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FILED/ACCEPTED

APR - 5 2010

Federal Communications Commission
Office of the Secretary

April 5, 2010

ORIGINAL

**VIA HAND DELIVERY**

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W., Room TW-B204
Washington, DC 20554

Re: Request for Review by PR Wireless, Inc., of a Decision of the Universal Service Administrator
CC Docket Nos. 96-45, 03-109

Dear Secretary Dortch:

On behalf of PR Wireless, Inc. (SAC 639007)("PR Wireless", "the Company"), please find attached a redacted, public version of Request for Review by PR Wireless, Inc., of a Decision of the Universal Service Administrator ("Request"). The attached Request has been marked "**REDACTED – FOR PUBLIC INSPECTION**."

PR Wireless is also submitting, under separate cover, a confidential version of this Request. The confidential version is market "**CONFIDENTIAL – NOT FOR PUBLIC INSPECTION**."

An original and four (4) copies of this Request are enclosed. An additional copy has been provided, which you are requested to date-stamp and return in the envelope provided.

Please contact the undersigned at 703-584-8670 if any questions arise concerning the above-referenced enclosures or if you require any additional information.

Sincerely,

David A. LaFuria
Steven M. Chernoff
Attorneys for PR Wireless, Inc.

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

FILED/ACCEPTED

APR - 5 2010

Federal Communications Commission
Office of the Secretary

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|---|---|---|
| In the Matter of | ) | |
| | ) | |
| Federal-State Joint Board | ) | |
| On Universal Service | ) | |
| | ) | |
| PR Wireless, Inc. | ) | CC Docket No. 96-45 |
| SAC 639007 | ) | CC Docket No. 03-109 |
| Request for Review of Decision by | ) | |
| Universal Service Administrator | ) | |

## REQUEST FOR REVIEW BY PR WIRELESS, INC. OF DECISION OF UNIVERSAL SERVICE ADMINISTRATOR

PR Wireless, Inc. ("PR Wireless", "the Company"), by its undersigned counsel and pursuant to §§ 54.721 and 54.722 of the Commission's rules, 47 C.F.R. §§ 54.721 and 54.722, respectfully requests Commission review of an audit finding by the Universal Service Administrative Company ("USAC") regarding the manner in which prepaid wireless subscribers are reported in high-cost line counts.[1] PR Wireless also requests reversal of USAC's decision to recover approximately $[redacted] in high-cost support that the auditor incorrectly determined to have been improperly provided.[2]

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[1] See Universal Service Administrative Company, High Cost Beneficiary Attestation Audit Report, PR Wireless, Inc., SAC # 639007 (June 23, 2009)("Audit Report"), USAC Management Response (Dec. 15, 2009) ("USAC Response"). The Audit Report and USAC Response, both attached hereto as Exhibit A, were enclosed in a letter from USAC to PR Wireless dated February 26, 2010, and received on March 1, 2010. This Request for Review is filed on the 60th day following receipt of the Audit Report and USAC Response and is, therefore, timely filed. 47 C.F.R. § 54.720(a).

[2] Letter from USAC to Andres Rolenson, PR Wireless (dated March 5, 2010), attached hereto as Exhibit B.

## I. INTRODUCTION AND BACKGROUND

PR Wireless is licensed by the FCC to provide commercial mobile radio service throughout the territory of Puerto Rico. PR Wireless offers service under the Open Mobile name and operates exclusively in Puerto Rico. The company is a competitive Eligible Telecommunications Carrier ("ETC") and receives support from the High Cost and Low Income Programs of the federal Universal Service Fund.

In early 2009, PR Wireless was subjected to an audit of its compliance with the Commission's High Cost rules. Prior to the audit, PR Wireless believed that its ETC service area only included areas served by Puerto Rico Telephone Company ("PRTC") (SAC 633201). During the audit, PR Wireless obtained information from USAC showing that several wire centers within its ETC service area that it believed to be PRTC wire centers actually comprised a separate study area belonging to PRTC-Central (SAC 633200). PR Wireless promptly began correctly reporting its customers with billing addresses in the PRTC-Central study area. However, corrections could not be made with regard to prepaid wireless subscribers, who do not receive a bill or provide an address when applying for service. Because it is not possible to locate such subscribers in one ILEC area over another, PR Wireless began excluding such customers from its line counts.

In the final report issued February 26, 2010, USAC made a finding that PR Wireless "could not provide a corresponding address for prepaid wireless customers included in reported access line on High Cost filings." Without citing any authority, USAC determined that the entire amount of support paid on those lines was "improper." Extrapolating from the monetary impact of the instances discovered in the sample that was examined, USAC announced that it would recover $[redacted] in funds paid to PR Wireless during the audit period.

Although PR Wireless had set forth detailed arguments in its official response to the auditor's findings, USAC made no substantive comment on the merit of those arguments. Instead, USAC simply stated that: "As directed by the FCC, USAC is obligated to implement all recommendations arising from the audits including recovery of funds that ***may have been*** improperly disbursed to beneficiaries." (emphasis added)

## II. DISCUSSION

USAC erred in finding a material violation of the High Cost rules and in deciding to recover all support arising from prepaid wireless lines that lacked billing addresses.

### A. PR Wireless Did Not Receive Improper Payments for Its Prepaid Lines.

PR Wireless does not agree with the auditor's finding that it improperly received high-cost support for prepaid customers that could not be accurately located within one of the two ILEC study areas that PR Wireless serves in Puerto Rico. Because PR Wireless reported all of its lines (100%) within the PRTC study area, which has the lower per-line support level, it is impossible that PR Wireless received support in excess of what it should have.

Given that there has never been a dispute over whether the customers in question are valid PR Wireless subscribers, support to PR Wireless could only have been less than what it should have been. That is, at least some of the prepaid customers that PR Wireless reported in the PRTC study area should have been reported in the PRTC-Central study area, which has a higher per-line payment. If there is any error here present, it is that PR Wireless has been ***underpaid***.

In each of the time periods under examination in the audit, the per-line support available in the PRTC study area was significantly ***lower*** than the per-line support available in the PRTC-Central study area. According to USAC's high-cost appendices for the fourth quarter of 2007, per-line monthly ICLS in the PRTC study area was $5.77 for residential and single-line business lines and $3.07 for multi-line business lines.[3] This was significantly lower than the monthly per-line ICLS levels for PRTC-Central, listed at $6.83 and $4.13, respectively.[4] Per-line levels for PRTC were also lower than those for PRTC-Central in the first quarter of 2008.[5]

Based on these published per-line amounts, no overpayment could have occurred as a result of identifying all of the subscribers with the PRTC study area, and USAC's proposal to recover support from PR Wireless is not warranted.

### B. The Commission Is Currently Considering the Issue of Reporting Prepaid Wireless Lines, and No Adverse Findings Should Be Made Until Guidance Is Issued.

PR Wireless notes that the treatment of prepaid wireless subscribers is currently the subject of pending FCC actions. For example, General Communication, Inc. ("GCI") filed a request in January 2009 seeking a declaratory ruling that GCI is properly reporting its prepaid wireless subscribers according to temporary local address or, in the absence of an address, the point of sale. In response to an FCC Public Notice (DA 09-628), GCI's request drew multiple sets of comments in support and none in opposition.

The timing of FCC action on GCI's request is not certain at this time, but PR Wireless is following this proceeding and will provide input into the process as appropriate. Once the Commission issues instructions or guidelines as a result of its consideration of GCI's request, the Carrier will implement those instructions or guidelines. We note here that if the Commission were to adopt a proposal that a prepaid wireless subscriber location should be at the point of sale,

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[3] *See* USAC High Cost Appendix HC10 – Interstate Common Line Support Projected Per Line – 4Q2007 at http://www.usac.org/about/governance/fcc-filings/2007/quarter-4.aspx.

