

**Before the
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, DC 20554**

In the Matter of)
)
Request for Review by AT&T of) CC Docket No. 96-45
Decision of Universal Service Administrator) WC Docket No. 05-337

**REQUEST FOR REVIEW BY AT&T OF DECISION OF THE
UNIVERSAL SERVICE ADMINISTRATOR**

I. STATEMENT OF INTEREST AND ISSUES

Pursuant to sections 54.719(c), 54.721, and 54.722 of the Commission’s rules,¹ AT&T Inc. (AT&T), on behalf of its subsidiaries New Cingular Wireless PCS, LLC; Dobson Cellular Systems, Inc.; and Centennial Puerto Rico Operations Corporation (collectively, the “Companies”), seeks review of a finding concerning how the Companies reported subscribers with post office box addresses in their high-cost line count filings. Two of the three subsidiaries, New Cingular Wireless and Dobson, were the subject of Universal Service Administrative Company (USAC) line count validations and the third, Centennial Puerto Rico, was audited by Cotton & Company LLP (Cotton) under the auspices of the Commission’s Office of Inspector General Universal Service Fund Audit Program. This is the second appeal that AT&T has filed with the Commission on the issue of whether a wireless eligible telecommunications carrier (ETC) may rely on billing addresses provided by its customers in order to populate its high-cost

¹ See 47 C.F.R. §§ 54.719(c), .721, .722.

support line count filings or whether it must obtain additional address information for its customers that have P.O. box addresses.²

a. *USAC's Decisions.*

USAC seeks to recover some unstated amount of high-cost support from New Cingular Wireless and Dobson³ and \$30,605 from Centennial Puerto Rico⁴ based on its interpretation of the Commission's rules concerning the use of the subscriber's billing address. Briefly, USAC adopted a novel interpretation that reporting wireless subscribers' lines based on the geographic center, or centroid, of customers' P.O. box ZIP codes is incorrect; instead, according to USAC, high-cost support beneficiaries are obligated to map wireless customers with P.O. boxes to the *exact physical location of the post office*, which is an address not provided by the subscriber.

b. *Position of the Companies.*

For reasons detailed below, the Companies disagree with USAC's reading of the Commission's prior billing address rulings. Wireless ETCs, like the Companies, are permitted to use geo-coding software, such as MapMaker, to plot the latitude and longitude of the center of the geographic area of the wireless customer's billing address ZIP code when the customer provides the wireless ETC with a billing address that includes a P.O. box. This process allows the Companies to use subscriber-provided billing addresses in a manner that is completely consistent with the Commission's previous billing address rulings; that is, in a way that is

² See Request for Review by AT&T of Decision of the Universal Service Administrator, CC Docket No. 96-45, WC Docket No. 05-337 (filed June 22, 2012) (June 2012 Appeal).

³ See Exhibit A (Administrator's Decision on High Cost Program Beneficiary Appeal to Cathy Carpino, AT&T, dated Feb. 15, 2013) (USAC Feb. 15 Decision). Exhibit B is a copy of the appeal that AT&T filed with USAC last January on behalf of New Cingular Wireless and Dobson on this same issue.

⁴ See Exhibit C (Administrator's Decision on High Cost Program Beneficiary Appeal to Cathy Carpino, AT&T, dated Feb. 27, 2013) (USAC Feb. 27 Decision). Exhibit D is a copy of AT&T's appeal that it filed with USAC in July 2010 on behalf of Centennial Puerto Rico on this issue.

administratively simple and avoids improper arbitrage.⁵ In this filing, the Companies are asking the Commission to reject USAC's unsupported findings that (1) the Companies are obligated by the Commission's prior rulings to map P.O. box billing addresses to the exact physical locations of post offices and (2) the Companies' methodology of employing its geo-coding software to plot the centroid location of customers' P.O. box ZIP codes cannot reliably place a mobile phone customer in an ILEC's study area or disaggregated cost zone, as required by 47 C.F.R. § 54.307.

II. STATEMENT OF FACTS

In its 2001 *Rural Task Force Order*, the Commission recognized that, unlike wireline ETCs, mobile wireless ETCs do not provide service to a fixed location and, therefore, “there is a question as to how to relate a mobile wireless carrier to [an ILEC's study area] for purposes of determining how much support a carrier is entitled to for serving . . . customer[s].”⁶ The Commission found that mobile wireless ETCs should be required to use their customers' billing addresses since doing so is “reasonable and the most administratively simple solution to this problem,”⁷ and it codified this requirement in section 54.307(b) of its rules.⁸ In reaching this decision, the Commission acknowledged that billing addresses “could allow arbitrage” by enabling a carrier to identify a customer in a high-cost zone when service is taken primarily in a low-cost zone in order to receive a higher level of per-line support.⁹ Consequently, the Commission stated that it would monitor the reasonableness of using a customer's billing

⁵ *Rural Task Force Order*, 16 FCC Rcd 11244, ¶ 181 (2001).

⁶ *Id.*

⁷ *Id.*

⁸ 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.”).

⁹ *Rural Task Force Order* at ¶ 183.

address as the surrogate for a mobile wireless customer's location.¹⁰ Upon further review in 2005, the Commission reaffirmed its earlier decision, noting that "the underlying address information *will be provided by the customer*, who is unlikely to be providing false information in order to increase universal service payments to its service provider."¹¹

During the review periods at issue, the Companies obtained federal high-cost support by submitting line count filings (using FCC Form 525) to USAC.¹² These line counts consist of subscribers with billing addresses that are located within the Companies' designated ETC service areas. USAC calculated each Company's per-line support amount based on the per-line support amount that the ILEC, which provides service in that geographic area, receives.¹³

Line Count Validation of New Cingular Wireless and Dobson. For the filings subject to USAC's line count validation review, AT&T Mobility managed New Cingular Wireless's and Dobson's line counts. To populate these line count filings, AT&T Mobility used mapping software (MapMarker) to identify the exact geographic location of the Companies' subscribers. For most subscribers, this geo-coding was based on street address, city, state, and ZIP code. For a subscriber who has a billing address that consists of a P.O. box, city, state, and ZIP code, MapMarker locates that subscriber based on the centroid of the subscriber's ZIP code. As geo-coding software, MapMarker does not have the functionality to import street addresses of post

¹⁰ *Id.*

¹¹ *Federal-State Joint Board on Universal Service*, 20 FCC Rcd 6371, ¶82 (2005) (*ETC Report and Order*) (emphasis added).

¹² This process changed with the Commission's 2011 *USF/ICC Transformation Order* but those changes do not apply here as USAC was reviewing FCC Form 525 submissions that New Cingular Wireless and Dobson made in December 2010 and March 2011, and Cotton was reviewing Centennial Puerto Rico's compliance with the Commission's high-cost rules during the twelve-month period that ended on June 30, 2008.

¹³ From August 2008 until the Commission froze wireless ETC support in its 2011 *USF/ICC Transformation Order*, the Commission applied a state-specific cap to competitive ETC disbursements although that additional cap calculation is not relevant to this appeal.

offices from some database before locating subscribers with billing addresses that contain P.O. boxes.

The New Cingular Wireless and Dobson subsidiaries provide service in rural areas of Alaska, Louisiana, and Texas. In Alaska, approximately 22 percent of AT&T Mobility's subscribers have billing addresses with P.O. boxes. In Louisiana, this percentage is almost 18 percent, and in Texas, this percentage is almost 20 percent. There are 118 ZIP codes in the Alaska ETC service area, 183 ZIP codes in the Louisiana ETC service area, and 223 ZIP codes in the Texas ETC service area.

Audit of Centennial Puerto Rico. During the audit period (July 1, 2007 through June 30, 2008), Centennial Puerto Rico was unaffiliated with AT&T. AT&T acquired Centennial Communications Corp. in November 2009. As AT&T explained in its July 15, 2010 appeal filed with USAC, Cotton issued a finding against Centennial Puerto Rico for its practice of using only its subscribers' billing ZIP codes to assign customers to ILEC study areas.¹⁴ According to Cotton, by not utilizing its subscribers' full billing addresses (i.e., street address along with city, state, and ZIP code) when assigning them to ILEC study areas, Centennial Puerto Rico reported a "material number" of subscribers in incorrect study areas.¹⁵ Cotton concluded that, as a result of the Centennial Puerto Rico's methodology, it received \$30,605 more than it should have. Cotton derived its \$30,605 figure by using mapping software to identify the exact geographic locations of the Centennial Puerto Rico's subscribers for two sample line counts and then by

¹⁴ See Exhibit D (attaching Centennial Puerto Rico Operations Corporation Final Audit Report at 7). The amount of Cotton's estimated overpayment associated with its third finding, HC-2008BE082-F03, is what AT&T is challenging with this appeal.

¹⁵ *Id.*

calculating the amount of support the Company should have received had it assigned its subscribers to ILEC service areas based on its subscribers' complete billing addresses.¹⁶

AT&T Mobility uses the same geocoding software (MapInfo) as Cotton. When AT&T Mobility personnel tried to replicate Cotton's overpayment analysis for another Centennial affiliate (Centennial Beauregard), which also was audited by Cotton, using that same software program, they were unable to do so.¹⁷ In fact, AT&T Mobility's estimated overpayment was dramatically less than the amount contained in Cotton's final audit report for Centennial Beauregard. Given the large discrepancy (AT&T's estimate was approximately 26 percent of Cotton's estimate for that particular line count filing), AT&T contacted Cotton to request a copy of their audit work papers in order to understand the reason for this significant gap. Through subsequent conversations and e-mail exchanges with Cotton, we learned that Cotton excluded from its analysis all of Centennial's subscribers who have billing addresses that lack a street address (e.g., subscribers with P.O. boxes). In other words, Cotton concluded that subscribers who have P.O. boxes as part of their billing address should not have been included in Centennial's line count filings and, thus, Centennial's affiliates were not permitted to obtain high-cost support for providing supported services to such customers.

In response to USAC inquiries about AT&T's audit appeal on behalf of Centennial Beauregard, AT&T Mobility personnel manually obtained the street addresses for post offices in the Centennial Beauregard ETC service area in Louisiana and used MapMarker to locate subscribers with P.O. boxes based on the street addresses of the post offices. Based on that analysis, AT&T Mobility personnel removed 0.8% of its subscribers from its line counts

¹⁶ *Id.*

¹⁷ See June 2012 Appeal at 5-6. AT&T Mobility personnel selected Centennial Beauregard's September 30, 2006 line count filing to test since it was the affiliate that Cotton identified as receiving the largest overpayment.

(because some of the post offices' street addresses were located outside of AT&T Mobility's designated service area). The difference in the amount of funding that AT&T Mobility would have received had it excluded those customers was less than four percent (4%) of the total that it did, in fact, receive.¹⁸

USAC agrees with AT&T that wireless ETCs may include in their high-cost line counts subscribers who have P.O. boxes as part of their billing addresses. *See, e.g.*, Exhibit C at 4. However, it “concur[s] with Cotton that in order for carriers to include [those] lines, the carrier is required to map lines to their respective billing addresses and not to the geographic center of the zip code. (If the carrier only has the P.O. Box address for the customer, then Centennial should map to the exact location of the P.O. Box.)” *Id.*

III. ARGUMENT

Nowhere in the Commission's orders does it state that mobile wireless ETCs have a duty to obtain *additional* billing address information *not* provided by the customer. In order to comply with USAC's directive, however, that is exactly what the Companies would have to do (i.e., they would have to obtain the street addresses of hundreds of post offices located in their ETC designated service areas). It is clear from the Commission's 2005 *ETC Report and Order* that the Companies are to use the billing address “*provided by the customer.*”¹⁹ Similarly, in the Commission's *Rural Task Force Order*, the Commission explained that, by adopting the billing address requirement for wireless carriers, the Commission intended to “eliminate the need” for wireless ETCs to create a new database just for universal service support.²⁰ Like other wireless

¹⁸ *See* June 2012 Appeal, Attachment 4.

¹⁹ *ETC Report and Order* at ¶ 82 (emphasis added).

²⁰ *Rural Task Force Order* at ¶ 181 (“[W]hile some mobile wireless carriers may have databases that are similar to provisioning databases, most will have billing address databases. Thus, adoption of customer's billing address as a

providers, the Companies do indeed have billing address databases. These databases contain customer-provided billing addresses, which, simply put, are addresses that are sufficiently complete to enable the Companies to issue bills that reach their customers. If a subscriber provides one of the Companies with a billing address that contains a P.O. box, city, state, and ZIP code, and paper bills to that address are received and paid, AT&T's subsidiary would have no occasion to obtain additional billing address information from its customer. More precisely, the Companies have no reason to "create a new database"²¹ (or pay to access someone else's database) for the sole purpose of obtaining street addresses for post offices. USAC's demand that the Companies do just that "for purposes of universal service funding"²² is therefore contrary to the Commission's requirements.

Not only is USAC's directive that the Companies map customer lines "to the physical location of their P.O. boxes"²³ inconsistent with the Commission's rules, it is unnecessarily burdensome. To comply with USAC's demand, AT&T's affiliates would have to either manually search the U.S. Postal Service's post office search engine for every single ZIP code in their designated ETC service areas or purchase database access rights for the sole purpose of obtaining street addresses for U.S. post offices. Both options are costly and, as demonstrated above, neither option is required by the Commission's rules. Based on AT&T's prior research, such a costly exercise is unlikely to yield a material difference in AT&T's line counts. *See* June 2012 Appeal, Attachment 4. Moreover, given that MapMarker always locates subscribers with

surrogate for service location eliminates the need for many mobile wireless carriers to create a new database for purposes of universal service funding.").

²¹ *Id.*

²² *Id.*

²³ USAC Feb. 15 Decision at 3; USAC Feb. 27 Decision at 6.

P.O. boxes in the geographic center of the ZIP code, it is just as likely that a similar, labor-intensive review of post office addresses in the AT&T affiliates' ETC service areas would result in these affiliates *increasing* their line counts, thereby increasing their support amounts. As AT&T has explained previously, since AT&T Mobility applies this methodology consistently, there can be no claim that its subsidiaries' practice of locating a subscriber with a P.O. box using the centroid of the subscriber's ZIP code is subject to arbitrage, which was the Commission's stated concern in 2001.²⁴

If USAC excludes all of the Companies' subscribers with P.O. boxes from the Companies' line count filings because the Companies' mapped those subscribers based on the ZIP code centroid and not based on post office street addresses, its action would be punitive. As demonstrated by AT&T Mobility's analysis of another wireless affiliate's subscriber listings, it is likely that only a *de minimis* percentage of subscribers with P.O. boxes reside in ZIP codes with the ZIP code centroid falling outside of the Companies' ETC service areas.²⁵ Excluding all such subscribers from the Companies' line count filings would thus be inequitable, particularly since the Companies reported these subscribers in accordance with the Commission's rules.

The Commission has never stated that wireless ETCs should rely on anything other than billing addresses "provided by the customer" to complete their line count filings. Thus, it is competitively unfair for USAC to single out the wireless ETC subsidiaries of one company, AT&T, for different treatment by demanding that these ETCs "create a new database" (or pay for access to someone else's database) for "purposes of universal service funding."²⁶ AT&T is

²⁴ June 2012 Appeal at 9; *see also Rural Task Force Order* at ¶ 183.

²⁵ *See* June 2012 Appeal, Attachment 4 (explaining that the post office street address analysis would have removed 766 subscribers out of 92,528 from Centennial Beauregard's line counts, or less than one percent).

²⁶ *Rural Task Force Order* at ¶ 181.

unaware that any other wireless ETC follows the practice that USAC is demanding of its subsidiaries. AT&T has no reason to believe that any other wireless ETC that uses MapInfo and MapMarker is reporting its subscribers, including subscribers with billing addresses that contain P.O. boxes, any differently than AT&T Mobility. It is inequitable to require AT&T's affiliates alone to undertake a manually intensive search to obtain the street address of every post office in their ETC service areas or to purchase access to a database that no other wireless ETC is required to obtain.

Finally, it is evident from the *USF/ICC Transformation Order* that there is no reason now for the Commission to alter how wireless ETCs should have reported their subscribers on previously submitted line count filings by, for example, concluding that wireless ETCs have a retroactive obligation to obtain additional billing address information *not* provided by the customer. Through this Order, the Commission fundamentally changed how ETCs are to receive support under the new Connect America Fund. Among other things, the Commission froze wireless ETC support and dispensed with line count filings²⁷ and so any change to the Commission's wireless ETC reporting requirements would be purely retroactive in application. It is inconceivable that the Commission would require wireless ETCs to perform the costly and futile exercise of obtaining post office street addresses for the sole purpose of revising previously submitted line count filings, filings that the Commission has decided to abolish.

IV. CONCLUSION

AT&T respectfully requests that the Commission reject USAC's unsupported reading of the Commission's prior orders and section 54.307 of the Commission's rules. Its conclusion that the Companies must obtain additional address information for their subscribers with P.O. boxes

²⁷ *USF/ICC Transformation Order*, 26 FCC Rcd 17663, ¶ 521 (2011) (“competitive ETCs will be relieved of the obligation to file quarterly line counts”); 47 C.F.R. § 54.307(e).

in order to map those subscriber lines to the street addresses of post offices is plainly contrary to the Commission's prior rulings. Rather, the Commission has directed wireless ETCs to report lines based on *customer-provided billing addresses*, and not on any additional information obtained from specially purchased third-party databases or other costly alternatives. The Commission's twin aims of promoting administrative simplicity and avoiding improper arbitrage are not furthered by the two USAC Decisions at issue here. To the contrary, the USAC Feb. 15 and Feb. 27 Decisions are unnecessarily costly, anticompetitive, and punitive.

For the reasons provided above, AT&T requests that the Commission direct USAC to take no further action with respect to New Cingular Wireless's and Dobson's previously submitted line count filings, and direct USAC to instruct Cotton to revise its Centennial Puerto Rico overpayment analysis by mapping this subsidiary's subscribers who have billing addresses with P.O. boxes to the centroid of the ZIP code.²⁸

Respectfully Submitted,

/s/ Cathy Carpino
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April 16, 2013

Its Attorneys

²⁸ Given the lapse of time since Cotton audited Centennial Puerto Rico, if USAC no longer has a relationship with Cotton, the Commission should direct USAC to geo-code this subsidiary's subscribers with P.O. boxes to the centroid of the ZIP code.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

Request for Review by AT&T of Decision of the Universal Service Administrator on Behalf of New Cingular Wireless PCS, LLC (SAC 279010 and 449022), Dobson Cellular Systems Inc. (SAC 619004), and Centennial Puerto Rico Operations Corporation (SAC 639001); CC Docket No. 96-45, WC Docket No. 05-337

DECLARATION OF CRAIG BUTLER

I, CRAIG BUTLER, do hereby, under penalty of perjury, declare and state as follows:

1. My name is Craig Butler, I am a Lead Finance Analyst employed by Cingular Wireless Employee Services LLC, a subsidiary of AT&T Mobility LLC, a wholly owned subsidiary of AT&T Inc. In that capacity, I was and am familiar with the filing of the FCC Form 525s with the Universal Service Administrative Company for the subsidiaries of AT&T Mobility LLC and with the mapping software used to complete those filings.
2. In accordance with Commission rules, 47 C.F. R. § 54.721(b)(2), I have reviewed the factual assertions set forth in the appeal and hereby certify that they are true and correct to the best of my knowledge.



Name

Dated: _____

4/16/2013

Exhibit A



Administrator's Decision on High Cost Program Beneficiary Appeal

Via Email and Certified Mail

February 15, 2013

Cathy Carpino
General Attorney
AT&T
1120 20th Street NW, Suite 1000
Washington, DC 20036

Re: Appeal of the 2010 Competitive Eligible Telecommunications Carriers Line Count Validation for High Cost Program Beneficiaries: New Cingular Wireless PCS, LLC (SAC 279010 and SAC 449022); Dobson Cellular Systems, Inc. (SAC 619004)

Dear Ms. Carpino:

The Universal Service Administrative Company (USAC) has reviewed the appeal you filed on behalf of New Cingular Wireless PCS, LLC and Dobson Cellular Systems, Inc. (collectively referred to as "AT&T"), dated January 30, 2012, concerning USAC's decision to require updating of its line count filings by mapping P.O. boxes to the post office address on its forms 525 filed March 2011 and prospectively.¹ AT&T appealed USAC's determination that lines at issues were incorrectly reported and ineligible to receive High Cost Program support because FCC rules require wireless carriers to use a subscriber P.O. Box address when the subscriber does not provide a residential address.² AT&T asserts that the rules allow use of the zip-code centroid location of the P.O. Box rather than using the actual P.O. Box address.³

Decision on Appeal: Denied.

Background and Discussion

USAC performs periodic data validation on line counts submitted by eligible telecommunications carriers receiving High Cost Program support. Through these data

¹Letter from USAC to New Cingular Wireless PCS, LLC (SAC 449022) dated Dec. 1, 2011; Letter from USAC to New Cingular Wireless PCS LLC dated Dec. 1, 2011; Letter from USAC to Dobson Cellular Systems, Inc. (*USAC Line Count Validation Letters Dec. 1st*).

²Letter from Cathy Carpino, General Attorney, AT&T, for New Cingular Wireless PCS, LLC and Dobson Cellular Systems, Inc. to the High Cost and Low Income Division of the Universal Service Administrative Company, dated Jan. 30, 2012, page 1 (*January 30 Letter*).

³*Id.*

validations, USAC found that when an AT&T subscriber billing address includes a P.O. Box, AT&T's practice is to identify and report the subscriber line based on the centroid location of the customer's zip code.⁴ AT&T stated that it uses this practice because its mapping software geocodes the P.O. Box to the zip code centroid of the zip code boundary,⁵ and AT&T would have to manually map P.O. Box addresses to the exact address location.

47 C.F.R. § 54.307(a) requires competitive eligible telecommunications carriers (CETCs) to report their lines according to ILEC study area and disaggregated by cost zone if disaggregation zones have been established.⁶ AT&T's practice of using geo-coding software for subscribers who use a P.O. Box for their billing address is not consistent with the plain language of section 54.307(a) because the process cannot reliably place a customer in the ILEC study area or disaggregated cost zone as required by Commission rules.⁷

47 C.F.R. § 54.307(b) requires CETCs providing mobile wireless service in an ILEC's service area to use the subscriber's billing address for purposes of identifying the service location of a mobile wireless customer.⁸ AT&T asserts when a customer provides a P.O.

⁴ Centroid equates to the geographic center of a zip code's territory.

⁵ *January 30 Letter*, page 2.

⁶ 47 CFR § 54.307(a) ("Calculation of support. A competitive eligible telecommunications carrier shall receive universal service support to the extent that the competitive eligible telecommunications carrier captures the subscriber lines of an incumbent local exchange carrier (LEC) or serves new subscriber lines in the incumbent LEC's service area.

(1) A competitive eligible telecommunications carrier serving loops in the service area of a rural incumbent local exchange carrier, as that term is defined in Sec. 54.5 of this chapter, shall receive support for each line it serves in a particular service area based on the support the incumbent LEC would receive for each such line, disaggregated by cost zone if disaggregation zones have been established within the service area pursuant to Sec. 54.315 of this subpart. 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.").

⁷ *Id.*

⁸ 47 C.F.R. § 54.307(b) ("In order to receive support pursuant to this subpart, a competitive eligible telecommunications carrier must report to the Administrator the number of working loops it serves in a service area pursuant to the schedule set forth in paragraph (c) of this section. For a competitive eligible telecommunications carrier serving loops in the service area of a rural incumbent local exchange carrier, as that term is defined in Sec. 54.5, the carrier must report, by customer class, the number of working loops it serves in the service area, disaggregated by cost zone if disaggregation zones have been established within the service area pursuant to Sec. 54.315. For a competitive eligible telecommunications carrier serving loops in the service area of a non-rural telephone company, the carrier must report the number of working loops it serves in the service area, by customer class if the non-rural telephone company receives Interstate Common Line Support pursuant to Sec. 54.901 and by disaggregation zone if disaggregation zones have been established within the service area pursuant to Sec. 54.315 of this subpart, and the number of working loops it serves in each wire center in the service area. For universal service support purposes, working

Ms. Cathy Carpino
AT&T
February 15, 2013
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Box for its billing address, then its practice of using geo-coding software to map to the centroid point places the subscriber in the correct service location, which is consistent with the requirement of section 54.307(a).⁹ USAC's data validation analysis was unable to verify the validity of AT&T's claim. USAC determined AT&T's methodology results in placing a P.O. Box addressed customer's line to an arbitrary location, which has no verifiable correlation to the actual physical location. AT&T's practice is not consistent with FCC rules that require a P.O. Box billing addressed customer line to be mapped to a verifiable physical location and does not assure the correct assignment of lines to the correct study area or disaggregation zone as required by section 54.307(b) because zip code centroid locations do not necessarily resemble disaggregation zones or study areas.¹⁰ The geo-location of the P.O. Box addressed customer line to the physical address of the P.O. Box will assure the location of the line to the proper service area, including disaggregation zone, for compliant High Cost Program support reporting.

USAC Action and AT&T Appeal Rights

USAC hereby denies AT&T's appeal, but will provide AT&T the opportunity to submit revised line count filings by mapping lines to exact locations of the customer's street address or the physical location of their P.O. boxes within 60 days of the issuance date of this letter. If AT&T declines to revise its customer lines whose billing addresses are P.O. boxes, USAC will recover previously disbursed High Cost Program support through the monthly disbursement process. If the recovery amount exceeds the current month's disbursement, USAC will continue to net the recovery amount against subsequent monthly disbursements. USAC also reserves the right in its discretion and at anytime to issue an invoice to AT&T for all or a portion of the amount to be recovered. If any further errors are found in any of AT&T's reporting for the period under data validation herein, USAC reserves the right to recover the financial impact of those deviations.

If you wish to further appeal this decision, you may file an appeal pursuant to the requirements of 47 C.F.R. Part 54, Subpart I. Detailed instructions for filing appeals are available at:

<http://www.usac.org/hc/about/program-integrity/filing-appeals.aspx>.

//s// Universal Service Administrative Company

loops are defined as the number of working Exchange Line C&WF loops used jointly for exchange and message telecommunications service, including C&WF subscriber lines associated with pay telephones in C&WF Category 1, but excluding WATS closed end access and TWX service. 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.").

⁹ See *supra* note 6.

¹⁰ See *supra* note 8.

Exhibit B



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January 30, 2012

Via E-mail

Letter of Appeal
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Re: Request for Review by AT&T Inc. of Decision of the Universal Service Administrator on New Cingular Wireless PCS, LLC (SACs 279010 and 449022) and Dobson Cellular Systems Inc. (SAC 619004)

Pursuant to section 54.719 of the Commission's rules,¹ AT&T Inc. (AT&T), on behalf of its above-referenced subsidiaries (collectively, the "Companies") hereby seeks review of one finding contained in USAC's "2010 Competitive Eligible Telecommunications Carriers Line Count Validation" of the Companies.² Specifically, AT&T is seeking review of USAC's directive that each of the Companies "update [their] line count filings by mapping P.O. boxes to the post office address. Those simply mapped to the zip code centroid will be considered inaccurately reported thus invalid to receive USF support. Corrections should be made for the filing period reviewed going forward." For reasons we explain below, USAC's demand is inconsistent with the Commission's requirements, punitive, and not competitively neutral. We respectfully request USAC to reconsider this finding and take no further action with respect to the Companies' previously submitted line count filings.

Background. In its 2001 *Rural Task Force Order*, the Commission recognized that, unlike wireline eligible telecommunications carriers (ETCs), mobile wireless ETCs do not provide service to a fixed location and, therefore, "there is a question as to how to relate a mobile wireless carrier to [an ILEC's study area] for purposes of determining how much support a carrier is entitled to for serving . . . customer[s]."³ The Commission found that mobile wireless ETCs should be required to use their customers' billing addresses since doing so is "reasonable and the most administratively simple solution to this problem"⁴ and it codified this requirement

¹ 47 C.F.R. § 54.719.

² See Attachment 1. USAC's findings for all three AT&T subsidiaries are identical and thus for reasons of administrative efficiency, through this single request for review, we are appealing one finding applicable to all of the Companies.

³ *Rural Task Force Order*, 16 FCC Rcd 11244, ¶ 181 (2001).

⁴ *Id.*

in section 54.307(b) of its rules.⁵ In reaching this decision, the Commission acknowledged that billing addresses “could allow arbitrage” by enabling a carrier to identify a customer in a high-cost zone when service is taken primarily in a low-cost zone in order to receive a higher level of per-line support.⁶ Consequently, the Commission stated that it would monitor the reasonableness of using a customer’s billing address as the surrogate for a mobile wireless customer’s location.⁷ Upon further review in 2005, the Commission reaffirmed its earlier decision, noting that “the underlying address information *will be provided by the customer*, who is unlikely to be providing false information in order to increase universal service payments to its service provider.”⁸

Statement of Facts. During the audit periods at issue, the Companies obtained federal high-cost support by submitting line count filings (using FCC Form 525) to USAC.⁹ These line counts consist of subscribers with billing addresses that are located within the Companies’ designated ETC service areas. USAC calculates each Company’s per-line support amount based on the per-line support amount that the ILEC, which provides service in that geographic area, receives.¹⁰ To populate these line count filings, AT&T Mobility, which manages the line count filings on behalf of the Companies, uses mapping software (MapMarker) to identify the exact geographic location of the Companies’ subscribers. For most subscribers, this geo-coding is based on street address, city, state, and ZIP code. As we explained previously to USAC in another high-cost audit appeal,¹¹ for a subscriber who has a billing address that consists of a post office (P.O.) box, city, state, and ZIP code, MapMarker locates that subscriber based on the geographic center (centroid) of the subscriber’s ZIP code. As geo-coding software, MapMarker does not have the functionality to import street addresses of post offices from some database before locating subscribers with billing addresses that contain P.O. boxes.

⁵ 47 C.F.R. § 54.307(b) (“Competitive eligible telecommunications carriers providing mobile wireless service shall use the customer’s billing address for purposes of identifying the service location of a mobile wireless customer in a service area.”).

⁶ *Rural Task Force Order*, ¶ 183.

⁷ *Id.*

⁸ *Federal-State Joint Board on Universal Service*, 20 FCC Rcd 6371, ¶82 (2005) (*ETC Report and Order*) (emphasis added).

⁹ We note that this process will change with the Commission’s 2011 *USF/ICC Transformation Order* but those changes do not apply here as USAC was reviewing FCC Form 525 submissions that the Companies made in December 2010 and March 2011.

¹⁰ Since August 2008, the Commission has applied a state-specific cap to competitive ETC disbursements although that additional cap calculation is not relevant to this appeal.

¹¹ AT&T Inc. Request for Review of Decision of the Universal Service Administrator on Behalf of Centennial Beauregard Cellular LLC (SAC 279001); Centennial Caldwell Cellular Corporation (SAC 279002); Centennial Cellular Tri-State Operating Partnership (SAC 289005); Centennial Lafayette Communications LLC (SAC 279005); and Michiana Metronet, Inc. (SAC 319008) (filed with USAC on June 7, 2010) (AT&T June 7, 2010 Appeal).

The Companies provide service in rural areas of Alaska, Louisiana, and Texas. In Alaska, approximately 22 percent of AT&T Mobility's subscribers have billing addresses with P.O. boxes. In Louisiana, this percentage is almost 18 percent, and in Texas, this percentage is almost 20 percent. There are 118 ZIP codes in the Alaska ETC service area, 183 ZIP codes in the Louisiana ETC service area, and 223 ZIP codes in the Texas ETC service area. In response to USAC inquiries involving AT&T's June 6, 2010 Appeal, AT&T Mobility personnel manually obtained the street addresses for post offices in a small ETC service area in Louisiana – a different, and smaller, ETC service area than the Louisiana ETC service area at issue here – and used MapMarker to locate subscribers with P.O. boxes based on the street addresses of the post offices. Based on that analysis, AT&T Mobility personnel then removed 0.8 percent of its subscribers from its line counts (because some of the post offices' street addresses were located outside of AT&T Mobility's designated service area). The difference in the amount of funding that AT&T Mobility would have received had it excluded those customers was less than 4 percent of the total that it did, in fact, receive.¹² This amount (\$39,578) is beneath USAC's previously stated guideline for materiality, which was the lesser of 5 percent or \$100,000.¹³

Argument. Nowhere in the Commission's orders does it state that mobile wireless ETCs have a duty to obtain *additional* billing address information *not* provided by the customer. In order to comply with USAC's directive, however, that is exactly what the Companies would have to do (i.e., they would have to obtain the street addresses of post offices located in their ETC designated service areas). Not surprisingly, USAC cites no Commission authority to support its demand. In fact, it is clear from the Commission's 2005 *ETC Report and Order* that the Companies are to use the billing address "*provided by the customer.*"¹⁴ Similarly, in the Commission's *Rural Task Force Order*, the Commission explained that, by adopting the billing address requirement for wireless carriers, the Commission intended to "eliminate the need" for wireless ETCs to create a new database just for universal service support.¹⁵ Like other wireless providers, the Companies do indeed have billing address databases. These databases contain customer-supplied billing addresses, which, simply put, are addresses that are sufficiently complete to enable the Companies to issue bills that reach their customers. If a subscriber provides one of the Companies with a billing address that contains a P.O. box, city, state, and zip code, and paper bills to that address are received and paid, AT&T's subsidiary would have no occasion to obtain additional billing address information from its customer. More precisely, the Companies have no reason to "create a new database"¹⁶ (or pay to access someone else's database) for the sole purpose of obtaining street addresses for post offices. USAC's demand

¹² See Attachment 2, provided to USAC staff on July 22, 2011.

¹³ See Request for Review by AT&T Inc. of Decision of Universal Service Administrator, CC Docket No. 96-45, WC Docket No. 05-337 (filed April 24, 2009) (challenging this materiality threshold). It is unclear what, if any, materiality threshold USAC currently applies in audits.

¹⁴ *ETC Report and Order*, ¶ 82 (emphasis added).

¹⁵ *Rural Task Force Order*, ¶ 181 ("[W]hile some mobile wireless carriers may have databases that are similar to provisioning databases, most will have billing address databases. Thus, adoption of customer's billing address as a surrogate for service location eliminates the need for many mobile wireless carriers to create a new database for purposes of universal service funding.").

¹⁶ *Id.*

that the Companies do just that “for purposes of universal service funding”¹⁷ is therefore contrary to the Commission’s requirements.

Not only is USAC’s directive that the Companies “update [their] line count filings by mapping P.O. boxes to the post office address,” inconsistent with the Commission’s rules, it is unnecessarily burdensome. To comply with USAC’s demand, the Companies would have to either search manually the U.S. Postal Service’s post office search engine for every single ZIP code in the Companies’ designated ETC service areas or purchase database access rights for the sole purpose of obtaining street addresses for U.S. post offices. Both options are costly and, as demonstrated above, neither option is required by the Commission’s rules. The Companies’ designated ETC service areas contain 524 ZIP codes. To map P.O. boxes to the post office address would require AT&T Mobility personnel to look up – one at a time – 524 post office addresses through the U.S. Postal Service’s web site or to purchase access to some database that contains this information. Based on AT&T’s prior research, such a costly exercise is unlikely to yield a material difference in the Companies’ line counts. Moreover, given that MapMarker always locates subscribers with P.O. boxes in the geographical center of the ZIP code, it is just as likely that a similar, labor-intensive review of post office addresses in the Companies’ ETC service areas would result in the Companies *increasing* their line counts, thereby increasing their support amounts. As we explained to USAC previously, since AT&T Mobility applies this methodology consistently, there can be no claim that the Companies’ practice of locating a subscriber with a P.O. box using the centroid of the subscriber’s ZIP code is subject to arbitrage, which was the Commission’s stated concern in 2001.¹⁸

If USAC excludes all of the Companies’ subscribers with P.O. boxes from the Companies’ line count filings because the Companies’ mapped those subscribers based on the ZIP code centroid and not based on post office street addresses, its action would be punitive. As demonstrated by AT&T Mobility’s analysis of a different wireless ETC subsidiary,¹⁹ it is likely that only a *de minimis* percentage of subscribers with P.O. boxes reside in ZIP codes served by multiple ILECs with the ZIP code centroid falling outside of the Companies’ ETC service area. Based on this prior analysis, USAC’s action would thus improperly reduce the Companies’ line count filings by about 20 percent²⁰ because, perhaps, less than 1 percent of these subscribers should not have been included in those line counts. Plainly, such an out-sized response is punitive, particularly since the Companies reported their subscribers in accordance with the Commission’s rules.

¹⁷ *Id.*

¹⁸ AT&T June 7, 2010 Appeal at 6; *see also Rural Task Force Order*, ¶ 183.

¹⁹ *See Attachment 2* (explaining that the post office street address analysis would have removed 766 subscribers out of 92,528 from the particular subsidiary’s line counts, or less than 1 percent).

²⁰ As we noted above, AT&T Mobility’s Alaska subsidiary has about 22.4 percent (or 61,834) subscribers with P.O. boxes, the Texas subsidiary has about 19.5 percent (or 48,810) subscribers with P.O. boxes, and the Louisiana subsidiary has about 17.7 percent (or 55,841) subscribers with P.O. boxes.

The Commission has never stated that wireless ETCs should rely on anything other than billing addresses “provided by the customer” to complete their line count filings. Thus, it is competitively unfair for USAC to single out the wireless ETC subsidiaries of one company, AT&T, for different treatment via its demand that these ETCs “create a new database” (or pay for access to someone else’s database) for “purposes of universal service funding.”²¹ AT&T is unaware that any other wireless ETC follows the practice that USAC is demanding of its subsidiaries. In fact, in another audit of a wireless ETC that AT&T subsequently acquired, USAC’s third-party auditors described the MapInfo/MapMarker geo-coding software (which AT&T Mobility uses for its subsidiaries, including the Companies) as “mapping software specifically designed for the telecommunications industry to identify exact geographic locations of customer billing addresses for the line counts to ILEC service areas.”²² AT&T has no reason to believe that any other wireless ETC that uses MapInfo and MapMarker is reporting its subscribers, including subscribers with billing addresses that contain P.O. boxes, any differently than AT&T Mobility. It is inequitable to require the Companies – and the Companies alone – to undertake a manually intensive search to obtain the street address of every post office in their ETC service areas or to purchase access to a database that no other wireless ETC is required to obtain.

Finally, it is evident from the *USF/ICC Transformation Order* that there is no reason now for the Commission to alter how wireless ETCs report their subscribers on line count filings by, for example, concluding that wireless ETCs now have an obligation to obtain additional billing address information *not* provided by the customer. Through this Order, the Commission fundamentally changed how ETCs are to receive support under the new Connect America Fund. Among other things, the Commission has dispensed with line count filings²³ and so any change to the Commission’s wireless ETC reporting requirements would be purely retroactive in application. It is inconceivable that the Commission would require wireless ETCs to perform the costly and futile exercise of obtaining post office street addresses for the sole purpose of revising previously submitted line count filings, filings that the Commission has decided to abolish.

For the foregoing reasons, AT&T respectfully requests that USAC reconsider its demand that the Companies “update [their] line count filing by mapping P.O. boxes to the post office address” and take no further action with respect to the Companies’ previously submitted line count filings.

Sincerely,

/s/ Cathy Carpino
Cathy Carpino

Attachments

²¹ *Rural Task Force Order*, ¶ 181.

²² *See, e.g.*, AT&T June 7, 2010 Appeal, Attachment (Centennial Beauregard Cellular LLC Final Audit Report at 3).

²³ *USF/ICC Transformation Order*, FCC 11-161, ¶ 521 (rel. Nov. 18, 2011) (“competitive ETCs will be relieved of the obligation to file quarterly line counts”).

**Before the
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
Washington, DC 20036**

**Request for Review by AT&T Inc. of Decision of the Universal Service Administrator on
Behalf of New Cingular Wireless PCS, LLC (SACs 279010 and 449022) and Dobson
Cellular Systems Inc. (SAC 619004)**

DECLARATION OF CRAIG BUTLER

I, CRAIG BUTLER, do hereby, under penalty of perjury, declare and state as follows:

1. My name is Craig Butler, I am a Lead Finance Analyst employed by Cingular Wireless Employee Services LLC, a subsidiary of AT&T Mobility LLC, a wholly owned subsidiary of AT&T Inc. In that capacity, I was and am familiar with the filing of the FCC Form 525s with the Universal Service Administrative Company for the subsidiaries of AT&T Mobility LLC and with the mapping software used to complete those filings.
2. In accordance with Commission rules, 47 C.F. R. § 54.721 (b)(2), I have reviewed the factual assertions set forth in the appeal and hereby certify that they are true and correct to the best of my knowledge.



Name

Dated: 1/30/2012

ATTACHMENT 1

Via Electronic Mail & Post

December 1, 2011

Craig Butler
Lead Finance Analyst
NEW CINGULAR WIRELESS PCS, LLC
16331 NE 72nd Way
Redmond, WA 98052

RE: 2010 Competitive Eligible Telecommunications Carriers Line Count Validation

Dear Craig Butler:

Thank you for your cooperation during our validation of your FCC Form 525 filed December 20, 2010 for NEW CINGULAR WIRELESS PCS, LLC, Study Area Code (SAC) 279010, to receive High Cost Program support.

As noted in our introductory letter, we reviewed the form submitted for NEW CINGULAR WIRELESS PCS, LLC and the underlying information used to complete the form to assess the accuracy of the line count filing.¹ The information provided was reviewed for line count validation purposes only and was not shared with any other parties.

During our review of your lines reported under CENTURYTEL-SE LA and STAR TEL CO, SACs 270424 and 270441, and your line classification and mapping methodologies, we noticed the following issues:

1. P.O. boxes mapped to zip code centroid
2. all residential accounts with five or more lines classified as multi-line business
3. prepaid lines reported with billing addresses outside the study area, based upon most-used cell site activity

¹ The Federal Communications Commission (“FCC”), including its Inspector General, and USAC may request and obtain all records, documents and other information that is necessary to determine whether an entity receiving benefits from any of the universal service support mechanisms or supporting the universal service support mechanisms through contributions to the Universal Service Fund has been and continues to be in compliance with applicable federal and state laws and regulations. *See* 47 U.S.C. § 220(c). *See also*, 47 U.S.C. § 254 (authorizing the FCC to promulgate regulations for provision and support of universal service); 47 C.F.R. §§ 54.701(a) (FCC appointment of USAC as the permanent administrator of the federal universal service support mechanisms); 54.702(a) (FCC designating USAC responsible for administering the schools and libraries support mechanism, the rural health care support mechanism, the high cost support mechanism, and the low income support mechanism.); 54.702(b) (FCC making USAC responsible for billing contributors, collecting contributions to the universal service support mechanisms, and disbursing universal service support funds).

In response,

1. USAC requests the carrier update its line count filing by mapping P.O. boxes to the post office address. Those simply mapped to the zip code centroid will be considered inaccurately reported thus invalid to receive USF support. Corrections should be made for the filing period reviewed going forward.
2. USAC reminds the carrier to follow FCC rule 54.307(b) in classifying its customer accounts.
3. USAC recognizes the carrier has written the FCC for guidance on its methodology of mapping lines based on cell tower usage and will follow FCC directives when they are provided.

Please submit your updated filings through the normal means (e525, email, fax, mail) by January 3, 2012, and notify USAC High Cost Program staff of your re-file at HCReview@usac.org or (202) 776-0200 so that we can ensure prompt processing. If you cannot meet the deadline established above, please let us know as soon as possible. Failure to submit updated data may result in recovery of all exceptions and further review.

As is the case with any decision of the USF administrator, you have the right to appeal this decision 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.”

Thank you again for your cooperation.

Sincerely,

/SA/
Shane Ahn
High Cost

Via Electronic Mail & Post

December 1, 2011

Craig Butler
Lead Finance Analyst
NEW CINGULAR WIRELESS PCS, LLC
16331 NE 72nd Way
Redmond, WA 98052

RE: 2010 Competitive Eligible Telecommunications Carriers Line Count Validation

Dear Craig Butler:

Thank you for your cooperation during our validation of your FCC Form 525 filed March 22, 2011 for NEW CINGULAR WIRELESS PCS, LLC, Study Area Code (SAC) 449022, to receive High Cost Program support.

As noted in our introductory letter, we reviewed the form submitted for NEW CINGULAR WIRELESS PCS, LLC and the underlying information used to complete the form to assess the accuracy of the line count filing.⁹ The information provided was reviewed for line count validation purposes only and was not shared with any other parties.

During our review of your lines reported under COLORADO VALLEY TEL, COMANCHE COUNTY TEL, GANADO TELEPHONE CO, and INDUSTRY TEL CO, SACs 442059, 442060, 442076, and 442093, and your line classification and mapping methodologies, we noticed the following issues:

1. P.O. boxes mapped to zip code centroid
2. all residential accounts with five or more lines classified as multi-line business
3. prepaid lines reported with billing addresses outside the study area, based upon most-used cell site activity

⁹ The Federal Communications Commission (“FCC”), including its Inspector General, and USAC may request and obtain all records, documents and other information that is necessary to determine whether an entity receiving benefits from any of the universal service support mechanisms or supporting the universal service support mechanisms through contributions to the Universal Service Fund has been and continues to be in compliance with applicable federal and state laws and regulations. *See* 47 U.S.C. § 220(c). *See also*, 47 U.S.C. § 254 (authorizing the FCC to promulgate regulations for provision and support of universal service); 47 C.F.R. §§ 54.701(a) (FCC appointment of USAC as the permanent administrator of the federal universal service support mechanisms); 54.702(a) (FCC designating USAC responsible for administering the schools and libraries support mechanism, the rural health care support mechanism, the high cost support mechanism, and the low income support mechanism.); 54.702(b) (FCC making USAC responsible for billing contributors, collecting contributions to the universal service support mechanisms, and disbursing universal service support funds).

In response,

1. USAC requests the carrier update its line count filing by mapping P.O. boxes to the post office address. Those simply mapped to the zip code centroid will be considered inaccurately reported thus invalid to receive USF support. Corrections should be made for the filing period reviewed going forward.
2. USAC reminds the carrier to follow FCC rule 54.307(b) in classifying its customer accounts.
3. USAC recognizes the carrier has written the FCC for guidance on its methodology of mapping lines based on cell tower usage and will follow FCC directives when they are provided.

Please submit your updated filings through the normal means (e525, email, fax, mail) by January 3, 2012, and notify USAC High Cost Program staff of your re-file at HCReview@usac.org or (202) 776-0200 so that we can ensure prompt processing. If you cannot meet the deadline established above, please let us know as soon as possible. Failure to submit updated data may result in recovery of all exceptions and further review.

As is the case with any decision of the USF administrator, you have the right to appeal this decision 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.”

Thank you again for your cooperation.

Sincerely,

/SA/
Shane Ahn
High Cost

Via Electronic Mail & Post

December 1, 2011

Craig Butler
Fin. Mgr.
DOBSON CELLULAR SYSTEMS, INC.
8645 154th Ave NE
RTC 1
Redmond, WA 98052

RE: 2010 Competitive Eligible Telecommunications Carriers Line Count Validation

Dear Craig Butler:

Thank you for your cooperation during our validation of your FCC Form 525 filed March 22, 2011 for DOBSON CELLULAR SYSTEMS, INC., Study Area Code (SAC) 619004, to receive High Cost Program support.

As noted in our introductory letter, we reviewed the form submitted for DOBSON CELLULAR SYSTEMS, INC. and the underlying information used to complete the form to assess the accuracy of the line count filing.¹¹ The information provided was reviewed for line count validation purposes only and was not shared with any other parties.

During our review of your lines reported under ACS-FAIRBANKS, INC., ACS-N GLACIER STATE, and ACS-AK JUNEAU, SACs 613008, 613010, and 613012, and your line classification and mapping methodologies, we noticed the following issues:

1. P.O. boxes mapped to zip code centroid
2. all residential accounts with five or more lines classified as multi-line business
3. prepaid lines reported with billing addresses outside the study area, based upon most-used cell site activity

¹¹ The Federal Communications Commission (“FCC”), including its Inspector General, and USAC may request and obtain all records, documents and other information that is necessary to determine whether an entity receiving benefits from any of the universal service support mechanisms or supporting the universal service support mechanisms through contributions to the Universal Service Fund has been and continues to be in compliance with applicable federal and state laws and regulations. *See* 47 U.S.C. § 220(c). *See also*, 47 U.S.C. § 254 (authorizing the FCC to promulgate regulations for provision and support of universal service); 47 C.F.R. §§ 54.701(a) (FCC appointment of USAC as the permanent administrator of the federal universal service support mechanisms); 54.702(a) (FCC designating USAC responsible for administering the schools and libraries support mechanism, the rural health care support mechanism, the high cost support mechanism, and the low income support mechanism.); 54.702(b) (FCC making USAC responsible for billing contributors, collecting contributions to the universal service support mechanisms, and disbursing universal service support funds).

In response,

1. USAC requests the carrier update its line count filing by mapping P.O. boxes to the post office address. Those simply mapped to the zip code centroid will be considered inaccurately reported thus invalid to receive USF support. Corrections should be made for the filing period reviewed going forward.
2. USAC reminds the carrier to follow FCC rule 54.307(b) in classifying its customer accounts.
3. USAC recognizes the carrier has written the FCC for guidance on its methodology of mapping lines based on cell tower usage and will follow FCC directives when they are provided.

Please submit your updated filings through the normal means (e525, email, fax, mail) by January 3, 2012, and notify USAC High Cost Program staff of your re-file at HCReview@usac.org or (202) 776-0200 so that we can ensure prompt processing. If you cannot meet the deadline established above, please let us know as soon as possible. Failure to submit updated data may result in recovery of all exceptions and further review.

As is the case with any decision of the USF administrator, you have the right to appeal this decision 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.”

Thank you again for your cooperation.

Sincerely,

/SA/
Shane Ahn
High Cost

ATTACHMENT 2

Using Post Office Addresses for PO Box Subscribers

Subscribers as of September 30th, 2006 for CETC 279001

Estimated Funding Using Original Geocoded Subscribers

Subscribers with a Post Office Box are geocoded using their Zip Code

Sub Count	HCL	ICLS	LSS	SNA	Total
92,528	\$670,892	\$268,948	\$41,261	\$353	\$981,453

Estimated Funding Using Updated Geocoded Subscribers

Subscribers with a Post Office Box are geocoded using the nearest Post Office Location

Sub Count	HCL	ICLS	LSS	SNA	Total
91,762	\$647,412	\$255,157	\$38,950	\$356	\$941,875

Variance

Subtract Updated Estimate from Original Estimate

Sub Count	HCL	ICLS	LSS	SNA	Total
(766)	(\$23,479)	(\$13,790)	(\$2,311)	\$3	(\$39,578)

Percentage Variance

Sub Count	HCL	ICLS	LSS	SNA	Total
-0.8%	-3.5%	-5.1%	-5.6%	0.9%	-4.0%

AT&T Proprietary (Internal Use Only)

Not for use or disclosure outside the AT&T companies
except under written agreement

Exhibit C



Administrator's Decision on High Cost Program Beneficiary Appeal

Via Email and Certified Mail

February 27, 2013

Cathy Carpino
AT&T Services, Inc.
1120 20th Street, NW, Suite 1000
Washington, DC 20036

Re: Appeal of the FCC Office of Inspector General USF Audit Program Audits of High Cost Program Beneficiaries: Centennial Puerto Rico Operations Corporation (SAC 639001), Audit HC-2008BE082

Dear Ms. Carpino:

The Universal Service Administrative Company (USAC) has reviewed the appeal you filed on behalf of Centennial Puerto Rico Operations Corporation (Centennial), dated July 15, 2010, concerning USAC's decision to recover \$30,605 in High Cost Program support disbursed for the 12-month period ending June 30, 2008.¹ The amount to be recovered was determined by audits of Centennial conducted by Cotton & Company LLP (Cotton), under the FCC Office of Inspector General (OIG) Universal Service Fund (USF) Audit Program.

Centennial appealed finding HC-2008BE082-F03.² In its appeal, Centennial seeks review of Cotton's calculation of the overpayments Centennial received as a result of its methodology used to assign customers to incumbent local exchange carrier (ILEC) study areas.³ Centennial contends that the recovery amounts are significantly overstated.⁴ Further, Centennial asserts it is valid for mobile wireless carriers to obtain support for subscribers who use P.O. Boxes as part of their billing address.⁵

¹USAC Management Response No. HC-2008BE082 from USAC to Centennial Puerto Rico Operations Corp., dated Feb. 25, 2010, page 2 (\$30,605) (*USAC Management Response*).

² Letter from Cathy Carpino for Centennial Puerto Rico Operations Corporation to the High Cost and Low Income Division of the Universal Service Administrative Company, dated July 15, 2010, Page 1 (*June 15 Letter*).

³ *June 15 Letter*, page 1.

⁴ Id.

⁵ *June 15 Letter*, page 6.

In addition, the outcome of Findings HC-2008BE082-F01 and F02 were deferred pending USAC's resolution of similar issues from a previous audit that was appealed by the beneficiary.⁶ The previous appeal has been decided; and therefore, the findings within this audit can be resolved.

Decision on Appeals: Granted in part, denied in part. USAC has determined that \$460,940 of previously paid High Cost support should be recovered for Finding HC-2008BE082-F01. If Centennial declines to submit line count revisions, an additional \$30,605 of High Cost Program support will be recovered for Finding HC-2008BE082-F03.

USAC hereby denies Centennial's appeal of HC-2008BE082-F03. Centennial may, at its option, submit within 60 days of the date of this decision letter, revised line count filings based upon the mapping of the customers' lines to the physical locations of customer street address or the street address where the P.O. Box is located. If Centennial declines to submit revised line counts, USAC will recover \$30,605 of High Cost Program support previously disbursed.

Based on the appeal decision issued by USAC on April 24, 2012 concerning Centennial, USAC hereby applies the result of that decision to the deferred findings in this audit.⁷ In HC-2008BE082-F01, USAC determined that \$460,940 of previously disbursed High Cost Program support will be recovered. In HC-2008BE082-F02, USAC granted Centennial's previous appeal of similar findings and, therefore, no amount of previously disbursed High Cost Program support will be recovered for this finding.⁸

Background and Discussion

Finding HC-2008BE082-F03 - Incorrect Line Count

Centennial's practice is to identify and report lines based on the centroid location of customer zip codes.⁹ In those zip codes serviced by more than one ILEC, Centennial reports all lines under the ILEC with the largest percentage of the land area in that zip code. For example, if a zip code area is serviced by two ILECs, one covering 60 percent of the area and another covering 40 percent of the area, Centennial will report all lines as being in the larger ILEC study area. Centennial's approach does not consider that the majority of active lines may be clustered within an ILEC area for which it is not permitted to claim High Cost Program support.¹⁰ Through the audit, Cotton found that by not utilizing subscribers' full billing addresses (i.e., street address along with city,

⁶ USAC Management Response, pages 1, 2.

⁷ See Letter from Universal Service Administrative Company to Danielle Frappier of David Wright Tremaine LLP, dated April 24, 2012, Page 1 (2009 Appeal Decision Letter).

⁸ Finding HC-2008BE082-F01 is denied (\$460,940) and Finding HC-2008BE082-F02 is approved (\$405,853).

⁹ Centroid equates to the geographic center of a zip code's territory

¹⁰ Independent Accountants Report, page 9.

state, and zip code) when assigning lines to ILEC study areas caused a “significant number” of subscribers to be reported in incorrect study areas.¹¹

47 C.F.R. § 54.307(a) requires competitive eligible telecommunications carriers (CETCs) to report their lines according to ILEC study area and disaggregated by cost zone if disaggregation zones have been established.¹² 47 C.F.R. § 54.307(b) requires CETCs providing mobile wireless service in an ILEC’s service area to use customer billing address for purposes of identifying the service location of a mobile wireless customer.¹³ Whereas billing address (whether a residential address or a P.O. Box) is the actual location where a customer receives its bill, the geographic center of a zip code is an arbitrary location with no correlation to the actual physical location of the customer’s billing address and therefore cannot reliably place a customer in the study area or disaggregated cost zone as required 47 C.F.R. § 54.307(a).¹⁴

¹¹ Letter and Independent Accountants Report No. HC-2008BE082 from Cotton and Company LLP to Centennial dated July 27, 2009, page 7 (*Independent Accountants Report*).

¹² 47 CFR § 54.307(a) (“Calculation of support. A competitive eligible telecommunications carrier shall receive universal service support to the extent that the competitive eligible telecommunications carrier captures the subscriber lines of an incumbent local exchange carrier (LEC) or serves new subscriber lines in the incumbent LEC’s service area.

- (1) A competitive eligible telecommunications carrier serving loops in the service area of a rural incumbent local exchange carrier, as that term is defined in Sec. 54.5 of this chapter, shall receive support for each line it serves in a particular service area based on the support the incumbent LEC would receive for each such line, disaggregated by cost zone if disaggregation zones have been established within the service area pursuant to Sec. 54.315 of this subpart. 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.”).

¹³ 47 C.F.R. § 54.307(b) (“In order to receive support pursuant to this subpart, a competitive eligible telecommunications carrier must report to the Administrator the number of working loops it serves in a service area pursuant to the schedule set forth in paragraph (c) of this section. For a competitive eligible telecommunications carrier serving loops in the service area of a rural incumbent local exchange carrier, as that term is defined in Sec. 54.5, the carrier must report, by customer class, the number of working loops it serves in the service area, disaggregated by cost zone if disaggregation zones have been established within the service area pursuant to Sec. 54.315. For a competitive eligible telecommunications carrier serving loops in the service area of a non-rural telephone company, the carrier must report the number of working loops it serves in the service area, by customer class if the non-rural telephone company receives Interstate Common Line Support pursuant to Sec. 54.901 and by disaggregation zone if disaggregation zones have been established within the service area pursuant to Sec. 54.315 of this subpart, and the number of working loops it serves in each wire center in the service area. For universal service support purposes, working loops are defined as the number of working Exchange Line C&WF loops used jointly for exchange and message telecommunications service, including C&WF subscriber lines associated with pay telephones in C&WF Category 1, but excluding WATS closed end access and TWX service. 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.”).

¹⁴ *Supra note 11.*

Centennial's methodology of using zip codes results in customer lines being reported in arbitrary locations without correlation to the actual physical location of the customer's billing address. This methodology cannot reliably place a customer in the ILEC study area or disaggregated cost zone as required by Commission rules.¹⁵

To determine whether Centennial received High Cost Program support in excess of the appropriate amount as a result of Centennial's practice at issue in this matter, Cotton used mapping software (MapInfo and its sub-program ExchangeInfo Plus) to identify the exact geographic locations of Centennial's customer lines by using the reported physical street addresses. Cotton then assigned the customers to the ILECs serving those locations.¹⁶ Because a portion of the customer lines could not be mapped due to inaccuracies in their listed addresses, Cotton excluded those lines from its High Cost Program support calculation. The excluded lines include customers who had moved, were missing billing addresses, or used P.O. Boxes.¹⁷ By mapping the customer lines to the physical street addresses, Cotton determined that a significant number of lines were reported to the incorrect ILEC service areas.¹⁸ USAC concurs with Cotton that Centennial's line count identification and reporting methodology was not consistent with the Commission's rules, which results in a significant number of lines being reported incorrectly.¹⁹

Centennial did not dispute the ILEC mapping aspect of the finding, but it did dispute the exclusion by Cotton of lines that include P.O. