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December 31, 2008

Ms. Karen M. Majcher
 Vice President, High Cost and Low Income Division
 Universal Service Administrative Company
 2000 L Street NW, Suite 200
 Washington, DC 20036

SENT VIA EMAIL TO: CETCCap@usac.org

Re: Corrections to the March 2008 High-Cost Support Data of Centennial Communications Corp. and its CETC Subsidiaries

Dear Ms. Majcher:

As instructed in the recent Public Notice of the Federal Communications Commission (“FCC”),¹ this letter contains corrections to the high cost interim cap amounts recently published by the Universal Service Administrative Company (“USAC”) for Centennial Communications Corp. (“Centennial Communications”) and its subsidiaries that are designated eligible telecommunications carriers (“ETC”) (collectively, “Centennial” unless referred to individually).² We have provided corrections to the extent possible at the present time, using publicly-available information. Based on that information, we believe that in a number of respects the proposed caps applicable to Centennial, as indicated by USAC, are too low. However, because critical information, including the details of USAC’s input data and

¹ *March 2008 Capped Universal Service High-Cost Support for Competitive Eligible Telecommunications Carriers*, Public Notice DA 08-2684 (rel. Dec. 10, 2008) (“Public Notice”). On October 31, 2008, USAC published projections of what the monthly support will be for the first quarter of 2009. Centennial does not interpret the Public Notice as requesting comment on these projections and has not provided any corrections or comments thereon.

² The Centennial entities that are designated ETCs are: South Bend Metronet, Inc., Elkhart Metronet, Inc., Mega Comm LLC, Centennial Randolph Cellular LLC, Centennial Cellular Tri-State Operating Partnership, Centennial Bearegard Cellular LLC, Centennial Caldwell Cellular Corp., Centennial Hammond Cellular LLC, Centennial Morehouse Cellular LLC, Centennial Lafayette Communications LLC, Centennial Michigan RSA 6 Cellular Corp., Centennial Michigan RSA 7 Cellular Corp., Michiana Metronet, Inc., Centennial Clairborne Cellular Corp., Centennial Puerto Rico Operations Corp., and Centennial USVI Operations Corporation.

calculation methodology, have not been made public, it is literally impossible to provide specific corrections. Centennial reserves the right to file any necessary supplemental corrections or analysis based on or arising from any issues explicitly or implicitly raised in this letter, in order to ensure that the final interim caps are as accurate as possible.

The Public Notice stated that competitive ETCs (“CETCs”), such as Centennial, should confirm the “data” on which the interim cap is based and file any corrections on or before December 31, 2008. Specifically, it stated that USAC would not accept changes from CETCs regarding the underlying data after this date, absent a waiver from the FCC. The Public Notice directed CETCs to a link on USAC’s website where USAC posted three spreadsheets entitled: “March Base by State,” “March Base by SAC [Study Area Name] by State,” and “By State SAC Lines and Support.” March 2008, of course, is the month used to establish the interim cap. We refer to this USAC information, collectively, as the “USAC proposed caps.” Centennial has a number of changes and comments on the USAC proposed caps, set out below.

1. Centennial Opposes All Future Downward Adjustments, as well as any Denials of Upward Adjustments, Based on the Tardiness or Inaccuracies of Third Party Filings or Based on Unverifiable USAC, ILEC or Third-Party Data

The Public Notice does not explain what is embraced within the scope of the term “data,” which CETCs are supposedly required to confirm or correct. For instance, it is not clear whether the term encompasses all filings by parties with filing obligations under the high cost program. Under normal circumstances, to use one example, in order for CETCs to receive certain types of high cost funding, such as high cost loop (“HCL”), state public utility commissions (“PUCs”) must file certifications with USAC stating that high cost funds will be used in compliance with all high cost regulations.³ As a result, if a PUC were to have failed to make such filing, that could have adversely affected the USAC proposed caps; yet Centennial has no way to verify that all filings relevant to Centennial’s receipt of the affected funds were timely and accurately made. Conversely, if a state PUC failed to certify the eligibility of another CETC in a given state as a result of a specific PUC decision not to do so, that would increase the funding available to Centennial in that state; yet Centennial has no way to verify the continuing eligibility of any carrier—incumbent local exchange carrier (“ILEC”) or CETC—to receive high cost funding, or whether there are any pending waiver petitions or other requests that would affect the proposed caps (other than the pending Centennial petitions described below). Centennial, therefore, expressly reserves the right to seek modifications in the amount of funding it is entitled to receive based on failure by any state PUC to file a relevant certification.

Even interpreting the term “data” to include just line counts and cost data, under the identical support rule, CETC payments ultimately derive from ILEC data,⁴ so CETCs are at the mercy of ILECs to file the relevant data in a timely and accurate fashion. Moreover, USAC does

³ 47 C.F.R. § 54.314.

