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Via Electronic Mail/Filing and First Class Mail

Mr. Scott Barash, Acting Chief Executive Officer
Mr. Richard Belden, Chief Operating Officer
Mr. David Capozzi, Acting General Counsel
Ms. Karen Majcher, VP High Cost and Low Income Programs
Mr. Alex Wolff, Assistant Program Manager of High Cost
Universal Service Administrative Company
2000 L Street, N.W., Suite 200
Washington, D.C. 20036

Marlene H. Dortch, Secretary
Office of the Secretary
Federal Communications Commission
445-12th Street, S. W.
Washington, D.C. 20554

Re: Request for Clarification of Negative Disbursement Adjustments in the
September 2009 High Cost Remittance Statement of Hayneville Fiber Transport,
Inc, d/b/a Camellia Communications (SPIN 143022412), Related to Relevant
Policy Matters in CC Docket No. 96-45, WC Docket No. 05-337, WC Docket 06-
122, WT Docket No. 08-95, WT Docket No. 09-104.

Dear USAC Leadership and Secretary Dortch:

This letter is written on behalf of my client Hayneville Fiber Transport d/b/a Camellia Communications (Camellia), a rural competitive local exchange carrier (CLEC) and competitive eligible telecommunications carrier (CETC) providing high speed broadband and telephone services to customers in the Greenville, Alabama area. Because this matter involves issues of both policy and administration, we address the USAC leadership as a group and ask your guidance in determining the most appropriate responsibility for addressing our concerns. In addition, because this matter may need further policy guidance from the Federal Communications Commission (FCC or Commission), and relate to pending considerations in several proceedings, we also are filing this letter electronically in the above-referenced dockets as an ex parte filing.

Camellia is a small rural company, affiliated with the rural independent local exchange company Hayneville Telephone Company. By way of background, the FCC and USAC may be aware that twenty-five percent of the residents in Camellia's service territory have incomes below the federal poverty line, and twenty-four percent of Camellia's customers are eligible for Lifeline Service. Camellia provides excellent service to its local rural area, and would experience hardship if high cost funds previously disbursed to it are "clawed back." Camellia would like to understand the policy rationale, methodology and inputs employed by USAC and what FCC direction has been (or will be) given to USAC so that it may verify the continuing accuracy and completeness of its statements, and so that it may reasonably project the impact of varying disbursements on its business operations.

Therefore, Camellia respectfully seeks written clarification from USAC regarding the policy, methodology and inputs employed to calculate its High Cost Remittance Statement. In addition, and if necessary, Camellia also respectfully encourages USAC to seek further FCC policy guidance, for the reasons described herein. Finally, given need to consider the policy implications discussed herein, Camellia requests that USAC hold in abeyance any collection efforts until USAC (and the FCC, if necessary) provides further clarification.

Both Camellia's Chief Financial Officer, Evelyn Causey, and undersigned counsel have communicated with Mr. Alex Wolff, USAC's Assistant Program Manager of High Cost, seeking explanations for the significant negative disbursements contained in its September 2009 High Cost Remittance Statement, dated October 31, 2009. This letter seeks further written clarification from USAC management, given the difficulty in reviewing and understanding the current USAC methodology, especially as it relates to the inputs to, and calculation of, disbursements subject to the Commission's interim high cost cap.¹

As you know, other carriers have expressed concern about obtaining the necessary information to understand how USAC is implementing FCC policy, and USAC currently is in the process of obtaining FCC guidance with respect to several pending policy questions.² The recently filed comments create further questions for clarification by USAC and policy review by the FCC, as will be discussed more fully below.

Questions about the interim cap have existed since its inception.³ Some carriers have conducted detailed examination of the process. For example, on December 31, 2008 attorneys for Centennial Communications Corporation (Centennial) submitted a letter to USAC requesting additional information and expressing concerns about the completeness and accuracy of the data to be used to calculate the interim cap, and stating "We simply do not

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

² *See Comment Sought on Request for Universal Service Fund Policy Guidance Requested by the Universal Service Administrative Company*, WC Dkt. Nos. 05-337, 06-122, CC Dkt. No. 96-45, FCC Public Notice, DA 09-2117 (rel. Sept. 28, 2009).

