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FOR PUBLIC INSPECTION

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FILED/ACCEPTED
AUG 18 2008

Federal Communications Commission
Office of the Secretary

August 18, 2008

By Hand

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

**Re: CTE Telecom, LLC - Request for Review of Decision of the
Universal Service Administrator, WCB Docket Nos. 06-122
and 97-21**

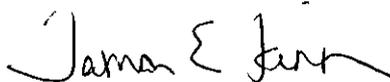
Dear Secretary Dortch:

On behalf of CTE Telecom, LLC ("CTE"), please find attached a redacted, public version and a confidential version of CTE's Request for Review of Decision of the Universal Service Administrator, WCB Docket Nos. 06-122 and 97-21 ("Appeal").

CTE, by its counsel and pursuant to Sections 0.457 and 0.459 of the Commission's Rules, 47 C.F.R. §§ 0.457, 0.459, respectfully request confidential treatment of certain information provided in its Appeal because this information is competitively sensitive and its disclosure would have a negative competitive impact on CTE were it made publicly available. Accordingly, the attached Appeal has been marked "CONFIDENTIAL - NOT FOR PUBLIC INSPECTION." CTE provides justification for the confidential treatment of this information in Attachment 1 to this letter. CTE is also submitting, under separate cover, for inclusion in the Commission's public files, a redacted version of this Appeal. The redacted version is marked "REDACTED - FOR PUBLIC INSPECTION," with the confidential information redacted.

Should you have any questions please do not hesitate to contact us.

Respectfully submitted,



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A/72626708.1

Attachment 1

Request for Confidentiality

CTE Telecom, LLC ("CTE"), respectfully request confidential treatment of certain information provided in its Request for Review of Decision of the Universal Service Administrator, WCB Docket Nos. 06-122 and 97-21 ("Appeal") because this information is competitively sensitive and its disclosure would have a negative competitive impact on CTE were it made publicly available. Such information would not ordinarily be made available to the public, and should be afforded confidential treatment under 47 C.F.R. §§0.457 and 0.459.

47 C.F.R. §0.457

Specific information in the Appeal is confidential and proprietary to CTE as "trade secrets and commercial or financial information" under Section 47 C.F.R. §0.457(d). Disclosure of such information to the public would risk revealing company-sensitive proprietary information in connection with CTE's ongoing business and operations.

47 C.F.R. §0.459

Specific information in the Appeal is also subject to protection under 47 C.F.R. §0.459, as demonstrated below.

Information for which confidential treatment is sought

CTE requests that specific information in the Appeal be treated on a confidential basis under Exemption 4 of the Freedom of Information Act. The information designated as confidential includes the sensitive USAC audit report (included as Exhibit 1) and information regarding CTE's USAC contribution amount and the degree to which such amount would change based on USAC's recommendations (marked within the Appeal between the signifiers "[BEGIN CONFIDENTIAL]" and "[END CONFIDENTIAL]"). This information is competitively sensitive information that CTE maintains as confidential and is not normally made available to the public. Release of the information would have a substantial negative impact on CTE since it would provide competitors with commercially sensitive information. The non-redacted version of CTE's filing is marked as "**CONFIDENTIAL - NOT FOR PUBLIC INSPECTION.**" The redacted version of CTE's filing is marked as "**REDACTED - FOR PUBLIC INSPECTION.**"

Commission proceeding in which the information was submitted

The information is being submitted in CTE's Request for Review of Decision of the Universal Service Administrator, WCB Docket Nos. 06-122 and 97-21.

Degree to which the information in question is commercial or financial, or contains a trade secret or is privileged

The information designated as confidential includes the sensitive USAC audit report (included as Exhibit 1) and information regarding CTE's USF contribution amounts and the degree to which such amount would change based on USAC's recommendations. As noted above, the data is competitively sensitive information which is not normally released to the public as such release would have a substantial negative competitive impact on CTE.

Degree to which the information concerns a service that is subject to competition and manner in which disclosure of the information could result in substantial harm

The market for broadband internet access service is competitive and thus the release of this confidential and proprietary information would cause CTE competitive harm by allowing its competitors to become aware of sensitive proprietary information regarding the operation of CTE's business at a level of detail not currently available to the public.