⁴ 47 C.F.R. § 54.307.

not routinely make available ILEC cost data – at least not in any detail – so Centennial has no way of actually verifying USAC’s proposed cap.

Furthermore, neither the FCC’s order instituting the interim cap, nor the Public Notice, explains how the cap may be affected by late filings or inaccurate data filed by parties other than CETCs.⁵ Centennial is particularly concerned about what appears to be an informal practice at USAC of allowing ILECs to late-file their high cost data well after the deadline established in the regulations applicable to such filings. Putting aside for the moment that this informal acceptance of late-filed data is not sanctioned under any FCC rule, and would seem to constitute an impermissible creation of policy by USAC, it would be unjust and unfair – not to mention inconsistent with § 254’s requirement that universal service payments be “sufficient” and “predictable” – to adjust Centennial’s funding downwards based on tardy or inaccurate filings by third parties.⁶ It would violate the same principles to deny, at some future date, funding Centennial would have otherwise received had the third party timely filed accurate data. CETCs should not be punished for the failings of third parties, either in general or in the specific context of “confirming” the amounts contained on USAC’s web site in response to the Public Notice.⁷

For these reasons, Centennial opposes any downward adjustment of the interim cap based on any late-filed or inaccurate ILEC data, including, without limitation, any such filings made after USAC posted the proposed caps on December 10, 2008. Centennial further requests USAC to provide Centennial with the data, formulas, methodology and any other information necessary to fully verify the accuracy of the USAC proposed caps. It also reserves the right to seek the full amount of funding it would have received had all third parties accurately and timely filed all data and information, as well as all funding it would have received had it been provided all data, formulas, methodology and information necessary to fully verify the caps.

⁵ *In Re High-Cost Universal Service Support, Federal-State Joint Board on Universal Service, Alltel Communications Inc., et al. Petitions for Designation as Eligible Telecommunications Carriers, RCC Minnesota, Inc. and RCC Atlantic, Inc. New Hampshire ETC Designation Amendment*, Order, 23 FCC Rcd 8834 (FCC rel. May 1, 2008) (“Interim Cap Order”); 47 C.F.R. § 54.307.

⁶ Section 54.702 of the FCC’s rules prohibits USAC from making its own policy or changing the rules to suit its own internal preferences or practices. 47 C.F.R. § 54.702.

⁷ Neither the Interim Cap Order nor the Public Notice make it clear to what extent true-ups that would have been considered timely prior to the institution of the interim cap may affect the cap amounts proposed by USAC. Under non-cap circumstances, three types of high cost funding—ICLS, LSS and IAS—are normally subject to true-ups based on the later filing of historical data by ILECs. This historical data has not yet been filed, to Centennial’s knowledge. Given the purpose of the cap to establish a maximum amount of support, based on the amounts that were, or should have been, provided in March 2008, it would be inappropriate to retroactively adjust the *cap itself* downwards to reflect any true-ups based on much-later-filed data.

2. USAC’s 1Q 2008 Projections are the Most Appropriate Comparison Point Available to Centennial

On October 31, 2007, USAC published its projections of what the monthly support would be for the first quarter of 2008 (“1Q 2008”), which included projections for the month of March 2008. These are the most appropriate data available to use as a starting point for considering USAC’s proposed caps, because these are the amounts that USAC had predicted last year that all eligible telecommunications carriers (“ETCs”) would receive for March 2008.⁸ Unfortunately, for the same reasons that the proposed caps themselves cannot be directly verified, Centennial cannot verify the data for 1Q 2008—both are ultimately based on non-public “data” (narrowly defined) filed by the ILECs (*e.g.*, line counts and costs).⁹ Notwithstanding these limitations, and in the absence of any better or more accurate starting point, Centennial has compared the 1Q 2008 data with the USAC projected caps, as well as the line counts provided in connection with the USAC projected caps, with Centennial’s internal data. The following inconsistencies and errors appear to Centennial to be potentially significant.¹⁰

| CORRECTIONS/COMMENTS WITH RESPECT TO COMPARISON WITH 1Q 2008 PROJECTIONS AND CENTENNIAL’S LINE COUNT FILINGS | |
|---|--|
| Indiana | |
| Total Monthly Funding | The USAC proposed cap of the total monthly funding in Indiana is \$17,521 lower per month than the 1Q 2008 projections. The majority of the monthly high cost funding in Indiana is HCL. See HCL comments below. Centennial has not been able to deduce why there is such a large difference in the funding level from 1Q 2008 to the current USAC cap projection. |
| HCL | HCL accounts for the majority of high cost funding in Indiana. The USAC proposed monthly cap for HCL is \$17,353 lower per month than the 1Q 2008 projections. Centennial’s share of HCL funding in Indiana ranges from 93.4% (based on the USAC cap projection data) to 92.7% (based on the 1Q 2008 projections). This means that Centennial’s HCL funding in Indiana could be \$16,207 per month less than it should be. ¹¹ Centennial opposes any such downward adjustment without being provided full access to the data, formulas and all necessary information to fully verify USAC’s calculation of the cap. |
| Interstate Access Support (“IAS”) | The USAC proposed monthly cap for IAS is \$795 lower per month than the 1Q 2008 projections. Centennial has not been able to deduce why the IAS cap |

