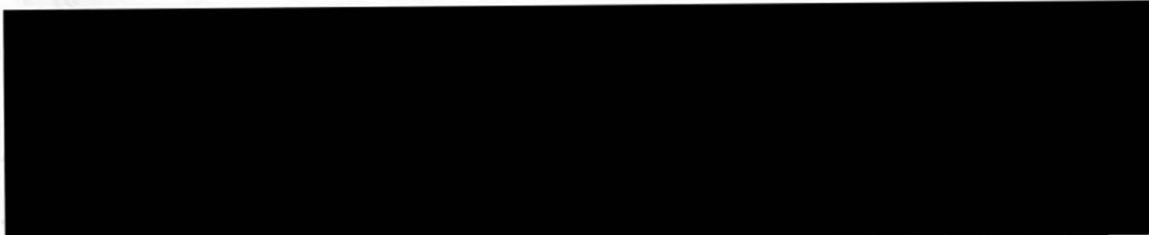
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**Request No. 23**

**RE: Discounts**

Please provide the following information:

Confirm that Comcast Phone reported revenues to the KUSF net of discounts for the period March 2016 through June 2016. If so, please provide by month the total amount of discounts taken that were not reported to the KUSF for the aforementioned period.



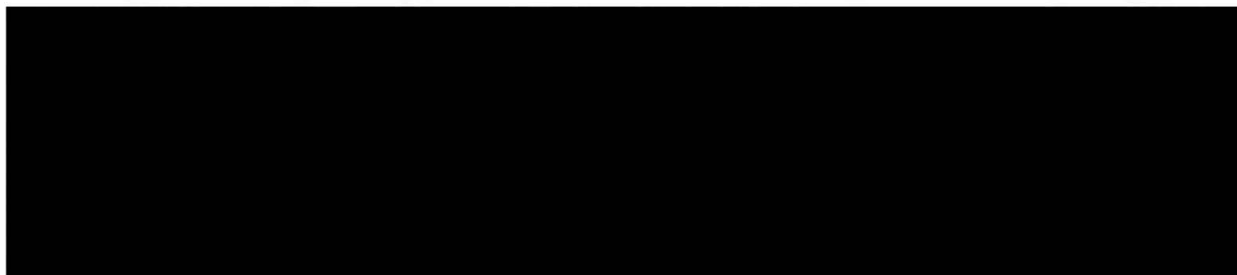
**NOTE:** If for some reason, the above information cannot be provided by the date requested, please submit a Request for Additional Time (see Attachment A).

**Verification of Response – Data Request No. 23**

I have read the foregoing Data Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to GVNW's auditor any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

Signed: Warren C. Fitting

Date: 3/12/18



**KUSF Carrier Audit Information Request**

**Submitted By:** Blake Young  
**Submitted To:** Warren Fitting and Jim Gray  
**Company Name:** Comcast Phone of Kansas  
**Docket Number:** 18-CPKT-035-KSF  
**Request Date:** March 2, 2018  
**Date Information Needed:** March 16, 2018

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**Request No. 24**

**RE: Subscriber Invoice Presentation**

Please provide the following information:

- a. Confirm that the Federal Universal Service Fund (USF) Fee and Kansas Universal Service Fund (KUSF) assessment are combined into a single billing category entitled "Regulatory Recovery Fee".

Federal USF is not on the same line as Kansas USF on our customers' bills. The Regulatory Recovery Fee on the customer bill contains KUSF, in addition to other federal regulatory fees. The Federal USF is recovered from subscribers on customer bills through the Universal Connectivity Charge.

- b. Indicate when Comcast Phone will be able to list each fee/assessment as a separate line item on a Kansas subscriber's bill/invoice.

Comcast Phone assumes the reference to "each fee/assessment" is specific to separately itemizing the KUSF charge on the bill/invoice. Comcast Phone is unaware of any such obligation applying to its affiliate's VoIP services. The KUSF is a component of the Regulator Recovery Fee line item on the bill. For further information, please see attached posted price list ("Kansas\_pricing\_list.pdf") which can also be obtained at [www.xfinity.com/tariffs](http://www.xfinity.com/tariffs).

**NOTE:** If for some reason, the above information cannot be provided by the date requested, please submit a Request for Additional Time (see Attachment A).