Measures taken by CTE to prevent unauthorized disclosure; and availability of the information to the public and extent of any previous disclosures of the information to third parties

CTE has treated and continues to treat the non-public information disclosed in this Appeal as confidential and has protected it from public disclosure to parties outside of the company.

Justification of the period during which CTE asserts that the material should not be available for public disclosure

CTE cannot determine at this time any date on which this information should not be considered confidential.

Other information CTE believes may be useful in assessing whether its request for confidentiality should be granted

Under applicable Commission decisions, the information in question should be withheld from public disclosure.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
Request for Review of Decision of the) WCB Docket Nos. 06-122 and 97-21
Universal Service Administrator by)
)
CTE Telecom, LLC)

REQUEST FOR REVIEW OF DECISION
OF THE UNIVERSAL SERVICE ADMINISTRATOR BY
CTE TELECOM, LLC

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Counsel for CTE Telecom, LLC

Dated: August 18, 2008

SUMMARY

Pursuant to Sections 54.719(c) and 54.720 of the rules of the Federal Communications Commission ("FCC" or "Commission"), CTE Telecom, LLC ("CTE" or "Company"), respectfully requests that the Commission reverse audit decisions of the Universal Service Administrative Company ("USAC") regarding CTE's Universal Service Fund ("USF") contributions based on revenue reported on FCC Form 499-A for the calendar year 2005.

CTE appeals certain findings and recommendations in USAC's Contributor Revenue Audit ("USAC Audit Report"). Specifically, CTE appeals USAC's adoption of the Reznick Group's, an independent accountant, report finding that CTE inaccurately classified certain revenues as enhanced services rather than DSL. CTE disagrees with this finding because it does not provide DSL directly, but rather uses it as an input to its Internet access service, which is an enhanced service.

The Company does not own the underlying telephone line facilities used to provide Internet service and the Company's epix Internet Services business unit does not provide stand-alone DSL transmission or any other telecommunications services. The Company's high-speed Internet service is provided to and billed to end user customers as an integrated information service. Likewise, CTE's epix Internet Services business unit is not a common or private carrier and does not offer or provide telecommunications to other persons. Epix Internet Services is an Internet access service provider and is therefore an "information services" provider. In short, epix Internet Services is a non-facilities-based Internet service provider ("ISP") and is thus exempt from contributing to the USF.

FCC rules do not require ISPs that lease telecommunications facilities to contribute to USF, nor do the rules require that facilities-based Internet service providers contribute to USF on the basis of their information service revenue. Moreover, FCC rules do not require facilities-

based common carriers to contribute to USF based on the DSL transmission service “contaminated” by Internet access and sold to a consumer as a single, integrated information service. Accordingly, CTE reasonably concluded that it was not required to include revenues related to its Internet access services as private line, special access, or any other telecommunications services subject to USF contributions on its 499-A filing.

Based upon the foregoing, and as is described herein, CTE respectfully requests that the Commission reject USAC’s decision to adopt the Reznick Group’s classification of the Company’s broadband Internet access service as a telecommunications service.

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
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Request for Review of Decision of the Universal Service Administrator by)	WCB Docket Nos. 06-122 and 97-21
)	
CTE Telecom, LLC)	

**REQUEST FOR REVIEW OF DECISION
OF THE UNIVERSAL SERVICE ADMINISTRATOR BY
CTE TELECOM, LLC**

I. INTRODUCTION AND SUMMARY

On June 20, 2008, the Universal Service Administrative Company (“USAC”) directed CTE Telecom, LLC (“CTE” or “Company”) to revise its 2006 Form 499-A¹ consistent with the findings in an Audit Report from USAC’s Internal Audit Division, USAC Audit Report for Filer ID: 822888 (“USAC Audit Report”).² Throughout USAC’s audit process, CTE has maintained that it reported its telecommunications revenues in accordance with the Federal Communications Commission (“FCC” or “Commission”) Regulations and the underlying Orders related to the Universal Service Fund (“USF”).

Pursuant to Sections 54.719 and 54.720 of the rules of the Commission, CTE respectfully requests that the Commission reverse certain parts of the USAC Audit Report regarding CTE’s alleged incorrect reporting of telecommunications revenues.³ Specifically, CTE is appealing

¹ See Exhibit 1 (Letter from USAC).

² See Exhibit 2 (USAC Audit Report). Please note that as this report is proprietary and confidential, it has been filed as a confidential exhibit, along with a concurrent request to withhold the report from public inspection in accordance with 47 C.F.R. § 0.459.