⁸ Interim Cap Order at ¶ 1.

⁹ Centennial notes that although it has received funding for March 2008, it is unclear whether such amounts may be adjusted due to any true-ups. See *supra* note 7. As such, it is not entirely clear whether Centennial can view the funds received as a valid comparison point.

¹⁰ Centennial receives high cost funding through a variety of subsidiary entities. We have not attempted to break down its corrections or comments on an entity-by-entity basis.

¹¹ For the rest of the funding types in all states, Centennial has used the higher percentage (*i.e.*, based on the 1Q 2008 or the USAC proposed cap data) to estimate the maximum impact that the failure to correct inaccuracies would have on Centennial’s funding.

| CORRECTIONS/COMMENTS WITH RESPECT TO COMPARISON WITH 1Q 2008 PROJECTIONS AND CENTENNIAL'S LINE COUNT FILINGS | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|------------------------|-----------------------------|------------------|-------------------|-------|--------|--------|--------|-------|--------|--------|-----|-------|--------|--------|-------|-------|-------|-------|----|-------|--------|--------|-------|
| | projection is lower. (Centennial does not receive IAS funding in Indiana.) | | | | | | | | | | | | | | | | | | | | | | | | |
| Local Switching Support ("LSS") | The USAC proposed monthly cap for LSS is <u>\$543 higher</u> per month than the 1Q 2008 projections. Centennial has not been able to deduce why the LSS cap projection is higher. | | | | | | | | | | | | | | | | | | | | | | | | |
| Safety Net Additive Support ("SNA") | The USAC proposed monthly cap for SNA is <u>\$84 higher per month</u> than the 1Q 2008 projections. Centennial has not been able to deduce why the IAS cap projection is higher. | | | | | | | | | | | | | | | | | | | | | | | | |
| Louisiana | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Monthly Funding | The USAC proposed cap of the total monthly funding in Louisiana is <u>\$240,021 higher per month</u> than the 1Q 2008 projections. Centennial assumes, but cannot be certain, that this increase is attributable to the granting of eligible telecommunications carrier ("ETC") status to one or more carriers eligible for substantial funding. Centennial has provided below a breakdown of the increases in the individual high cost funds. | | | | | | | | | | | | | | | | | | | | | | | | |
| HCL | The USAC proposed monthly cap for HCL is <u>\$26,059 higher per month</u> than the 1Q 2008 projections. | | | | | | | | | | | | | | | | | | | | | | | | |
| IAS | <p>The USAC proposed monthly cap for IAS is <u>\$136,112 higher per month</u> than the 1Q 2008 projections.</p> <p>USAC data reflects lower line counts than what Centennial filed for <u>all</u> Centennial Louisiana study areas receiving IAS funding. These inaccurate line counts will result in lower high cost support to Centennial unless corrected. Centennial has no idea why USAC's data is inaccurate.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th><u>Study Area Code</u></th> <th><u>Centennial's Records</u></th> <th><u>USAC Data</u></th> <th><u>Difference</u></th> </tr> </thead> <tbody> <tr> <td>27901</td> <td>93,805</td> <td>81,031</td> <td>12,774</td> </tr> <tr> <td>27902</td> <td>10,855</td> <td>10,603</td> <td>252</td> </tr> <tr> <td>27903</td> <td>18,069</td> <td>14,426</td> <td>3,643</td> </tr> <tr> <td>27904</td> <td>1,662</td> <td>1,595</td> <td>67</td> </tr> <tr> <td>27905</td> <td>20,859</td> <td>18,559</td> <td>2,300</td> </tr> </tbody> </table> <p>Although it is clear that, other things being equal, USAC's misstatement of</p> | <u>Study Area Code</u> | <u>Centennial's Records</u> | <u>USAC Data</u> | <u>Difference</u> | 27901 | 93,805 | 81,031 | 12,774 | 27902 | 10,855 | 10,603 | 252 | 27903 | 18,069 | 14,426 | 3,643 | 27904 | 1,662 | 1,595 | 67 | 27905 | 20,859 | 18,559 | 2,300 |
| <u>Study Area Code</u> | <u>Centennial's Records</u> | <u>USAC Data</u> | <u>Difference</u> | | | | | | | | | | | | | | | | | | | | | | |
| 27901 | 93,805 | 81,031 | 12,774 | | | | | | | | | | | | | | | | | | | | | | |
| 27902 | 10,855 | 10,603 | 252 | | | | | | | | | | | | | | | | | | | | | | |
| 27903 | 18,069 | 14,426 | 3,643 | | | | | | | | | | | | | | | | | | | | | | |
| 27904 | 1,662 | 1,595 | 67 | | | | | | | | | | | | | | | | | | | | | | |
| 27905 | 20,859 | 18,559 | 2,300 | | | | | | | | | | | | | | | | | | | | | | |

| CORRECTIONS/COMMENTS WITH RESPECT TO COMPARISON WITH 1Q 2008 PROJECTIONS AND CENTENNIAL'S LINE COUNT FILINGS | |
|---|--|
| | <p>Centennial's line counts will lower Centennial's IAS funding, Centennial is unable to estimate the size of this effect because (1) it does not know whether other affected carriers' line counts are correct and (2) each zone is calculated at a different rate, but Centennial does not know in which zones these or any other discrepancies are located. Centennial opposes any downward adjustment in its IAS funding in Louisiana without being provided the data, formulas and all necessary information to fully verify the cap.</p> <p>Finally, it is impossible to tell from the USAC proposed caps, to what extent USAC has taken into account Centennial's waiver petition regarding IAS funding in Louisiana. This waiver petition is discussed in more detail in section 4(c) below.</p> |
| Interstate Common Line Support ("ICLS") | The USAC proposed monthly cap for ICLS is <u>\$63,725 higher per month</u> than the 1Q 2008 projections. |
| LSS | The USAC proposed monthly cap for LSS is <u>\$10,040 higher per month</u> than the 1Q 2008 projections |
| SNA | The USAC proposed monthly cap for SNA is <u>\$4,085 higher per month</u> than the 1Q 2008 projections. |
| Michigan | |
| Total Monthly Funding | The USAC proposed cap of the total monthly funding in Michigan is \$113,561 lower per month than the 1Q 2008 projections, mostly due to decreases in HCL and ICLS projections from the 1Q 2008. Centennial assumes that this difference is attributable to the fact that there were pending applications for eligible telecommunications carrier ("ETC") status for one or more carriers the funding for which was not included in the USAC projected cap, although it has no explanation as to why IAS and SNA are higher than the 1Q 2008 projections. |
| HCL | <p>The USAC proposed monthly cap for HCL is \$60,047 lower per month than the 1Q 2008 projections.</p> <p>Based on Centennial's 1Q 2008 share of 3.4%, this could potentially cost Centennial \$2,042 per month in HCL funding in Michigan. Centennial opposes any such downward adjustment without being provided the data, formulas and all necessary information to fully verify the cap.</p> |
| IAS | The USAC proposed monthly cap for IAS is <u>\$3,086 higher per month</u> than the 1Q 2008 projections. |
| ICLS | <p>The USAC proposed monthly cap for ICLS is \$53,658 lower per month than the 1Q 2008 projections.</p> <p>Based on Centennial's 1Q 2008 share of 5%, this could potentially cost Centennial \$2,709 per month in ICLS funding in Michigan. Centennial opposes any such downward adjustment without being provided the data, formulas and all necessary information to fully verify the cap.</p> |
| LSS | <p>The USAC proposed monthly cap for LSS is \$4,434 lower per month than the 1Q 2008 projections.</p> <p>Based on Centennial's 1Q 2008 share of 7.5%, this could potentially cost Centennial \$334 per month in LSS funding in Michigan. Centennial opposes</p> |

| CORRECTIONS/COMMENTS WITH RESPECT TO COMPARISON WITH 1Q 2008 PROJECTIONS AND CENTENNIAL'S LINE COUNT FILINGS | | | | | | | | | | | | | |
|---|--|-----------------|----------------------|-----------|------------|--------|--------|--------|----|--------|-------|-------|----|
| | any such downward adjustment without being provided the data, formulas and all necessary information to fully verify the cap. | | | | | | | | | | | | |
| SNA | The USAC proposed monthly cap for SNA is <u>\$1,492 higher per month</u> than the 1Q 2008 projections. | | | | | | | | | | | | |
| Mississippi | | | | | | | | | | | | | |
| Total Monthly Funding | The USAC proposed cap of the total monthly funding in Mississippi is <u>\$600,235 higher per month</u> than the 1Q 2008 projections. Centennial does not know why the HCL and IAS funding would be higher, but assumes that the substantial increase in ICLS funding is attributable to the granting of ETC status to one or more carriers eligible for substantial funding. Centennial has provided below a breakdown of how this increase is distributed among the high cost funds, three of which were substantially increased from the 1Q 2008 projections. | | | | | | | | | | | | |
| HCL | The USAC proposed monthly cap for HCL is <i>\$54,202 lower per month</i> than the 1Q 2008 projections. Based on Centennial's 1Q 2008 share of 3.1%, <i>this could potentially cost Centennial \$1,675 per month in HCL funding in Mississippi.</i> Centennial opposes any such downward adjustment without being provided the data, formulas and all necessary information to fully verify the cap. | | | | | | | | | | | | |
| High Cost Model ("HCM") | The USAC proposed monthly cap for HCM is <u>\$67,501 higher per month</u> than the 1Q 2008 projections. | | | | | | | | | | | | |
| IAS | The USAC proposed monthly cap for IAS is <u>\$39,023 higher per month</u> than the 1Q 2008 projections. USAC data reflects <i>lower line counts</i> than those that Centennial filed for two Centennial Mississippi study areas receiving IAS funding. These inaccurate line counts will result in lower high cost support to Centennial unless corrected. Centennial has no idea why USAC's data is inaccurate. <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Study Area Code</th> <th style="text-align: center;">Centennial's Records</th> <th style="text-align: center;">USAC Data</th> <th style="text-align: center;">Difference</th> </tr> </thead> <tbody> <tr> <td>289004</td> <td style="text-align: center;">14,490</td> <td style="text-align: center;">14,470</td> <td style="text-align: center;">20</td> </tr> <tr> <td>289005</td> <td style="text-align: center;">3,852</td> <td style="text-align: center;">3,837</td> <td style="text-align: center;">15</td> </tr> </tbody> </table> Although it is clear that, other things being equal, USAC's misstatement of Centennial's line counts will lower Centennial's IAS funding, Centennial is unable to estimate the size of this effect because (1) it does not know whether other affected carriers' line counts are correct and (2) each zone is calculated at a different rate, but Centennial does not know in which zones these or any other discrepancies are located. Centennial opposes any downward adjustment in its IAS funding in Mississippi without being provided the data, formulas and all necessary information to fully verify the cap. | Study Area Code | Centennial's Records | USAC Data | Difference | 289004 | 14,490 | 14,470 | 20 | 289005 | 3,852 | 3,837 | 15 |
| Study Area Code | Centennial's Records | USAC Data | Difference | | | | | | | | | | |
| 289004 | 14,490 | 14,470 | 20 | | | | | | | | | | |
| 289005 | 3,852 | 3,837 | 15 | | | | | | | | | | |
| ICLS | The USAC proposed monthly cap for ICLS is <u>\$546,504 higher per month</u> than the 1Q 2008 projections. USAC data also reflects significantly <i>higher line counts</i> than what Centennial filed for two Centennial Mississippi study areas receiving ICLS funding. | | | | | | | | | | | | |

| CORRECTIONS/COMMENTS WITH RESPECT TO COMPARISON WITH 1Q 2008 PROJECTIONS AND CENTENNIAL'S LINE COUNT FILINGS | | | | | | | | | | | | | | | | |
|---|---|-----------|------------|--|-----------------|----------------------|-----------|------------|--------|-----|--------|--------|--------|-----|-------|-------|
| | <p>Centennial suspects that USAC may have included Centennial lines from areas that are not eligible for ICLS funding.</p> <table border="1"> <thead> <tr> <th>Study Area Code</th> <th>Centennial's Records</th> <th>USAC Data</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>289004</td> <td>558</td> <td>14,917</td> <td>14,359</td> </tr> <tr> <td>289005</td> <td>307</td> <td>4,226</td> <td>3,919</td> </tr> </tbody> </table> | | | | Study Area Code | Centennial's Records | USAC Data | Difference | 289004 | 558 | 14,917 | 14,359 | 289005 | 307 | 4,226 | 3,919 |
| Study Area Code | Centennial's Records | USAC Data | Difference | | | | | | | | | | | | | |
| 289004 | 558 | 14,917 | 14,359 | | | | | | | | | | | | | |
| 289005 | 307 | 4,226 | 3,919 | | | | | | | | | | | | | |
| LSS | <p>The USAC proposed monthly cap for LSS is \$2,734 lower per month than the 1Q 2008 projections. It is not clear to Centennial why LSS funding would decrease, while all other changes in the projections were substantial increases. Based on Centennial's share of the USAC projected cap of 5.4%, this could potentially cost Centennial \$148 per month in LSS funding in Mississippi. Centennial opposes any such downward adjustment without being provided the data, formulas and all necessary information to fully verify the cap.</p> <p>As noted above, USAC data also reflects significantly higher line counts than what Centennial filed for two Centennial Mississippi study areas receiving LSS funding. Centennial can provide copies of the line count filings upon request. Centennial suspects that USAC has included Centennial lines from areas that are not eligible for LSS funding.</p> <table border="1"> <thead> <tr> <th>Study Area Code</th> <th>Centennial's Records</th> <th>USAC Data</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>289004</td> <td>558</td> <td>14,917</td> <td>14,359</td> </tr> <tr> <td>289005</td> <td>307</td> <td>4,226</td> <td>3,919</td> </tr> </tbody> </table> | | | | Study Area Code | Centennial's Records | USAC Data | Difference | 289004 | 558 | 14,917 | 14,359 | 289005 | 307 | 4,226 | 3,919 |
| Study Area Code | Centennial's Records | USAC Data | Difference | | | | | | | | | | | | | |
| 289004 | 558 | 14,917 | 14,359 | | | | | | | | | | | | | |
| 289005 | 307 | 4,226 | 3,919 | | | | | | | | | | | | | |
| SNA | <p>The USAC proposed monthly cap for SNA is \$3,961 higher per month than the 1Q 2008 projections.</p> <p>USAC data also reflects significantly higher line counts than what Centennial filed for two Centennial Mississippi study areas receiving SNA funding. Centennial can provide copies of the line count filings upon request. Centennial suspects that USAC has included Centennial lines from areas that are not eligible for SNA funding.</p> <table border="1"> <thead> <tr> <th>Study Area Code</th> <th>Centennial's Records</th> <th>USAC Data</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>289004</td> <td>558</td> <td>14,917</td> <td>14,359</td> </tr> <tr> <td>289005</td> <td>307</td> <td>4,226</td> <td>3,919</td> </tr> </tbody> </table> | | | | Study Area Code | Centennial's Records | USAC Data | Difference | 289004 | 558 | 14,917 | 14,359 | 289005 | 307 | 4,226 | 3,919 |
| Study Area Code | Centennial's Records | USAC Data | Difference | | | | | | | | | | | | | |
| 289004 | 558 | 14,917 | 14,359 | | | | | | | | | | | | | |
| 289005 | 307 | 4,226 | 3,919 | | | | | | | | | | | | | |
| U.S. Virgin Islands | | | | | | | | | | | | | | | | |
| Type of Funding | Correction/Comment With Respect to 1Q 2008 Comparison | | | | | | | | | | | | | | | |
| Total Monthly Funding/ HCL | <p>There was a significant decrease in the monthly cap projections as compared to the 1Q 2008 projections. The USAC proposed cap is \$51,009 lower per month than the 1Q 2008 projections. This is apparently because the proposed cap excludes the HCL support that Centennial will receive once its pending waiver petition is granted. Centennial opposes any such downward adjustment without being provided the data, formulas and all necessary information to fully verify the cap, and opposes any downward adjustment pending the outcome of its waiver petition described in section 4(a) below.</p> | | | | | | | | | | | | | | | |

| CORRECTIONS/COMMENTS WITH RESPECT TO COMPARISON WITH 1Q 2008 PROJECTIONS AND CENTENNIAL'S LINE COUNT FILINGS | |
|---|---|
| | Moreover, the USAC proposed cap <i>includes</i> ICLS funding for Centennial, which is also subject to a pending Centennial waiver (see detailed description below in section 4(a)). It is not clear why USAC would include one type of funding (ICLS) in the projected cap that is subject to the waiver petition, but exclude another. |

Finally, Centennial would like to bring to USAC's attention the fact that the differences between USAC's earlier projections and the most recent USAC proposed caps appear to be substantially more pronounced for Centennial than other CETCs in certain states and for certain types of funding. Based on the USAC projected caps, relative to the other CETCs listed, Centennial's is projected to receive all of the CETC funding in the U.S. Virgin Islands, the majority of CETC funding in Indiana, and a significant portion of the CETC funding in Louisiana and Puerto Rico. As a consequence, Centennial will be uniquely adversely affected by any errors in USAC's figures that result in lowered universal service support. In these circumstances, it is particularly important that USAC (and the FCC) take Centennial's concerns into account.