[4] *See id.*

[5] *See* USAC High Cost Appendix HC10 – Interstate Common Line Support Projected Per Line – 1Q2008 at http://www.usac.org/about/governance/fcc-filings/2008/quarter-1.aspx.

support to PR Wireless could only be higher than what it received, because at least some of its subscribers would have a point of sale that is within the PRTC-Central study area.

### C. The Absence of a Billing Address Does Not Disqualify a Line From Support.

Regardless of the final decision on the GCI request, the Commission's current high-cost rules do not require CETCs to exclude the prepaid wireless customers from their line count filings. Far from it, the rules compel a carrier to submit all lines for support:

> A competitive eligible telecommunications carrier serving loops in the service area of a non-rural incumbent local exchange carrier *shall receive support for each line it serves* in a particular wire center based on the support the incumbent LEC would receive for each such line. A competitive eligible telecommunications carrier serving loops in the service area of a rate-of-return carrier *shall be eligible* to receive Interstate Common Line Support *for each line it serves* in the service area in accordance with the formula in Sec. 54.901.[6]

In its final audit report, USAC never asserted that PR Wireless did not offer and advertise the nine supported services with respect to the prepaid lines at issue, nor did it assert that the lines were inactive during the relevant time periods, nor did it assert that any of PR Wireless subscribers are otherwise ineligible. Rather, USAC only found that PR Wireless did not maintain billing addresses for those lines.

The Commission's rules do not require the existence of billing addresses as a condition for payment of support on a line; billing addresses are required only as a means of determining whether a customer location is within one ILEC area as distinct from another.[7] PR Wireless's prepaid customers could only have been located within one of two PRTC study areas, each of

[6] 47 C.F.R. § 54.307(a)(1)(emphasis added).

[7] *See* 47 C.F.R. § 54.307(b)("Competitive eligible telecommunications carriers providing mobile wireless service in an incumbent LEC's service area shall use the customer's billing address for purposes of identifying the service location of a mobile wireless customer in a service area.")

which receives ICLS. Accordingly, the lines were eligible for support regardless of whether the customer was located in one PRTC area or the other.

The absence of a billing address does not disqualify a line from payment of support. The Commission's rules do not currently permit the outright exclusion of certain lines that a carrier demonstrably serves. Here, it was clear that the lines were eligible for at least the amount of support received in the PRTC study area, which had the lowest level of per-line support. Because all of PR Wireless's prepaid lines were reported in that area, no recovery of support is warranted.

### D. The Automatic Exclusion of Prepaid Wireless Lines Without Billing Addresses Would Not Be Competitively Neutral.

The automatic exclusion of prepaid wireless customers would violate the USF principle of competitive neutrality.[8] Generally, prepaid wireless customers receive no bill and therefore do not have a traditional "billing address." The automatic disqualification of such customers on this basis would unfairly disadvantage wireless service providers, who incur substantial costs to serve prepaid customers and have relied on prepaid offerings to make service available to millions of low-income people who were previously unable to afford service because of credit checks and monthly payments.

Finally, preventing or excluding mobile wireless CETCs from obtaining support for prepaid lines serving high-cost areas could hinder their ability to deploy necessary infrastructure in high-cost areas, which is contrary to the goals of the High Cost Program.

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[8] *Federal-State Joint Board on Universal Service, Report and Order,* 12 FCC Rcd 8776, 8801 (1997) ("*First Report and Order*")("Universal service support mechanisms and rules should be competitively neutral. In this context, competitive neutrality means that universal service support mechanisms and rules neither unfairly advantage nor disadvantage one provider over another, and neither unfairly favor nor disfavor one technology over another.")

## III. CONCLUSION

The recovery of support announced by USAC is unwarranted. Because PR Wireless provides service exclusively in Puerto Rico, all of its customers were correctly reported as being located on the island. Although PR Wireless was mistaken in believing that there was only one ILEC on the island, PR wireless reported 100% of its subscribers in the study area that receives ***less*** per-line support. Accordingly, PR Wireless was not overpaid; on the contrary, it received ***less*** support than it would have if some customers could have been placed in the second PRTC study area.

