

Federal Communications Commission Washington, D.C. 20554

August 24, 2010

Karen Majcher, Vice President, High-Cost and Low Income Division Universal Service Administrative Company 2000 L St., N.W., Suite 200 Washington, DC 20036

Dear Ms. Majcher:

This letter confirms that the Universal Service Administrative Company (USAC) should adjust the interim cap on high-cost universal service support for competitive eligible telecommunications carriers (ETCs) as described below.

As you are aware, the Commission adopted an interim cap on the amount of high-cost universal service support that competitive ETCs may receive.¹ Pursuant to the *Interim Cap Order*, "annual support for competitive ETCs in each state will be capped at a level of support that competitive ETCs in that state were eligible to receive during March 2008, on an annualized basis." The *Interim Cap Order* became effective on August 1, 2008.³

Since the *Interim Cap Order* was adopted, the Wireline Competition Bureau (Bureau) has worked with USAC to finalize the interim cap amount. On December 5, 2008, USAC posted an initial report of the interim cap amount on its website. The Bureau released a Public Notice indicating that competitive ETCs should confirm the interim cap amount information on the website with USAC and file any corrections on or before December 31, 2008.⁴ However, the amount that competitive ETCs were "eligible to receive during March 2008" could not be finalized until the actual cost, revenue, and line count data on which true-ups for the Local Switching Support (LSS) and Interstate Common Line Support (ICLS) mechanisms for that time period had been filed. Carriers were required to file the actual data on which the true-ups are calculated with USAC on December 31, 2009.⁵ With additional time required to validate the actual data, USAC could not make the calculations to finalize the ICLS and LSS amounts until the spring of 2010.

¹ High-Cost Universal Service Support; Federal-State Joint Board on Universal Service, WC Docket No. 05-337, CC Docket No. 96-45, Order, 23 FCC Rcd 8834 (2008) (Interim Cap Order).

² *Id.*, at 8837 para. 5, 8850 para. 38.

³ High-Cost Universal Service Support; Federal-State Joint Board on Universal Service, 73 Fed. Reg. 37882 (July 2, 2008).

⁴ See USAC High-Cost website (Dec. 5, 2008), http://usac.org/hc/tools/latest-news/default.aspx#120508a and http://usac.org/_res/documents/hc/xls/CETC%20Cap%20%20March%202008%20Baseline%20Report%2011-25-08.xls.

⁵ 47 C.F.R. §§ 54.301(e), 54.903(a)(4).

Now that these steps have been completed, USAC should adjust the interim cap. Specifically, USAC should implement the adjustments indicated in the attached tables, which show: (a) errors in the initial March 2008 calculations identified by competitive ETCs; (b) errors in the initial March 2008 calculations identified by USAC; (c) the impact of waivers granted by the Bureau during 2008 and 2009; and (d) true-ups of the LSS and ICLS mechanisms.

USAC should implement the revised interim cap as soon as it is administratively feasible to do so. Because this adjusted interim cap amount establishes "the level of support that competitive ETCs ... were eligible to receive during March 2008," USAC should conduct true-ups to ensure that competitive ETCs receive the correct amount of high-cost universal service support for the entire period since the effective date of the *Interim Cap Order*.

If you have any questions regarding this letter, please do not hesitate to contact me at 202-418-1500.

Sincerely,

Sharon Gillett

Chief

Wireline Competition Bureau

Laron & Biller

Summary of Potentional Impacts to March 2008 Baseline

	March 2008 Baseline	Aggregate Dollar Estimate of Issues	3	Aggregate Dollar Estimate of USAC- Identifed Issues (Excluding Issues Identified by CETCs)	123	Aggregate Dollar Estimate based on Waivers		Aggregate Dollar Estimate based on CLS 2008 True Up	1	Dollar Estimate based on LSS 2008 True Up		al baseline Impact	F	Potential New March 2008 Baseline
Total	\$ 117,398,219		-		-		100		27200000	(838,574)	22 100 201 201	(4,644,665)	\$	112,753,554
Recommended	\$ 117,398,219	\$ (942	2)	\$ (321,428)	1	\$ 556,166	\$	(4,039,887)	\$	(838,574)	\$	(4,644,665)	\$	112,753,554