³ 47 C.F.R. §§ 54.719, 54.720. Pursuant to 47 C.F.R. §54.719, an aggrieved party has 60 days to request review of a decision by the USAC administrator. USAC issued its decision letter on June 20, 2008 and as this appeal has been filed within 60 days of that decision, it is timely.

USAC's decision number 1 which adopts the Reznick Group's classification of the Company's broadband Internet access service as a telecommunications service.⁴

CTE submits the following information in support of its Request for Review.

II. FACTUAL BACKGROUND

CTE was formed as a Pennsylvania Limited Liability Company on December 2, 2002. Thereafter, on December 31, 2002, two separate entities, Commonwealth Long Distance Company and epix Internet Services, Inc., merged into CTE. Commonwealth Long Distance operates as a separate business unit within CTE Telecom, LLC and provides non-facilities based resold interexchange (intra-LATA, inter-LATA and international) toll services. Epix Internet Services also operates as a separate business unit within CTE Telecom, LLC and provides Internet information services.

On March 9, 2007, an independent auditor, Reznick Group, issued its report with respect to CTE's compliance with applicable requirements of 47 C.F.R. part 54, Subpart H governing contributions made to the federal USF during the year ended December 31, 2005. According to the report, the Reznick Group found that CTE had improperly reported revenues for DSL services in 2005. The Reznick Group examined the Company's ledger and determined that because certain revenues were listed under accounts referencing "DSL," those revenues were necessarily DSL and should be classified as telecommunications revenue subject to federal USF contributions. However, the revenue in question, although listed as part of the accounts referencing DSL, are revenues for the Company's enhanced service offerings, not stand-alone DSL. The Company does not provide DSL directly but rather uses it as an input in its Internet access service which is an enhanced service.

⁴ See USAC Audit Report, Finding Number 1 at 1.

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USAC adopted the Reznick Group's findings on March 27, 2008 which resulted in an estimated effect on CTE's contribution base of [BEGIN CONFIDENTIAL] [END CONFIDENTIAL]. On June 20, 2008, USAC notified CTE that it had completed its audit, finding that CTE Telecom, LLC had inaccurately reported revenues on its Form 499-A. USAC requested that CTE revise its 2006 FCC Form 499-A within 60 days.

CTE appeals USAC's decision because it does not offer or provide DSL transmission as a stand-alone product or service. The DSL transmission in question is an input to the Company's Internet access service. CTE bundles DSL transmission with Internet access to provide an integrated information service to its epix Internet customers. The Company's dial up Internet service and high-speed Internet service are provided and billed to end user customers as a single integrated information service. The Company's Internet service combines computer processing, information provisioning, and computer interactivity with data transport, which enable end user customers to run a variety of applications (e.g., web browsers, e-mail, web pages, etc.). Although the Company's general ledger accounts are named in part based on the DSL transmission input to the Internet access service, the name of the account does not fully reflect the integrated high speed Internet service provided to the end user. There is no separate account that books Internet access revenue; instead, all revenue from the Company's integrated Internet access services is booked to the accounts identified by the Reznick Group as DSL accounts.

Through its' epix Internet Services business unit, the Company offers dial up Internet service and high-speed internet service with different service speeds and pricing options. To provide high-speed Internet service, epix Internet Services purchases a portion of the bandwidth available on the copper loop used by Commonwealth Telephone Company to provide telephone service. Pursuant to a Services Agreement executed by Commonwealth Telephone, Enterprises,

Inc., Commonwealth Telephone Company and CTE Telecom, LLC, Commonwealth Telephone Company provided and installed certain equipment in its central offices for use by epix Internet Services, which combined with CTE's equipment, is used by epix Internet Services to provide high-speed Internet service to its customers over a portion of the cooper loop bandwidth on Commonwealth Telephone Company's telephone lines.

Epix Internet Services customers access epix Internet service with their computer, which is connected to a modem/router, and their telephone line that the customer uses to obtain telephone service from Commonwealth Telephone Company. Epix Internet Services offers both dedicated and dial-up Internet access services, so the customer may use either a DSL or a dial-up modem. Once connected to epix Internet service, the customer can run a variety of applications (e.g., web browsers, e-mail, web pages, etc.). The Company's subscribers can also acquire, retrieve and utilize information and files from the World Wide Web using the Company's Internet services.

III. ARGUMENT

A. USAC Erred in Determining That the Internet Services Provided as an Integrated Service Was a DSL Transmission or Telecommunications Service.

USAC erred because it failed to acknowledge the integrated nature of CTE's Internet access service. To determine whether a product is an enhanced or information service, the FCC has generally followed a "contamination" approach. The contamination doctrine applies to non-facilities-based providers, such as epix Internet Services, and is premised on the inability to separate the basic and enhanced elements of the service offering.⁵ Under this approach, use of

⁵ *Independent Data Communications Manufacturers Association, Inc. and American Telephone and Telegraph Co., Petition for Declaratory Ruling that All LXC's be Subject to the Commission's Decision on the IDCMA Petition*, Memorandum, Opinion and Order, 10 FCC Rcd 13717, 13723, ¶ 45 (1995) ("*Frame Relay Order*").

regulated transmission paths (for example, DSL) does not convert an enhanced service (Internet access) into a basic or adjunct-to-basic service.⁶ The enhanced *component* of a particular service offering “contaminates” the basic component; as a result, the FCC treats all of that particular offering as “enhanced.”⁷ Information service providers, including ISPs, are thus classified for regulatory purposes as information service providers to the extent that they offer information services that utilize as an input otherwise basic transmission services.⁸

The FCC has applied this approach to Internet access service and found that the information-processing elements are inextricably intertwined with the data transport, so that Internet access qualifies as an information service.⁹ The FCC also determined that non-facilities-

⁶ See *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report to Congress, 13 FCC Rcd 11501 at ¶ 58 (1998) (“*Report to Congress*”) (stating that “[a]n offering that constitutes a single service from the end user’s standpoint is not subject to common carrier regulation simply by virtue of the fact that it involves telecommunications components”). Similarly, in *National Cable & Telecommunications Ass’n v. Brand X Internet Services*, 125 S. Ct. 2688 (2005) (*NCTA v. Brand X*), quoting from the *Report to Congress*, the Supreme Court stated that, from an end user’s perspective, Internet access service provided via a cable modem does not provide a transparent ability to transmit information and therefore the Internet provider is not a common carrier.

⁷ 13 FCC Rcd 11501 at ¶ 60 (“Since *Computer II*, we have made it clear that offerings by non-facilities-based providers combining communications and computing components should always be deemed enhanced.”).

⁸ See, *Third Computer Inquiry, Phase II*, Memorandum Opinion and Order on Reconsideration, 3 FCC Rcd 1150, 1170 n.23 (1988) (“*Computer III*”).

⁹ In its *Report to Congress*, the Commission concluded: “Internet access providers look like other enhanced -- or information -- service providers. Internet access providers, typically, own no telecommunications facilities. Rather, in order to provide those components of Internet access services that involve information transport, they lease lines, and otherwise acquire telecommunications, from telecommunications providers -- interexchange carriers, incumbent local exchange carriers, competitive local exchange carriers, and others. In offering service to end users, however, they do more than resell those data transport services. They conjoin the data transport with data processing, information provision, and other computer-mediated offerings, thereby creating an information service. Since 1980, we have classed such entities as enhanced service providers. We conclude that, under the 1996 Act, they are appropriately classed as information service providers.” 13 FCC Rcd 11501 at ¶ 81.

based ISPs are not required to contribute directly to USF.¹⁰ It affirmed this finding numerous times, including in the 2002 Wireline Broadband NPRM:

ISPs that own no telecommunications facilities and lease transmission, such as T1 lines, from telecommunications carriers to transmit their information services, do not contribute directly to universal service...¹¹

This passage confirms that the rules have never required *non-facilities-based* ISPs to segregate the telecommunications portion of wireline broadband Internet service for USF reporting purposes because such entities are not telecommunications carriers and do not provide transmission services on a stand-alone basis.

CTE's Internet access products qualify as an information service because they provide customers a single, integrated service using transmission facilities provided by other common carriers under contract. CTE's Internet access products qualify as non-facilities based because the Company purchases the transmission facilities from common carriers. The transmission capabilities underlying the Company's epix Internet service, which is offered for no other purpose than access to the Internet, should not be segregated from the underlying Internet access functionality for purposes of applying a safe harbor and/or calculating USF contributions. In sum, because the FCC has never required non-facilities-based ISPs to contribute to USF, it was not appropriate for USAC to adopt the Reznick Group's classification of CTE's integrated Internet access service as a telecommunications service and to direct the Company to move the associated Internet access service revenues into the USF contribution base.