Upon learning that there are two PRTC study areas in Puerto Rico PR Wireless began exploring ways to collect address information from prepaid wireless subscribers, or using alternative reporting methods. In the meantime, out of an abundance of caution, PR Wireless has been excluding all prepaid wireless customers for which it does not have billing addresses. The Commission is currently considering at least one request for clarification of permissible methods for reporting prepaid wireless subscribers, and PR Wireless will follow whatever guidelines or directives the Commission issues as a result.

[The remainder of this page is intentionally left blank.]

For all of the reasons set forth above, PR Wireless requests that the Commission reverse USAC's audit determination and recovery action.

Respectfully submitted,

PR WIRELESS, INC.

David A. LaFuria
Steven M. Chernoff
Its Counsel

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Dated: April 5, 2010

# EXHIBIT A

PUBLIC REFERENCE COPY

USAC
Universal Service Administrative Company

High Cost and Low Income Division

*Certified Mail, Return Receipt Requested*

February 26, 2010

RE: Results of the 2008-2009 Federal Communications Commission (FCC) Office of the Inspector General (OIG) Audit

Dear Carrier:

Enclosed are the finalized report from, and the USAC High Cost Management Response to, your FCC OIG audit. The High Cost Management Response may include directives to provide further information related to the findings and/or comments. Please complete any requested follow-up measures and send documentation of corrective actions to USAC High Cost within 60 days of receipt of this letter, if applicable.

As is the case with any administrative decision made by USAC, you have the right to appeal findings within the audit and High Cost Management Response. You may appeal to USAC or the FCC, and the appeal must be filed within 60 days of receipt of this letter. Additional information about the appeals process may be found at http://www.usac.org/hc/about/filing-appeals.aspx.

If you have any questions, please contact the High Cost Program at 202-776-0200 or hcaudits@usac.org. Please direct all High Cost audit correspondence to either the e-mail address above or:

USAC
Attn: HC Audits
2000 L Street, NW
Suite 200
Washington, DC 20036

Sincerely,

*High Cost Program Management*

Enclosures: Final Audit Report, High Cost Management Response

USAC
Universal Service Administrative Company

High Cost and Low Income Division

## USAC Management Response

Date: December 15, 2009

Subject: Improper Payment Information Act (IPIA) Audit of the High Cost Program of PR Wireless, HC-2008-324

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USAC management has reviewed the IPIA Audit of PR Wireless ("the Carrier"), SAC 639007. The audit firm McBride, Locke & Associates has issued a qualified opinion in its audit report. Our response to the audit is as follows:

**Finding**

Condition:

The Carrier could not provide a corresponding address for prepaid wireless customers included in reported access lines on High Cost fillings. For the month ended December 31st, 2006 the Carrier reported access lines of which were prepaid customers without addresses. For the month ended March 31st, 2007 the Carrier reported access lines of which were prepaid customers without addresses.

Management Response:

USAC High Cost management concurs with the auditor. Failure to submit accurate line count data may result in incorrect payments from the USF. It is the obligation of a carrier to ensure that it is providing accurate data consistent with FCC rules and maintain documentation of such.

USAC management directs the Carrier to implement internal controls related to this finding, and requests that the Carrier provide a detailed update of specific controls and steps it plans to take to correct its lack of documentation, no later than 60 days after receipt of this management response. (Please send to USAC High Cost at hcaudits@usac.org when submitting this information.)

As directed by the FCC, USAC is obligated to implement all recommendations arising from the audits including recovery of funds that may have been improperly disbursed to beneficiaries. Therefore, USAC will recover High Cost support in the amount of

**Audit Recovery Total**:

| | ICLS | Total |
|---|---|---|
| Finding | | |

This concludes the USAC management response to the audit.

HIGH COST BENEFICIARY
ATTESTATION
AUDIT
REPORT

# UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

PR WIRELESS, INC.

SAC # 639007
JUNE 23, 2009

HC-2008-324

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CERTIFIED PUBLIC ACCOUNTANTS

McBRIDE, LOCK & ASSOCIATES

# INDEPENDENT ACCOUNTANTS' REPORT

PR Wireless Inc.
Universal Service Administrative Company
Federal Communications Commission

We have examined PR Wireless Inc. (the "Carrier") compliance with 47 C.F.R. Part 54 Subparts C, D, and K of the Federal Communications Commission's ("FCC") Rules) and related Orders (the "Rules") relative to support payments of $5,651,259 made from the High Cost Program ("HCP") during the year ended June 30, 2008. PR Wireless Inc.'s management is responsible for compliance with these requirements. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Carrier's high cost support payments received during the year ended June 30, 2008 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Carrier's compliance with specified requirements.

Our examination disclosed material noncompliance with reimbursement requests applicable to PR Wireless Inc. relative to disbursements made from the Universal Service Fund during the year ended June 30, 2008. Detailed information relative to the material noncompliance is described in the attached finding.

In our opinion, except for the material noncompliance discussed in the third paragraph, PR Wireless Inc. complied, in all material respects, with the aforementioned requirements relative to support payments of $5,651,259 from the HCP of the Universal Service Fund during the year ended June 30, 2008.

In accordance with *Government Auditing Standards,* we are required to report significant deficiencies in internal control, identifying those considered to be material weaknesses, violations of provisions of contracts or grant agreements, abuse that is material to the aforementioned requirements, and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion as to whether the Beneficiary complied with the aforementioned requirements and not for the purpose of expressing an opinion on internal control over such compliance or on compliance and other matters; accordingly, we express no such opinion. Our examination disclosed certain findings that are required to be reported under

*Government Auditing Standards* and those findings, along with the views of management, are described in the attached Background and Findings.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects a Beneficiary's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Beneficiary's aforementioned support received that is more than inconsequential will not be prevented or detected by the Beneficiary's internal control. We consider the finding described in the following report to be a significant deficiency in internal control over support received.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement will not be prevented or detected by the Beneficiary's internal controls. Our consideration of internal control over support received was for the limited purpose described above and would not necessarily identify all deficiencies in internal control also considered to be material weaknesses. We consider Finding 1 to be a material weakness.

The Beneficiary's response to the findings identified in our examination is included within the body of the finding(s) and is identified as the Carrier's Response. We did not examine the Beneficiary's response, and accordingly, we express no opinion on it.

This report is intended solely for the use of Universal Service Administrative Company (USAC), the FCC and the Carrier and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

McBride, Lock & Associates

McBride, Lock & Associates
June 23, 2009

## BACKGROUND AND FINDINGS

### BACKGROUND

The Carrier received $5,651,259 in Interstate Common Line Support, the only High Cost support received for the audit period. We reviewed Form 525 filed by the Carrier for the sample months upon which payments were made during the period under review. These procedures were performed solely for the purpose of determining whether the Carrier, receiving support from the HCP, is complying with applicable FCC Rules.

### FINDING 1: PREPAID WIRELESS CUSTOMER ADDRESSES (HC2008BE324_F01)

**Criteria:**

Pursuant to 47 C.F.R. Part 54.307 (3), "Competitive eligible telecommunications carriers providing mobile wireless service in an incumbent LEC's service area shall use the customer's billing address for purposes of identifying the service location of a mobile wireless customer in a service area."

**Condition:**

The Carrier could not provide a corresponding address for prepaid wireless customers included in reported access lines on High Cost fillings. For the month ended December 31st, 2006 the Carrier reported access lines of which were prepaid customers without addresses. For the month ended March 31st, 2007 the Carrier reported access lines of which were prepaid customers without addresses.

**Cause:**

The Carrier historically has not collected or maintained addresses for prepaid wireless customers.

**Effect:**

The line count variance resulted in an overpayment of the ICLS monthly support of for the January 2008 payment and $ for the December 2007 payment. The variance was extrapolated to the support payments made during fiscal year ending June 30, 2008 and amounted to $ in overpayments for ICLS during this period.

**Recommendation:**

We recommend the Carrier take steps to assure that customer data is collected and maintained in a manner that fulfills the requirements of 47 C.F.R. Part 54.307 (3).

**Carrier Response:**

The Carrier agrees that it has no billing address information for the prepaid wireless customers served by its network. However, the Carrier does not agree that it was overpaid. Indeed, because all such lines (100%) were reported in the rural ILEC study area with the lowest per-line support level, the Carrier could only have been *underpaid* as a result of the lack of billing address information. Going forward, the Carrier will explore the feasibility of collecting address information from prepaid wireless subscribers, or using alternative reporting methods. The Carrier notes that the FCC is currently considering at least one request for clarification of permissible methods for reporting prepaid wireless subscribers, and the Carrier will follow whatever guidelines or directives the FCC issues as a result.

First, the absence of billing addresses for prepaid wireless subscribers could not possibly have resulted in the stated overpayment, or any overpayment at all, during the audit period. The Carrier only provides service in Puerto Rico, and the only ILEC SACs in Puerto Rico are SAC 633200 and SAC 633201. Therefore, a customer's billing address would only serve to determine whether the customer should be associated with one of these two SACs. The Carrier reported all of its prepaid wireless subscribers in the SAC 633201 study area.

In each of the time periods under examination in this audit, the per-line support available in the SAC 633201 study area was significantly lower than the per-line support available in the SAC 633200 study area. According to USAC's high-cost appendices for the fourth quarter of 2007, per-line monthly ICLS in the SAC 633201 study area was $5.77 for residential and single-line business lines and $3.07 for multi-line business lines. (*See* HC10 – Interstate Common Line Support Projected Per Line – 4Q2007 at http://www.usac.org/about/governance/fcc-filings/2007/quarter-4.aspx.) This was significantly lower than the monthly per-line ICLS levels for SAC 633200, listed at $6.83 and $4.13, respectively. Per-line levels for SAC 633201 were also lower than those for SAC 633200 in the first quarter of 2008. (*See* HC10 – Interstate Common Line Support Projected Per Line – 1Q2008 at http://www.usac.org/about/governance/fcc-filings/2008/quarter-1.aspx.)

Based on these published per-line amounts, even if a review of billing addresses demonstrated that all of the customers reported in the SAC 633201 study area should have been reported in the SAC 633200 study area, the reporting of lines in SAC 633200 would have resulted in *more* support being provided to the Carrier. Therefore, no overpayment could have occurred as a result of identifying all of the subscribers with the SAC 633201 study area, and recovery of support by USAC is not warranted.

Second, the Carrier notes that the treatment of prepaid wireless subscribers is currently the subject of pending FCC actions. For example, General Communication, Inc. ("GCI") filed a request in January 2009 seeking a declaratory ruling that GCI is properly reporting its prepaid wireless subscribers according to temporary local address or, in the absence of an address, the point of sale. In response to an FCC Public Notice (DA 09-628), GCI's request drew multiple sets of comments in support and none in opposition.

The timing of FCC action on GCI's request is not certain at this time, but the Carrier is following this proceeding and will provide input into the process as appropriate. Once the FCC issues instructions or guidelines as a result of its consideration of GCI's request, the Carrier will implement those instructions or guidelines. In the meantime, the Carrier will be exploring the feasibility of collecting billing or other address information from its prepaid wireless subscribers.

Regardless of the final decision of the FCC on the GCI request, the Commission's current high-cost rules do not require CETCs to exclude the prepaid wireless customers from their line count filings. Rather, the rules state that:

> A competitive eligible telecommunications carrier serving loops in the service area of a non-rural incumbent local exchange carrier shall receive support *for*

> *__each line it serves__* in a particular wire center based on the support the incumbent LEC would receive for each such line. A competitive eligible telecommunications carrier serving loops in the service area of a rate-of-return carrier shall be eligible to receive Interstate Common Line Support *__for each line it serves__* in the service area in accordance with the formula in Sec. 54.901.

