

Mid-Communications, Inc.

- Rural incumbent local exchange carrier
- Serves 11 exchanges in Blue Earth County, MN
- Average schedule company
- Experienced decrease in line counts from 2006 – 2008
- Relies on support from Universal Service Fund
- Is a subsidiary of HickoryTech Corporation (NASDAQ: HTCO)



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- 47 U.S.C. §254(b)(f) dictates that USF support must be “specific and predictable”
- Mid-Communications calculates its anticipated support based on formulas filed with and approved by the FCC
- The approved formulas take into account access line count ranges.
- In 2006, Mid-Com fell below the 10,000 line threshold and calculated its support at the less-than 10,000 line formula
- Mid-Com received support at this level until the first quarter of 2008
- 47 CFR 54.301(3)(2)(iv) requires true-ups to be done in a 15-month window; Mid-Com’s true up was done outside that window

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- Mid-Communications' netting statement from USAC for the first quarter of 2008 was almost \$22,000 less per month than its "specific and predictable" expected amount
- Mid-Com was required to relinquish \$207,324 for a 2006 true-up, and anticipates a 2007 true-up of \$248,709
- USAC justifies its actions based on its interpretation of a rule which applies to **cost** companies only:
 - 54.301 (ii)
 - (ii) If the number of a study area's access lines increases such that, under §36.125(f) of this chapter, the weighted interstate DEM factor for 1997 or any successive year would be reduced, that lower weighted interstate DEM factor shall be applied to the carrier's 1996 unweighted interstate DEM factor to derive a new local switching support factor.

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- USAC has unilaterally decided to apply this rule in the converse (i.e. When a company loses lines), and to average schedule companies as well as cost companies, for whom the rule was written
- USAC is prohibited by FCC rules from making policy

§ 54.702 Administrator's functions and responsibilities.

(c) The Administrator may not make policy, interpret unclear provisions of the statute or rules, or interpret the intent of Congress. Where the Act or the Commission's rules are unclear, or do not address a particular situation, the Administrator shall seek guidance from the Commission.

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Asks the FCC to:

- Direct USAC to refund the \$207,329 Mid-Com was required to pay to achieve the true-up of local switching support
- Direct USAC to cease applying its new “methodology” to the 2007 true-up and calculation of support going forward