¹⁰ 13 FCC Rcd 11501 at ¶ 3.

¹¹ *Appropriate Framework for Broadband Access to the Internet over Wireline Facilities, Universal Service Obligations of Broadband Providers*, CC Docket No. 02-33, Notice of Proposed Rulemaking, 17 FCC Rcd 3019 at ¶ 74 (2002) (*Wireline Broadband NPRM*) (emphasis added).

B. The Classification of CTE's Information Service Products Is Not Affected By the Fact That the Company Provides Both Non-facilities Based Long Distance Telecommunications and Information Services Within the Same Legal Entity.

The fact that the Company provides both non-facilities based long distance telecommunications and information services within the same legal entity, through separate business units, does not change the classification of its information service products. The FCC has determined that "telecommunications" and "information services" are mutually exclusive,¹² and that "a single entity can be both a telecommunications provider and an information services provider," with the classification depending on the service offered.¹³ When CTE offers broadband Internet access on a non-facilities basis through its epix Internet services business unit, that service is an information service. The fact that CTE's Commonwealth Long Distance business unit separately provides long distance services does not somehow change the classification of the Internet access service.

C. Even if CTE Telecom, LLC Could be Classified As a Facilities-based Provider, the Company Still Would Not be Required to Contribute to USF Based on Its Information Service Revenues.

Even assuming, *arguendo*, that CTE could be classified as a facilities-based provider with respect to its Internet access service, the Company still would not be required to contribute to USF based on its information service revenues. In the *Report to Congress*, the FCC recognized that its rules do not require USF contribution in cases where an ISP "owns transmission facilities, and engages in data transport over those facilities in order to provide an information service."¹⁴

¹² The Commission has concluded that "an approach in which 'telecommunications' and 'information service' are mutually exclusive categories is most faithful to both the 1996 Act and the policy goals of competition, deregulation, and universal service." 13 FCC Rcd 11501 at ¶ 59.

¹³ 13 FCC Rcd 11501 at n.77.

¹⁴ 13 FCC Rcd 11501 at ¶ 55.

The 2002 Wireline Broadband NPRM confirmed that the same treatment applied to common carriers: “*carriers* must contribute [to USF] to the extent they provide broadband transmission services or other telecommunications services on a *stand-alone* basis to affiliated or unaffiliated Internet service providers (ISPs) or to end-users.”¹⁵

Prior to the *Wireline Broadband Order*, FCC precedent required facilities-based carriers to offer the underlying transmission component separately to third parties and USF rules required contribution on such stand-alone data transmission services. However, the FCC never applied its USF safe harbor for “bundled” services to a transmission service that had been “contaminated” by bundling it with Internet access. Rather, the bundled safe harbor rules applied to combinations of *stand-alone* telecommunications services packaged with information services or customer premises equipment that carriers offered for a single price.¹⁶ In other words, the combination referred to in the bundled safe harbor is a single price for multiple, stand-alone services that have been *marketed and sold* in a package, not components that are themselves inextricably intertwined with one another in a single service. Some confusion has arisen because people use the term “bundled” to describe the combination of transmission and Internet access service. However, under FCC precedent, such “bundling” clearly “contaminates” the underlying

¹⁵ 17 FCC Rcd 3019 at ¶ 72 (emphasis added).

¹⁶ *Policies and Rules Concerning the Interstate, Interexchange Marketplace*, Report and Order, CC Docket No. 96-61, 16 FCC Rcd 7418, ¶¶ 10-12, 48-55 (2001) (discussing “price bundling” by non-dominant carriers of CPE, enhanced services and interstate interexchange services; price bundling by dominant carriers of CPE, enhanced and local exchange services; and unbundling the single price for a package of services, such as voicemail and basic phone service, into prices for the stand-alone services that make up the price bundle); *see also* 2006 Form 499-A Instructions, at 24-25 (“The Commission adopted two ‘safe harbor’ methods for allocating revenue when telecommunication services and CPE/enhanced services are offered as a bundled package.”).

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transmission service, which is no longer a stand-alone telecommunications service.¹⁷ Therefore, the bundled safe harbor rule never applied to facilities-based wireline broadband Internet access.