47 C.F.R. § 54.307(a)(1)(emphasis added). Thus, the Commission's rules do not currently permit the outright exclusion of certain lines that a carrier demonstrably serves.

Moreover, the automatic exclusion of prepaid wireless customers would violate the USF principle of competitive neutrality: "Universal service support mechanisms and rules should be competitively neutral. In this context, competitive neutrality means that universal service support mechanisms and rules neither unfairly advantage nor disadvantage one provider over another, and neither unfairly favor nor disfavor one technology over another." *Federal-State Joint Board on Universal Service, Report and Order,* 12 FCC Rcd 8776, 8801 (1997) ("*First Report and Order*"). Generally, prepaid wireless customers receive no bill and therefore do not have a traditional "billing address." The automatic disqualification of such customers on this basis would unfairly disadvantage wireless service providers, who incur substantial costs to serve prepaid customers and have relied on prepaid offerings to make service available to millions of low-income people who were previously unable to afford service because of credit checks and monthly payments.

Finally, preventing or excluding mobile wireless CETCs from obtaining support for prepaid lines serving high-cost areas could hinder their ability to deploy necessary infrastructure in high-cost areas, which is contrary to the goals of the High Cost Program.

**Report of Management on Compliance with Applicable Requirements of 47 C.F.R Part 54, Subparts C D, J and K of the Federal Communications Commission's Rules and Applicable Orders**

Management of PR Wireless (the "Beneficiary") is responsible for ensuring the Beneficiary's compliance with applicable requirements of 47 C.F.R. Part 54, Subparts C, D, J and K of the Federal Communications Commission's ("FCC") Rules as well as FCC Orders governing Universal Service Support for the High Cost Program ("HCP").

Management has performed an evaluation of the Beneficiary's compliance with the applicable requirements of 47 C.F.R. Part 54, Subparts C, D, J and K of the FCC's Rules as well as FCC Orders governing Universal Service Support for the HCP with respect to disbursements made from the Universal Service Fund ("USF") for the twelve-month period ended June 30, 2008, without respect to when the disbursements were received by the Beneficiary, relative to Study Area Code ("SAC") No. 639007. Based on this evaluation, we assert that the Beneficiary complied with all applicable requirements of 47 C.F.R. Part 54, Subparts C, D, J and K in all material respects.

**The Beneficiary represents the following assertions per the applicable FCC Rules and related FCC Orders (which are identified herein with the assertion) with respect to HCP disbursements from the USF relative to SAC No. 639007:**

A. **Part 54: Subpart C – Carriers Eligible for Universal Service Support** – The Beneficiary (SAC No. 639007)

   1. *ETC* – has obtained designation as an Eligible Telecommunications Carrier ("ETC") (47 C.F.R. § 54.201(d)).

   2. *Document Retention* – has retained all records required to demonstrate to auditors that the support received was consistent with the universal service high-cost program rules (47 C.F.R. § 54.202(e)).

B. **Part 54: Subpart D – Universal Service Support for High Cost Areas** – The Beneficiary (SAC No. 639007):

   1. *Support to competitive eligible telecommunications carrier* – is a competitive eligible telecommunications carrier and has provided the Universal Service Administrative Company ("USAC") with the number of working loops[1] pursuant to the schedule set forth in 47 C.F.R. § 54.307(c) or (d)[2], as applicable (47 C.F.R. § 54.307(b)).

   2. *State certification of support for non-rural carriers* – has verified that the annual certification on behalf of the Beneficiary (in compliance with the format and filing deadline described in 47 C.F.R. § 54.313(c) and (d)[3]) was filed with USAC and the Commission[4] stating that all federal high cost support provided to the Beneficiary within the state will be used only for the provision, maintenance and upgrading of facilities and services for which support is intended (47 C.F.R. § 54.313(a) and (b)).