**KUSF Carrier Audit Information Request**

Attachment C  
Docket No. 18-CPKT-035-KSF  
Page 2 of 3

**Verification of Response – Data Request No. 24**

I have read the foregoing Data Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to GVNW's auditor any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

Signed: 

Date: 3/16/18



**COMCAST XFINITY® VOICE SERVICE**  
**RESIDENTIAL PRICING LIST (EFFECTIVE: MARCH 01, 2018)**  
**KANSAS**  
**VERSION 55**

**ADMINISTRATIVE/GENERAL**

	<b>CHARGE</b>
<b>Late Payment Fee, up to <sup>[1]</sup></b>	<b>\$10.00</b>
<b>Payment Convenience Fee, up to <sup>[2]</sup></b>	<b>\$5.99</b>
<b>Returned Check Fee</b>	<b>\$30.00</b>
<b>Unreturned Equipment Fees <sup>[3]</sup></b>	
• 2-Line Modem (DOCSIS 2.0), up to	\$ 70.00
• 2-Line Modem (DOCSIS 3.0), up to	90.00
• 4-Line Modem, up to	100.00
• ACG Base (including Data Card), up to	130.00
• Xfinity Voice Wireless Gateway, up to	100.00
<b>Equipment Purchase Pricing <sup>[4]</sup></b>	
• 2-Line Modem (DOCSIS 3.0)	\$ 149.00
• 2-Line Modem (DOCSIS 2.0)	99.00
• Backup Battery, up to <sup>[5]</sup>	70.00
<b>Service Protection Plan</b>	<b>\$ 5.99/mo.</b>
<b>Federal Universal Service Fund (USF)</b>	
– Universal Connectivity Charge	Note <sup>[6]</sup>
<b>Regulatory Recovery Fee</b>	
The Regulatory Recovery Fee (RRF) is a Comcast service charge imposed on voice services to recover Comcast's contributions for federal, state and municipal regulatory programs and assessments, including, without limitation, universal service. The RRF is neither government mandated nor a tax or fee imposed on you by the government, but is an amount that Comcast retains. The aggregated fee may vary based on service usage patterns and program surcharge rates, and may change over time.	
– State Universal Service Fund (USF)	7.50%
– Federal Cost Recovery Fee (TRS/Telecom Provider)	4.08%

- [1] Charge applied to account balances owed 42 days past the payment due date.
- [2] A Payment Convenience Fee may apply when a customer engages a Company employee or uses an Interactive Voice Response (IVR) System to complete a billing transaction.
- [3] Fee applies for unreturned or customer-damaged equipment. Replacement equipment is Comcast (and not customer) owned. Actual charge is a function of equipment in use and, in some cases, may be less than charge shown.
- [4] Offer subject to product availability. Price shown does not include shipping and handling (where applicable). Contact Comcast for additional information.
- [5] XFINITY Voice service will not operate during a power failure without a backup power source. A backup battery for Comcast-provided modems can be purchased for the amount shown. Includes 1 year warranty, 8 hours of standby time and monitoring to determine need for future replacement. Performance will be diminished if not kept dry and within temperature range of -4° to 140° F.
- [6] In calculating the Federal USF Universal Connectivity Charge, the Company uses a percentage equal to the FCC's current USF carrier contribution percentage.

**BEFORE THE STATE CORPORATION COMMISSION OF THE STATE OF KANSAS In the Matter of the Audit of Comcast Phone of Kansas, LLC by the Kansas Universal Service Fund (KUSF) Administrator Pursuant to K.S.A. Supp. 66-2010(b) for KUSF Operating Year 20, Fiscal Year March 2016-February 2017.**

**Docket No. 18-CPKT-035-KSF 2016**

**KANSAS UNIVERSAL SERVICE FUND AUDIT REPORT RESPONSES**

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**Finding No. 1: Comcast Phone reported revenues to the KUSF net of discounts for the period of March through June 2016 and underpaid \$33,972.66 in KUSF assessments.**