In the *Wireline Broadband Order*, the FCC recognized that its existing USF rules only addressed telecommunications carriers providing “telecommunications services.” However, the Commission specifically acknowledged that its existing rules did not require facilities-based providers of broadband Internet access services to contribute to USF. This Order stated:

Under current law, the Commission has permissive authority to require “[a]ny other provider of interstate telecommunications to contribute to universal service if required by the public interest.” The question of “whether and under what circumstances the public interest would require us to exercise our permissive authority over wireline broadband Internet access providers” is pending before the Commission in this docket. In addition, the question of “whether other facilities-based providers of broadband Internet access services may, as a legal matter, or should as a policy matter, be required to contribute” is also pending before us. We expect to address these issues in a comprehensive fashion either in this docket or in the Universal Service Contribution Methodology proceeding now pending in Docket No. 96-45.¹⁸

By referring to its permissive authority and policy questions regarding whether to expand the scope of USF contribution obligations to other types of providers, the FCC recognized that

¹⁷ 13 FCC Rcd. 11501 at ¶ 57; see also *Amendment of Section 64.702 of the Commission's Rules and Regulations (Second Computer Inquiry)*, Docket No. 20838, Final Decision, 77 FCC 2d 384 (1980).

¹⁸ *Appropriate Framework for Broadband Access to the Internet over Wireline Facilities Universal Service Obligations of Broadband Providers*, CC Docket No. 02-33, *Review of Regulatory Requirements for Incumbent LEC Broadband Telecommunications Services*, CC Docket No. 01-337, *Computer III Further Remand Proceedings: Bell Operating Company Provision of Enhanced Services; 1998 Biennial Regulatory Review – Review of Computer III and ONA Safeguards and Requirements*, CC Docket Nos. 95-20, 98-10, *Conditional Petition of the Verizon Telephone Companies for Forbearance Under 47 USC §160(c) with Regard to Broadband Services Provided Via Fiber to the Premises; Petition of the Verizon Telephone Companies for Declaratory Ruling or, Alternatively, for Interim Waiver with Regard to Broadband Services Provided Via Fiber to the Premises*, WC Docket No. 04-242, *Consumer Protection in the Broadband Era*, WC Docket No. 05-271, Report and Order and Notice of Proposed Rulemaking, 20 FCC Rcd 14853 at ¶ 112 (2005) (citations omitted)(“*Wireline Broadband Order*”).

certain Internet service providers were not currently required to report, or to contribute to USF based on, the contaminated broadband transmission service. The Commission also acknowledged that the issue of whether facilities-based Internet access service providers should contribute would be addressed in a subsequent proceeding. However, the Commission did not expand the scope or breadth of USF contribution requirements for non-facilities-based Internet services providers or facilities-based Internet service providers that did not provide stand-alone telecommunications services, instead it determined that facilities-based providers of wireline broadband Internet access service were only required to contribute to the existing universal service support mechanisms “based on the current level of reported revenue for the transmission component” until August 2006.¹⁹

IV. CONCLUSION

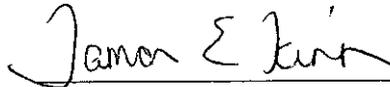
In summary, FCC rules do not require ISPs that lease telecommunications facilities to contribute to USF; FCC rules do not require facilities-based Internet service providers to contribute to USF on the basis of their information service revenue; and FCC rules do not require facilities-based common carriers to contribute to USF based on the DSL transmission service “contaminated” by Internet access and sold to a consumer as a single, integrated information service. CTE does not own the underlying telephone line facilities used to provide Internet service and the Company’s epix Internet Services business unit does not provide stand-alone DSL transmission or any other telecommunications services. Accordingly, CTE reasonably concluded that it was not required to include revenues related to its Internet access services as private line, special access, or any other telecommunications services subject to USF contributions on its 499-A filing.

¹⁹ *Wireline Broadband Order* at ¶ 113.

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In light of the foregoing, CTE respectfully requests that the Commission reverse USAC's finding number 1 of the USAC Audit Report regarding the classification of CTE's enhanced services offering.