				Aggregate Dollar					7	Aggregate Dollar				
				Estimate of USAC-						Estimate				
			Aggregate Dollar	Identifed Issues	,	Aggregate Dollar		Aggregate Dollar	275-530	based on			F	otential New
	M	larch 2008	Estimate of Issues	(Excluding Issues	E	stimate based on	Ε	stimate based on		LSS 2008	T	otal baseline		March 2008
State	200000	Baseline	Identifed by CETCs	Identified by CETCs)		waivers	-	CLS 2008 True Up	-	True Up		impact		Baseline
AK .	\$	6,252,774	\$ -	\$ (81,474)		-	\$	(1,134,263)		57,255	\$_	(1,158,482)		5,094,292
AL.	\$	1,560,104	\$ - \$ -	\$ (327) \$ (78,473)		-	\$	1,182		(10,173)	\$	(9,318) (187,862)		1,550,786
AR AS	\$	4,932,491 289,627	\$ -	\$ (78,473) \$ -	\$		\$	(81,882)		(27,508) (30,259)		(64,692)		4,744,629 224,935
AZ	\$	1,039,117	\$ -	\$ -	\$	-	\$	7,019		17,932	\$	24,951	\$	1,064,068
CA	\$	27,906	\$ -	\$ -	\$	-	\$	- 1,0.0	\$		\$	- 1,551	\$	27,906
CO	\$	839,466	\$ -	\$ (1,671)	\$	-	\$	(199,875)	\$	(1,210)	\$	(202,756)	\$	636,710
CT	\$	-	\$ -	\$ -	\$	-	\$		\$	_	\$	-	\$	
DC	\$	-	\$ -	\$ -	\$	-	\$	-	\$	-	\$	-	\$	-
DE	\$		\$ -	\$ -	\$	-	\$	- 40.054	\$	(4.000)	\$	-	\$	4 005 400
FL	\$	1,284,028	\$ ~	\$ (697) \$ (2)		-	\$	16,854	\$	(4,699) (188,534)	\$	11,458 (197,151)	\$	1,295,486 2,178,400
GA GU	\$	2,375,551 577,279	\$ - \$ -	\$ (2) \$ -	\$	24,731	\$	(8,615) 148,709		(100,034)	\$			750,719
HI	\$	2,927,668	\$ -	\$ -	\$	- 24,131	\$	(52,208)		(18,884)	\$	(71,092)		2,856,576
A	\$	5,109,145	\$ -	\$ (259)		-	\$	42,840		(48,377)		(5,796)		5,103,349
D	\$	636,711	\$ -	\$ (950)		-	\$	21,713	\$	(2,727)		18,036	\$	654,747
L	\$	1,207,003	\$ -	\$ (149)		-	\$	19,946		(16,898)		2,899		1,209,902
N	\$	619,725	\$ -	\$ (171)	-	-	\$	(1,100)		3,578	\$		\$	622,032
KS	\$	7,155,178	\$ -	\$ (6,182)		-	\$	170,602	\$	8,193	\$			7,327,791
KY	\$		\$ -	\$ (14)	+		\$	(11,990)		(2,700)		(14,704)		2,367,413
LA MA	\$	5,453,643	\$ 16,712 \$ -	\$ (12,065) \$ -	\$	5,540	\$	(66,033)	\$	(35,331)	\$	(91,177)	\$	5,362,467
MD	\$	49	\$ -	\$ -	\$	-	\$	-	\$	-	\$		\$	49
ME	\$	1,080,032	\$ -	\$ 561	\$	-	\$	(74,843)		(66,779)	\$	(141,061)		938,971
MI	\$		\$ -	\$ 11,652		-	\$	(28,407)		(12,345)		(29,100)		1,856,875