While Comcast Phone understands that the Commission issued an order in Docket No. 14-GIMT-105-GIT reminding carriers to report gross revenues for KUSF purposes, Comcast respectfully submits that its books and records and billing system recognize revenue actually earned, which is necessarily revenue net of discount, not gross revenues. As a public company, Comcast maintains its books and records, as well as its billing systems, consistent with Generally Accepted Accounting Principles (GAAP). Consequently, requiring that intrastate telephony revenues not be discounted for KUSF purposes would be inconsistent with GAAP's revenue recognition standards, which require the application of service discounts proportionally to each service that a customer has. In addition, Comcast Phone does not believe this finding is equitable, since it would disproportionately assign greater service discounts to other products. Finally, given that legislation specifically allowing for the reporting of revenue net of discount was signed by the Kansas Governor on April 6, 2016, and became effective on July 1, 2016, it would be unreasonably complex for Comcast to operationalize its billing system to bill discounted telephony services while simultaneously recovering KUSF on the undiscounted rate from subscribers for such a limited time frame. Therefore, Comcast Phone respectfully requests that KUSF not be applied on gross intrastate telephony revenues from March 2016 through June 2016. We believe the Kansas Legislature's actions effective July 2016 evidences the intention for carriers to pay on revenues net of discount.

**Finding No. 2: The Company failed to file a pleading advising the Commission that its uses of a traffic study for its Voice over Internet Protocol (VoIP) traffic, 2 an affidavit from an officer of Comcast Phone, to verify that the Company is using this same methodology for both Federal Universal Service Fund (Federal USF) and KUSF purposes, since 2012, and the intrastate factors used and the applicable time periods.**

Although KUSF remittances were made, it does not appear that pleadings were filed to advise the KCC of the contribution methodology. This administrative oversight was inadvertent. Comcast filed its KUSF Year 21 Notice of Allocation Method and required affidavit on February 28, 2018. In its Notice of Allocation Method filing, Comcast confirmed that it has used the same methodology for both the Federal Universal Service Fund and the KUSF since 2012. Comcast will provide the required certifications of its methodology for past KUSF years and is in the process of preparing such certifications.

**Finding No. 3: The KUSF surcharge collected from customers was not separately identified, but included in a single line item charge identified as "Regulatory Recovery Fee."**

First, the line item referenced in this finding is included on subscriber bills for retail voice over Internet protocol ("VoIP") service issued by Comcast IP Phone, LLC, an affiliate of Comcast Phone of Kansas, LLC. As a competitive local exchange carrier, Comcast Phone of Kansas, LLC, provides interconnection to the Public Switched Telephone Network and other network services to enable Comcast IP Phone, LLC's VoIP offering, but it does not serve or invoice retail customers. For KUSF remittance purposes, however, Comcast Phone of Kansas, LLC reports VoIP revenues and remits on behalf of Comcast IP Phone, LLC.

Second, the finding correctly notes that section 64.2401(b) of the Federal Communications Commission's ("FCC") rules requires charges contained on "telephone bills" to be "accompanied by a brief, clear, non-misleading, plain language description of the service or services rendered." To the extent that section 64.2401(b) of the FCC's rules applies to bills for VoIP service, Comcast IP Phone, LLC's method of collecting the KUSF surcharge as part of the Regulatory Recovery Fee is in compliance with that rule. Specifically, Comcast IP Phone, LLC's bills describe the Regulatory Recovery Fee as being "neither government mandated nor a tax, but is assessed by Comcast to recover the costs of certain federal, state and local impositions related to voice services." In addition, the attached posted price list ("Kansas\_pricing\_list.pdf") for Xfinity Voice service in Kansas (the VoIP service offered by Comcast IP Phone, LLC) identifies a percentage of the Regulatory Recovery Fee as recovering Comcast's contribution to the state universal service fund. The price list can also be obtained at [www.xfinity.com/tariffs](http://www.xfinity.com/tariffs).

Therefore, Comcast Phone of Kansas, LLC believes that Comcast IP Phone, LLC is not required to modify its billing practices with regard to the recovery of KUSF.

## CERTIFICATE OF SERVICE

I hereby certify that on this 16th day of May 2018, 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

Otto Newton, Litigation Counsel  
Otto Newton  
1500 SW Arrowhead Road  
Topeka, KS 66604  
Email: [o.newton@kcc.ks.gov](mailto:o.newton@kcc.ks.gov)

Nicole Stephens, KUSF Administrator Manager  
GVNW Consulting Inc.  
3220 Pleasant Run Suite A  
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A handwritten signature in black ink, appearing to read 'D. Winter', is written over a horizontal line.

David G. Winter