Respectfully submitted,



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Counsel for CTE Telecom, LLC

Dated: August 18, 2008

EXHIBIT 1

LETTER FROM USAC



06/20/2008

*CTE Telecom, LLC
3 High Ridge Park
Stamford, CT 06905*

RE: Contributor Revenue Audit-CTE Telecom, LLC, Filer ID: 822888

Dear Kathi Camiritti :

USAC's IAD (Internal Audit Division) in accordance with Improper Payment Improvement Act (IPIA) has completed the audit of *CTE Telecom, LLC*. Filer ID: **822888** filed FCC Form 499-A – Telecommunications Reporting Worksheet for 2006¹. The audit final report detailing the findings was sent by IAD in a separate package. As a result of the audit findings, we have determined that *CTE Telecom, LLC* revenues are inaccurately reported on the FCC Form 499-A(s) presently on file for the years 2006. Accordingly, CTE Telecom, LLC must revise its FCC 499-A revenue reports for these years.

The required FCC Form 499-A revisions must be received by USAC no later than 60 days from the date of this letter. Please attach a cover letter to the Form 499-A revisions that reference the audit performed by USAC IAD, and mail your forms to:

USAC
Attn: FCC Form 499 Data Collection Agent
2000 L Street, N.W. Suite 200
Washington, DC 20036

USAC will review the submitted Form (s) under the regular Form 499 revision process. USAC will process CTE Telecom, LLC revised Form(s) and apply the appropriate contribution adjustment during the first quarter following any accepted form revision.

All billed contributions must be paid by the invoice due date to avoid late payment fees and Red Light action.² Billed contributions over 90 days delinquent are subject to the Debt Collection Improvement Act (DCIA),³ and will be transferred to the FCC for further collection.

¹ Pursuant to 47 C.F.R. §§ 54.707, 54.711(a).

² *Amendment of Parts 0 and 1 of the Commission's Rules; Implementation of the Debt Collection and Improvement Act of 1996 and Adoption of Rules Governing Applications or Requests for Benefits by Delinquent Debtors, Report and Order*, MD Docket No. 02-339, FCC 04-72, at ¶ 4 (rel. April 13, 2004) (*Red Light Rule Order*).

³ *Debt Collection Improvement Act of 1996*, Pub. L. No. 104-134, 110 Stat. 1321, 1358 (1996).



USAC

Universal Service Administrative Company

In accordance with 47 C.F.R. Sections 54.719(c) and 54.720(a), CTE Telecom, LLC may appeal this action and the audit findings on which it is based. You may send your written appeal and supporting documentation to the Federal Communications Commission (FCC) at:

Federal Communications Commission
Office of the Secretary
445 12th Street, SW, Room TW-A325
Washington, DC 20554

Please be sure to indicate the following information on all communications with the FCC: "Docket Nos. 96-45 and 97-21." To ensure your appeal receives proper consideration by the FCC, we strongly recommend that, before you submit your appeal to the FCC, you carefully review the requirements set forth in 47 C.F.R. § 54.721.

Should you have any questions, please contact USAC at (888) 641-8722



USAC

Universal Service Administrative Company

Helping keep America's Communications

Sincerely,
USAC Billing and Collections
Senior Financial Analyst: Chang-Hua Chen

CC: Joseph DeMasi

EXHIBIT 2

USAC AUDIT REPORT

CONFIDENTIAL & PROPRIETARY

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Request for Review of Decision of the)	
Universal Service Administrator by)	
)	WCB Docket Nos. 06-122 and 97-21
CTE Telecom, LLC)	

DECLARATION OF KEN MASON

1. My name is Kenneth Mason. I am Vice President of Government and Regulatory Affairs at CTE Telecom, LLC ("CTE"). My business address is 180 S Clinton Ave., 5th Floor, Rochester, New York 14646.
2. I am an officer of CTE and am authorized to make this declaration on behalf of CTE.
3. I hereby declare that the foregoing Appeal was prepared under my direction and supervision and that the contents are true and correct to the best of my knowledge, information and belief.

I affirm under penalty of perjury that the foregoing is true and correct.



Kenneth Mason

CERTIFICATE OF SERVICE

I hereby certify that on this 18th day of August 2008, a copy of the foregoing REQUEST FOR REVIEW OF DECISION OF THE UNIVERSAL SERVICE ADMINISTRATOR BY CTE TELECOM, LLC, was served via Overnight Mail to the following:

Dave Capozzi
Universal Service Administrative Company
Internal Audit Division
2000 L Street, Suite 200
Washington, D.C. 20036

Kate Boone