³ *See, generally, Cut the Cap*, Position Paper, Rural Cellular Association (RCA), Dkt. No. 05-337, CC Dkt. No. 96-45 (filed May 1, 2009). Camellia is not a member of RCA and is not a wireless carrier, but this position paper provides a general overview that may be useful in understanding the procedural history applicable to all CETCs, wired and wireless.

have access to most of the relevant data and so cannot meaningfully confirm or verify USAC's baseline amounts"⁴ Centennial also on the same day submitted a petition for waiver to the FCC requesting that the FCC extend the deadline for submitting changes to the March 2008 data.⁵

By Order released October 2, 2009, the FCC dismissed Centennial's Petition as moot, stating that "USAC will determine the application of the interim cap in accordance with the Commission's Rules" and further emphasizing "**The Commission can address on a case-by-case basis whether adjustments should be made to the interim cap in the event of any significant changes to the March 2008 data caused by waivers or revisions accepted in compliance with the Commission's rules**" (emphasis added).⁶

Given that significant changes to the March 2008 data apparently have occurred (or will occur to due to ongoing consideration of the pending Verizon/Alltel/AT&T merger-related issues, as will be discussed more fully below), the time has come for case-specific analysis to determine the impact of these larger policy decisions on the smaller rural carriers that were not party to any of these merger cases.

Based on our initial inquiry to you, it appears that current adjustments to disbursements relate to changed circumstances since the imposition of the interim cap, apparently due in large part to recent filings by the Alltel companies currently operated by a trustee. By this letter, we are seeking information from you regarding these changed circumstances. As you are aware, these Alltel entities are to be divested, if approved by the FCC, to AT&T.⁷ Although these to-be-divested Alltel companies may not be subject to commitments Verizon made in the 2008 merger order in which it acquired Alltel,⁸ they may be subject to whatever policy guidance the FCC provides to you with respect to application of the earlier Alltel-Atlantis order,⁹ and possibly the AT&T-Dobson Order,¹⁰ and so it may be premature to adjust others carriers disbursements until these issues are sorted out.

Camellia seeks clarification regarding what policy rationale USAC applies to its consideration of high cost funds sought by those Alltel companies, currently managed by a trustee, now in the process being divested by Verizon to AT&T. It appears that the

⁴ See Letter from Danielle Frappier, Davis, Wright and Tremaine, LLP, to Karen M. Majcher, Universal Service Administrative Company (Dec. 31, 2008) at 4.

⁵ Centennial Communications Corp., Petition for Waiver, WC Dkt. No. 05-337, CC Dkt. No. 96-45 (filed Dec. 31, 2008).

⁶ *High Cost Universal Service Support*, WC Dkt. No. 05-337, CC Dkt. No. 96-45, Order, DA 09-2150 (rel. Oct. 2, 2009).

⁷ See *AT&T Inc. and Cellco Partnership d/b/a Verizon Wireless Seek FCC Consent to Assign or Transfer Control of Licenses and Authorizations and Modify a Spectrum Leasing Arrangement*, WT Dkt. No. 09-104, FCC Public Notice, DA 09-1350 (rel. June 19, 2009).

⁸ *Cellco Partnership d/b/a Verizon Wireless and Atlantis Holdings LLC*, Memorandum Opinion and Order and Declaratory Ruling, 23 FCC Rcd 17444 (rel. Nov. 10, 2008).

⁹ *Alltel Corp., Transferor, and Atlantis Holdings, LLC, Transferee*, Memorandum Opinion and Order, 22 FCC Rcd 19517, at para. 9 (rel. October 26, 2007).

¹⁰ *AT&T and Dobson Communications Corporation*, Memorandum Opinion and Order, 22 FCC Rcd 20295 (rel.

disbursements to those companies are negatively affecting disbursements to Camellia and likely other CETCs. Given that USAC has requested that the Commission consider issues related to the Alltel and AT&T Orders, USAC also should assist the Commission in determining what the impact implementing those orders would have on companies other than Alltel, Verizon and AT&T.