MN	\$	4,225,519	\$ 29,600	\$ (8,916)	\$	-	\$	(145,041)	\$	(34,672)	\$	(159,029)	\$	4,066,490
МО	\$	1,535,089	\$ -	\$ (10,550)	-	-	\$	(240,230)		(19,619)		(270,399)		1,264,690
MP	\$	37,580	\$ -	\$ -	\$	-	\$	-	\$	43,176	\$			80,756
MS	\$	13,412,800	\$ -	\$ 9,848	\$	21,085	\$	(62,880)		(21,638)		(53,585)		13,359,215
MT	\$	1,028,751	\$ - \$ -	\$ -	\$	-	\$	522		(6,245)		(5,723)		1,023,028 887,043
NC ND	\$	847,986 3,762,546	\$ - \$ -	\$ - \$ 31,570	\$	-	\$	39,699 29,335	\$	(642) (79,660)	\$	39,057 (18,755)		3,743,791
NE NE	\$	4,820,498	\$ 24,347	\$ 34,464	\$		\$	116,281	\$	(6,044)		169,048	\$	4,989,546
NH	s	18,199	\$ -	\$ -	\$	-	\$	409		(383)		26	\$	18,225
NJ	\$	-	\$ -	\$ -	\$	-	\$		\$		\$	-	\$	_
NM	\$	1,201,299	\$ -	\$ (3,008)) \$	-	\$	83,012	\$	49,952	\$	129,956	\$	1,331,255
NV	\$	595,631	\$ -	\$ -	\$	-	\$	(47,615)		(17,245)	\$	(64,860)		530,771
NY	\$	268,091	\$ -	\$ (207)			\$	4,671		(6,754)	\$	(2,290)		265,801
OH	\$	0 007 440	\$ -	\$ - (116.115)	\$	-	\$	E4 007	\$	- (C1 DE0)	\$	(125 200)	\$	2 742 074
OK OR	\$	2,837,440 1,814,666	\$ - \$ -	\$ (116,115) \$ (18,014)			\$	51,807 45,387	\$	(61,058) (59,129)		(125,366) (31,756)		2,712,074 1,782,910
PA	\$	130,638	\$ -	\$ (10,014)	4	-	\$	(326)		(4,641)		(4,979)		125,659
PR	\$	14,107,118	\$ -	\$ 24	\$	-	\$	(2,704,758)		(1,011)	\$	(2,704,734)		11,402,384
RI	\$	-	\$ -	\$ -	\$	-	\$,_,,,,,,	\$	-	\$		\$	
SC	\$	478,962	\$ (72,444)	\$ -	\$	-	\$	(23,569)		(2,947)		(98,960)		380,002
SD	\$	3,001,388	\$ -	\$ (6,553)) \$	13,874	\$	140,277		(22,328)		125,270		3,126,658
TN	\$	102,677	\$ 373	\$ -	\$	<u>-</u>	\$	(4,450)			\$	(4,077)		98,600
TX	\$	2,899,355	\$ 470	-	\$	60,612	\$	12,853	\$	(12,232)		61,703	\$	2,961,058
UT	\$	32,838		\$ -	\$	-	\$	- (1 357)	\$	269		269 (2,497)		33,107
VA VI	\$	1,269,819 79,034		\$ - \$ -	\$	43,969	\$			(1,140 <u>)</u> -	\$	37,400		1,267,322 116,434
VT	\$	522,194		\$ -	\$		\$					(9,181)		513,013
WA	\$	2,953,402		\$ (38,747)			\$	(152,790)				(224,131)		2,729,271
WI	\$	4,825,440		\$ (23,118)			\$	140,615				4,088		4,829,528
wv	\$	1,490,325		\$ (1,873)				(28,934)				348,470		1,838,795
WY	\$	1,463,344		\$ -	\$		\$			(41,015)		(55,319)		1,408,025
							-		_					