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[1] Data must be provided using FCC Form 525 "High Cost Support Mechanism – Competitive Carrier Line Count Report" and certified by an officer or employee of the Beneficiary, stating that his/her responsibilities include ensuring the accuracy of the actual data reported on the form, and to the best of his/her knowledge, the information reported on the form is accurate.

[2] 47 C.F.R. § 54.307(c) and (d).

[3] 47 C.F.R. § 54.313(c) and (d).

[4] The Commission relies on the certification provided to USAC.

**Report of Management on Compliance with Applicable Requirements of 47 C.F.R Part 54, Subparts C D, J and K of the Federal Communications Commission's Rules and Applicable Orders**

C. **Part 54: Subpart K – Interstate Common Line Support Mechanism for Rate-of-Return Carriers** –The Beneficiary (SAC No. 639007):

1. *Carrier certification* – has filed the annual certification (in compliance with the format and filing deadline described in 47 C.F.R. § 54.904(b) and (d)[5]) with USAC and the FCC stating that all Interstate Common Line support provided to the Beneficiary will be used only for the provision, maintenance and upgrading of facilities and services for which support is intended[6] (47 C.F.R. § 54.904(a)).

Dated 04/17th, 2009

VP - FINANCE

[5] 47 C.F.R. § 54.904(b) and (d).

[6] Certification is filed in accordance with two FCC Orders: *In the Matter of Multi-Association Group ("MAG") Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, et al*, Second Report and Order and Further Notice of Proposed Rulemaking in CC Docket No. 00-256, Fifteenth Report and Order in CC Docket No. 96-45, and Report and Order in CC Docket Nos. 98-77 and 98-166, 16 FCC Rcd. 19,613, FCC 01-304, ¶ 176 (2001) and *In the Matter of Federal-State Joint Board on Universal Service*, Report and Order, CC Docket No. 96-45, 20 FCC Rcd. 6371, FCC 05-46 ¶ 93 (2005).

**EXHIBIT B**

USAC
Universal Service Administrative Company

High Cost and Low Income Division

*By Certified Mail, Return Receipt Requested*

March 5, 2010

Andres Rolenson
PR Wireless
1 Street, Suite 300 Daimler Chrysler Bldg Metro Office Park 1
Guaynabo, PR 00968

Re: Action to be Taken Resulting from High Cost Audit of PR Wireless (SAC 639007) Audit Report HC-2008-324

Dear Andres Rolenson:

An audit of PR Wireless for Study Area Code (SAC) 639007 was conducted by McBride, Lock & Associates on behalf of USAC and the Federal Communications Commission (FCC) Office of Inspector General (OIG) for the period July 1, 2007 through June 30, 2008. The final report from that audit was sent to the company on March 1, 2010.

As noted in the USAC management response accompanying the final audit report sent to you, 553474 of Interstate Common Line Support for SAC 639007 will be recovered. Please refer to the audit report for details on the funds being recovered. USAC will recover these funds from your April 2010 High Cost support payment, which will be disbursed at the end of May 2010.

Consistent with current administrative practice, if the recovery amount exceeds the company's disbursement for that month, USAC will continue to offset the remaining recovery amount balance against subsequent High Cost support disbursements until such time as the full amount is recovered. If necessary, USAC reserves the right to invoice and collect any remaining amounts owed.

As is the case with any decision of the USF administrator, you have the right to appeal this decision directly to the FCC pursuant to 47 C.F.R. § 54.719. The appeal must be filed within 60 days of the date of this letter as required by 47 C.F.R. § 54.720(a) and must conform to the filing requirements of 47 C.F.R. § 54.721. Additional information about the FCC appeals process may be found at http://www.usac.org/hc/about/filing-appeals.aspx under "OPTION B."

Sincerely,

*Craig Davis*
*Director, High Cost*