4. Multiple Centennial Requests and Waiver Petitions Pending before the FCC will Affect the Interim Cap

Centennial has several requests and waiver petitions pending before the FCC, the outcome of which will affect Centennial's high-cost support ("petitions"). If resolved as anticipated by Centennial, these pending petitions would result in significant increases to the interim caps, or otherwise confirm Centennial's right to continue to receive funding in the U.S. Virgin Islands ("USVI"), Puerto Rico, and Louisiana. These petitions are described below.¹²

a. U.S. Virgin Islands Waiver Petition

Centennial USVI has pending petition for waiver of certain of the FCC's rules in order to permit Centennial to receive HCL support and ICLS in the U.S. Virgin Islands. These petitions arise from the decision of the U.S. Virgin Islands Public Services Commission ("USVI PSC") to

¹² In addition to the petitions discussed in section 4, Centennial also has a request for review and petition for waiver pending before the FCC that stems from adjustments to the ICLS funding of Puerto Rico Telephone Company ("PRTC"). *Centennial Request for Review of Administrator's Decision*, WC Docket 05-335 (filed under CC Docket No. 96-45) (filed Sept. 8, 2008) (requesting review or waiver at p. 1). Following the discovery that PRTC was undercharging the subscriber line charge, USAC chose to accept late-filed data from, and conducted an out-of-time ICLS true-up for, PRTC. This resulted in PRTC losing ICLS funding. Although this adjustment relates to a prior period (*i.e.*, 2004 and 2005), should USAC have erroneously corrected PRTC's cost data, or if PRTC has failed to accurately implement USAC's correct, this could obviously affect the March 2008 ICLS funding. To the extent that any necessary ICLS corrections were not properly implemented, Centennial opposes any downward adjustment to its funding as a result thereof, and reserves the right to make any additional filings to adjust its funding upward, as appropriate.

make the date of Centennial's CETC designation retroactive, in light of certain unique circumstances surrounding the designation process in that jurisdiction.¹³ Specifically, the USVI PSC designated Centennial as a CETC in the U.S. Virgin Islands effective December 2, **2006**, in an order issued on February 26, **2008**. Given the retroactive effectiveness of the CETC designation, it was impossible for Centennial and the USVI PSC to have met certain HCL and ICLS filing deadlines.¹⁴ A grant of this pending petition will permit Centennial to receive funding beginning on the effective date of its ETC designation, and continuing through the present.

As USAC is well aware, reconciling ETC designation dates and filing deadlines is a common problem, and the routine solution is for the ETC to seek a waiver of the deadlines. The specific deadlines for which Centennial has sought a waiver for the USVI are:

- The July 1, 2006, October 1, 2006, October 1, 2007 deadlines set forth in section 54.314(d)(1) of the FCC's rules for a certification that was impossible for USVI PSC to timely file due to the fact that Centennial's designation order was issued in 2008.
- The deadline for Centennial to file the certification required pursuant to section 54.314(d)(6) of the FCC's rules within 60 days of the effective date of its ETC designation. Obviously, it was impossible for Centennial to meet this deadline given that the order designating it an ETC was issued nearly 14 months later than its designation effective date.

While USAC appears to have included Centennial's ICLS funding in estimating the cap for the USVI, it did not include Centennial's HCL funding. We cannot be certain, but it appears that USAC has accepted Centennial's self-certification for the ICLS funding, but it has not yet accepted the USVI PSC's certification for the HCL funding. Whatever the reason, however, Centennial expects that the FCC will grant the requested waivers and therefore, both HCL and ICLS funding should be included in the interim cap amount.

b. Puerto Rico ICLS True-Up Appeal

Centennial filed an appeal regarding USAC's use of old line counts to conduct a true-up of ICLS funding in Puerto Rico, as well as other complex matters not relevant to the interim cap. Centennial discovered that USAC uses line count projections lagged by one year in conducting true-ups of ICLS funding, rather than actual line count data for the year for which the true-up is being conducted. As far as Centennial is aware, this USAC practice affects all states, and is not limited to Puerto Rico.

¹³ *Centennial USVI Operations Corp. Petition for Waiver of Section 54.314(d) of the Commission's Rule[s]*, CC Docket No. 96-45 (filed Feb. 28, 2008); Supplemental Letters from W. Roughton (filed Mar. 6, 2008 and Mar. 26, 2008).

¹⁴ The reasoning behind the retroactive nature of the designation is explained in detail in Centennial's waiver petition, a copy of which is attached hereto (without attachments), along with the two supplemental letters.