Potential Cap Impacts Identified by Competitive ETCs

			(246) \$	Recommended Total			
•							
Revised line count filing	line counts	Yes	074 \$	- :	Caprock Cellular	XT	449035
Carrier incorrectly listed as ineligible in certain service areas	eligibility	Хes	£7£ \$	-	Advantage Cellular	NT	. 506662
Revised line count filing	line counts	SəA	(72,444)	-	Hargray Wireless	SC	749001
Omitted line counts for incumbent	Line counts	SəY	\$ \$4 ¹ 247	-	NE Colorado Cellular dba Viaero W \$	NE	80067£
Carrier incorrectly listed as ineligible in certain service areas	eligibility	SəX	\$ \$500	-	RCC MN	NM	₹0069£
Revised line count filing		SəY	£11 \$	••	Centennial Lafayette Communicatio \$	∀٦	279005
Revised line count filing	line counts	Yes	\$\$7'\ \$	•	Centennial Morehouse Cellular LLC \$	∀٦	279004
Revised line count filing	line counts	Yes	\$ 5,265	_	Centennial Hammond Cellular LLC	∀٦	279003
Revised line count filing	line counts	SЭД	£6 7 ′£ \$	-	Centennial Caldwell Cellular Corp. \$	۲V	279002
Revised line count filing	line counts	Yes	989'6 \$		Centennial Beauregard Cellular LLC	∀٦	100672
stuemmoവ	Category	Inclusion	Potential Cap Impact*	ILEC impact	AmeN	State	SAC
		end for					
		Кесотт	100				

 * To avoid doublecounting, potential cap impact excludes ICLS and LSS, which are addressed through true-ups.

Potential Cap Impacts Identified by USAC

SAC	State	Name	ILEC impact	ict Potential	Cap Impact*	Recommend for Inclusion	Category	Comments
								USAC Audit determined that additional wire centers were eligible for support in the
289010 MS	MS	Alltel - MS	· •	69	10,705	Yes	eligibility	carrier's eligible service area.
								USAC Audit determined that additional wire centers were eligible for support in the
379013 NE	빌	Alltel - NE fka Western Wireless	4	w	8,468.00	Yes	eligibility	carrier's eligible service area.
		USCOC OF Nebraska/Kansas						
379019 NE	띨	LLC DBA U.S. Cellular	·	6	29,860	Yes	eligibility	Part of service area was not included in eligibility.
								SNA Letter impacting March 2008 support for an ILEC was not processed until
								after March 2008. Prior period impact of Safety Net Additive processing for ILEC
381611 ND	9	Dickey Rural	\$ 12,0	12,000 \$	38,454	Yes	Admin	resulted in March 2008 support for CETCs.
439003 OK	Š	Cox Communications	s	8	(87,600)	Yes	eligibility	Exchange removed from eligibility per USAC discussion with the OKCC
469001 CO	00	Northeast Colorado Cellular Inc.	\$	\$	3,651			
								USAC Audit determined that additional wire centers were eligible for support in the
619005 AK	ΑK	ACS Alaska	· •	49	65,981	Yes	eligibility	carrier's eligible service area.
619010 AK	AK	ASTAC	*	\$	(52,000)	Yes	Acquired Exchange	Overpayment due to Acquired Exchange.
639008 PR	PR	Worldnet PR	*	\$	24	Yes	fligipility	Part of service area was not included in eligibility.
		DISSAGREGATION ISSUE						Per line rate changes for disaggregation due to timing of the disaggregated
		IMPACT ON SEPT VIEW OF						support snapshot for the baseline. Baseline did not take into account adjustments
n/a	N/A	MARCH 2008 BASELINE	• •	69	(338,971)	Yes	disagg	to rates made in 4Q2008.

Recommended Total \$ (321,4

*To avoid doublecounting, potential cap impact excludes ICLS and LSS, which are addressed through true-ups.