In Mr. Belden's August 19, 2009 letter to Acting Chief of the Wireline Competition Bureau, USAC requests, among other things, written guidance about whether the Alltel and AT&T company-specific cap orders should be implemented for the time periods each order was in effect, prior to the effective date of the industry-wide cap. Although no detailed analysis is supplied, the letter states that if USAC were to implement the company specific caps, that significant amounts of funding previously disbursed would be recovered from each carrier. The letter does not discuss, or ask the FCC to consider, the specific impact that this action would have on other carriers subject to the interim cap.¹¹

Camellia seeks information about whether USAC has conducted (either on its own or in connection with discussions with the FCC) an analysis regarding what impact the redistribution of high cost funds would have on small rural carriers such as Camellia. Camellia supports USAC's efforts to seek FCC guidance on its obligations to administer the high cost fund. However, further information is necessary to ascertain whether small companies will be the "collateral damage" in this potential reallocation process.¹²

As you are aware, the Commission first addressed the phase down of high cost disbursements in the Alltel-Atlantis Order, followed by a similar requirement in the AT&T-Dobson Order. Subsequently, Verizon acquired Alltel Wireless, and made commitments, in a last minute ex parte letter to the Commission, not subject to review and comment by any other parties, to accept a phase down of high cost support for any properties maintained by Verizon, based upon its "understanding that the phased-down payments would not result in an increase in high cost payments to other CETCs."¹³

Mr. Belden's August 19, 2009 letter indicates that USAC received written direction from the Commission staff not to implement company-specific caps, although it remains unclear when that direction was given, what circumstances prompted that guidance, and whether that written direction was made public or filed in any docket. As USAC and the Commission must recognize, companies other than AT&T, Verizon and Alltel will be negatively affected by any action taken with respect to either the company-specific or the "interim" caps generally, and thus Camellia respectfully requests that USAC and the FCC provide information to affected

¹¹ See Letter from Richard A. Belden, USAC COO, to Julie Veach, Acting Chief, Wireline Competition Bureau, dated August 24, 2009, filed in WC Dkt. Nos. 05-337, WC 06-122, CC Dkt. No. 96-45 ("Clarification Request").

¹² See Comments of Rural Cellular Association (RCA) to Clarification Request (filed Oct. 28, 2009), wherein RCA urges "if the Commission determines that carrier-specific caps should be implemented retroactively to the periods preceding the effective date of the industry-wide cap, RCA urges the Commission to do so in a manner that avoids harm to other carriers and their customers (at 5), and furthers states that such carriers "did not negotiate the support reductions for the benefit of merging" and as such, should not be "collateral damage" from the conditions negotiated by AT&T and Alltel" (*Id.*).

¹³ See Letter from John T. Scott to Marlene H. Dortch, filed Ex Parte in WT Dkt. No. 08-95, (Nov. 3, 2008).

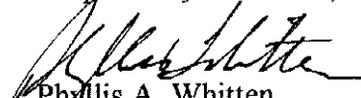
parties, on the record in the relevant proceedings. In addition, Camellia implores USAC to seek Commission guidance regarding these impacts on small and rural companies, so that these companies can have confidence that the USAC and FCC policy and decision-making process includes recognition of their interests.

Verizon and perhaps others currently take the position that the Interim Cap decision supercedes all the earlier decisions directing phased-down high cost disbursements to specific companies. A related and significant issue that has not been resolved relates to how any of the recaptured funds would be applied. It also remains unclear whether USAC continues to maintain, as it did in response to an inquiry by Corr Wireless¹⁴ whether any of these funds would be available for redistribution to other carriers. At the time the Corr Wireless filing was made, it was widely assumed that the specific companies, USAC and the FCC were working on a plan to implement voluntary merger commitments. The USAC correspondence to the FCC demonstrates that some discussions did take place, but it appears that there were intervening administrative and policy considerations that changed USAC's implementation plans.

By this letter, Camellia seeks a clearer understanding of how all these factors have affected (and will continue to influence) its high cost disbursements. Therefore we would appreciate a prompt written response from one or more of the leadership personnel to whom this letter is addressed. Camellia is willing to meet in person, online or by teleconference with USAC, Commission staffers, and any other interested parties to address these issues if such interaction would be useful to clarify the matters addressed herein. Camellia would like to be in the position to provide high quality, high speed broadband and other advanced telecommunications services to the rural communities it serves, and is looking for more regulatory and policy clarity to achieve its public interest goals.

If you have questions or need more information about the facts relating to this inquiry, please call or e-mail at your earliest convenience.

Respectfully submitted,



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Camellia Communications

¹⁴ See Letter from Karen Majcher to Donald Evans, Fletcher, Hcald & Hildreth (February 25, 2009) and the subsequently filed Corr Wireless Communications, LLC, Appeal from Decision of Administrator of High Cost Universal Service Fund. CC Dkt No. 96-45, WC Dkt. No. 05-337, (filed Mar. 11, 2009).