The specific issue raised in Centennial's appeal was that, in calculating the true-up for 2004, USAC used line count projections from 2003 for both Centennial and the ILEC, Puerto Rico Telephone Company ("PRTC"), but combined those projected figures with actual (retrospective) 2004 PRTC cost data, even though, by the time of the true up, accurate 2004 line counts were available for both Centennial and PRTC. The problem with USAC's practice is two-fold. First, because PRTC had more lines in its 2003 projections than in 2004, using the 2003 figure reduced PRTC's per line support, which is calculated by dividing its total ICLS support by the number of lines. This creates a problem for a CETC like Centennial that receives the same amount of support on a per line basis under the identical support rule. Second, contrary to PRTC, Centennial had *fewer* lines in its 2003 projections than it actually served in 2004. Thus, not only was the per line amount lowered by the error noted above, but Centennial would receive the erroneously lower per-line funding for an erroneously low number of lines. Centennial has argued in its appeal that this is an impermissible practice under the language of the FCC's true-up rule, and refers USAC to its arguments made therein.¹⁵

Obviously, this is an issue for ICLS funding in all states. To the extent that this methodology was used to calculate any of the ICLS funding in the USAC proposed caps, Centennial opposes such methodology as being contrary to the FCC's rules, as set forth in its appeal, and reserves the right to make any further filings to correct these amounts once it receives all necessary data, formulas, methodology and information necessary to fully verify the capped amounts.

c. Louisiana IAS Waiver Petition

Centennial has a waiver petition pending, filed on behalf of its Louisiana subsidiaries, requesting that the FCC either find that Centennial's certification filed under section 54.809 of the FCC rules was timely, or otherwise waive the September 30, 2005, June 30, 2006 and June 30, 2007 filing deadlines required under the same rule.¹⁶ These certifications were necessary for Centennial to receive IAS funding, which is only available for non-rural areas. The certifications were not actually made at the relevant time due to a poorly-worded ETC designation order. Specifically, although the Louisiana Public Commission's ("LPSC") order acknowledged Centennial's request to serve some non-rural areas and in no way implied that it was limiting Centennial to rural funding, most of the discussion in the order concerned rural areas and the ordering clauses only referred to "rural high-cost areas."

¹⁵ *Request for Review and, in the Alternative, Request for Waiver, and Request to Suspend Recovery*, CC Docket Nos. 96-45 and 00-256 (filed May 25, 2007). A copy of the petition (without exhibits) is attached.

¹⁶ *Centennial Communications Corp. Request for Relief or Waiver of Section 54.809 of the Commission's Rules*, WC Docket No. 08-71 (filed under CC Docket No. 96-45) (filed Sept. 18, 2008); *Supplemental Information Regarding Centennial Communications Corp. Request for Relief or Waiver of Section 54.809 of the Commission's Rules*, WC Docket No. 08-71 (filed Oct. 28, 2008). The Louisiana subsidiaries on behalf of which the petition was filed are: Centennial Beauregard Cellular LLC, Centennial Caldwell Cellular Corp., Centennial Hammond Cellular LLC, Centennial Morehouse Cellular LLC, and Centennial Lafayette Communications LLC. A copy of the petition (without attachments) and supplement are attached hereto.

Section 54.809(c) of the FCC's rules provides that a carrier must file its IAS certification "on the date that it first files its line counts pursuant to §54.802, and thereafter on June 30 of each year."¹⁷ USAC accepted Centennial's line counts, which were filed in early 2008, as being sufficient for purposes of section 54.802 but refused its certification. Under a plain reading of section 54.809, Centennial's certifications would have been due at the same time—not back when Centennial was first designated an ETC. Even if the FCC does not agree with Centennial's reading of the rules, it has requested that it waive the certification requirement. The certification requirement was intended to ensure that funds would be properly spent once received—it was certainly not intended to interfere with the distribution of funds to the very areas that the funds are intended to help.

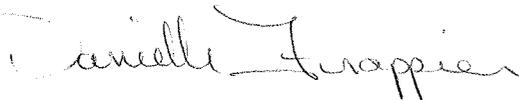
Approval of this waiver petition would permit Centennial to receive IAS support for Louisiana beginning as of the fourth quarter of 2005, which would, of course, carry through to March 2008 and therefore, confirm Centennial's right to receive IAS support in Louisiana under the interim cap.

The above corrections and comments are based on Centennial's best efforts at "reverse engineering" USAC's spreadsheets, and based on the assumption that Centennial's pending requests and waiver petitions will be resolved in its favor. This remains, of course, Centennial's best estimate based on deductions regarding USAC's methodology and data. As such, Centennial formally requests USAC to provide Centennial with the data, formulas, methodology and any other information necessary for Centennial to fully review and verify the USAC proposed caps, so that Centennial may send any final changes to USAC.

In order to proactively prepare for the event that USAC does not provide such data, formulas, methodology or information, Centennial is filing with the FCC, simultaneously with this letter, a request for a waiver of the December 31, 2008 deadline set forth in the Public Notice. Centennial also hereby reserves its right to file for an "umbrella" waiver or other filing with the FCC or USAC necessary for the final and correct resolution of the cap amounts and all issues explicitly or implicitly raised herein.

Respectfully submitted,

Davis Wright Tremaine LLP



Danielle Frappier

¹⁷ 47 C.F.R. § 54.809(c).