FCC Waiver Impacts

			Support Month					NEW TOTAL WITHOUT ICLS AND LSS (amounts reflected in	5
State	Study Area Name	SAC	Estimate	HCL	SNA	HCM	IAS	True-up 2008)	
A	B	ပ		Ш	ΨΙ	I	Ī		
Guam	IT&E Overseas	669002	Mar-08 \$	\$ 24,731				\$ 24,731	731
¥	LBH, LLC	279014	Mar-08				\$ 5,540	\$	5,540
MS	Xfone, USA (WS Telecom)	289007	Mar-08			\$ 10,222	\$ 10,863	\$ 21,	21,085
	Knology of the Black Hills					\$ 13,874			
SD	fka Black Hill Fibercom	399006	Mar-08					\$ 13,	13,874
×	I-Broadband Networks	449040	Mar-08	\$ 12,276			\$ 6,404	\$ 18,	18,680
	Texas RSA 8 Limited			\$ 18,967	\$ 587				
×	Partnership d/b/a Westex	449036	Mar-08					\$ 19,554	554
×	Grande Communications	449015	Mar-08 \$	\$ 22,378				\$ 22,	22,378
ISVI	Centennial	649001	Mar-08	\$ 43,969				\$ 43,	43,969
^	US Cellular / Hardy Cellular	209005	Mar-08				\$ 378,448	\$ 378,448	148
\M	HARDY Telecom	209009	Mar-08	\$ 7,907				\$ \$	7,907
ŧ								\$ 556 166	991

ICLS and LSS True Ups

State		ICLS		LSS		CLS Post Trueup		SS Post	10	CLS DIFF	L	SS DIFF
AK	\$	3,297,982	\$	452,835	\$	2,163,719	\$	510,090	C0000000000000000000000000000000000000	(1,134,263)	\$	57,255
AL	\$	217,331	\$	66,683	\$	218,513	\$	56,510	\$	1,182	\$	(10,173)
AR	\$	2,146,457	\$	306,541	\$	2,064,575	\$	279,033	\$	(81,882)	\$	(27,508)
AS	\$	186,033	\$	103,594	\$	151,600	\$	73,335	\$	(34,433)	\$	(30,259)
AZ	\$	65,587	\$	218,512	\$	72,606	\$	236,444	\$	7,019	\$	17,932
CA	\$		\$		\$	72,000	\$	200,777	\$	7,013	\$	- 17,502
CO	\$	283,757	\$	38,952	\$	83,882	\$	37,742	\$	(199,875)	\$	(1,210)
CT			\$			03,002		31,142		(199,075)	\$	(1,210)
	\$	-		-	\$	-	\$	_	\$	-		· -
DC	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
DE	\$		\$		\$	-	\$	-	\$	-	\$	(1.000)
FL	\$	54,395	\$	15,404	\$	71,249	\$	10,705	\$	16,854	\$	(4,699)
GA	\$	792,180	\$	257,266	\$	783,565	\$	68,732	\$	(8,615)	\$	(188,534)
GU	\$	520,725	\$	-	\$	669,434	\$	-	\$	148,709	\$	-
HI	\$	995,498	. \$	140,139	\$	943,290	\$	121,255	\$	(52,208)	\$	(18,884)
IA	\$	1,986,190	\$	1,062,192	\$	2,029,030	\$	1,013,815	\$	42,840	\$	(48,377)
ID	\$	216,896	\$	66,167	\$	238,609	\$	63,440	\$	21,713	\$	(2,727)
IL	\$	371,192	\$	186,665	\$	391,138	\$	169,767	\$	19,946	\$	(16,898)
IN	\$	187,969	\$	99,401	\$	186,869	\$	102,979	\$	(1,100)	\$	3,578
KS	\$	2,036,865	\$	579,126	\$	2,207,467	\$	587,319	\$	170,602	\$	8,193
KY	\$	661,439	\$	119,853	\$	649,449	\$	117,153	\$	(11,990)	\$	(2,700)
LA	\$	1,394,341	\$	233,003	\$	1,328,308	\$	197,672	\$	(66,033)	\$	(35,331)
MA	\$	-	\$	-	\$		\$	-	\$	(00,000)	\$	- (00,001)
MD	\$		\$		\$		\$		\$		\$	
	\$	474 007	\$	205 252	\$	206.254		220 574	\$	(74.942)	\$	(66.770)
ME		471,097		305,353		396,254	\$	238,574		(74,843)	_	(66,779)
MI	\$	759,223	\$	328,770	\$	730,816	\$	316,425	\$	(28,407)	\$	(12,345)
MN	\$	1,801,388	\$	656,158	\$	1,656,347	\$	621,486	\$	(145,041)	\$	(34,672)
МО	\$	515,284	\$	92,820	\$	275,054	\$	73,201	\$	(240,230)	\$	(19,619)
MP	\$	_	\$	21,139	\$	-	\$	64,315	\$	-	\$	43,176
MS	\$	742,372	\$	172,603	\$	679,492	\$	150,965	\$	(62,880)	\$	(21,638)
MT	\$	204,486	\$	93,822	\$	205,008	\$	87,577	\$	522	\$	(6,245)
NC	\$	222,783	\$	17,304	\$	262,482	\$	16,662	\$	39,699	\$	(642)
ND	\$	1,526,887	\$	755,296	\$	1,556,222	\$	675,636	\$	29,335	\$	(79,660)
NE	\$	1,476,647	\$	858,627	\$	1,592,928	\$	852,583	\$	116,281	\$	(6,044)
NH	\$	1,486	\$	3,712	\$	1,895	\$	3,329	\$	409	\$	(383)
NJ	\$	-	\$	_	\$	-	\$	-	\$	-	\$	-
NM	\$	264,627	\$	195,098	\$	347,639	\$	245,050	\$	83,012	\$	49,952
NV	\$	243,966	\$	112,591	\$	196,351	\$	95,346	\$	(47,615)	\$	(17,245)
NY	\$	25,900	\$	34,670	\$	30,571	\$	27,916	\$	4,671		(6,754)
ОН	\$		\$		\$		\$		\$	- 1,011	\$	-
OK	\$	984,308	\$	399,971	\$	1,036,115	\$	338,913	\$	51,807	\$	(61,058)
OR	\$	468,358	\$	211,892	\$	513,745	\$	152,763	\$	45,387	\$	(59,129)
		98,127	\$	15,173	\$	97,801	\$	10,532	\$		\$	
PA	\$									(326)		(4,641)
PR		14,107,118	\$	-		11,402,360	\$	-		(2,704,758)	\$	
RI	\$	-	\$	7.044	\$	-	\$	4.004	\$	(00 500)	\$	(0.047)
SC	\$	244,160	\$	7,211	\$	220,591	\$	4,264	\$	(23,569)		(2,947)
SD	\$	1,049,694	\$	429,984	\$	1,189,971	\$	407,656	\$	140,277	\$	(22,328)
TN	\$	48,462	\$	-	\$	44,012	\$	-	\$	(4,450)	\$	-
TX	\$	647,672	\$	195,054	\$	660,525	\$	182,822	\$	12,853	\$	(12,232)
UT	\$	-	\$	689	\$	-	\$	958	\$	-	\$	269
VA	\$	30,245	\$	17,872	\$	28,888	\$	16,732	\$	(1,357)	\$	(1,140)
VI	\$	79,034	\$	-	\$	72,465	\$	-	\$	(6,569)	\$	-
VT	\$	133,938	\$	68,908	\$	126,789	\$	66,876	\$	(7,149)	+	(2,032)
WA	\$	1,066,140	\$	258,493	\$	913,350	\$	225,899	\$	(152,790)	\$	(32,594)
WI	\$	2,623,416	\$	900,444		2,764,031	\$	787,035	\$	140,615	\$	(113,409)
WV	\$	50,120	\$	36,819	-	21,186	\$	29,741	\$	(28,934)	_	(7,078)
WY	\$	372,763	\$	221,916	\$	358,459	Ι ψ	180,901	\$	(14,304)		(41,015)
I A A I	ΙΨ	312,103	μ	441,310	ΙΨ	330,438	ĮΨ	100,801			<u>\$</u>	
									μ	(4,039,887)	Ψ	(838,574)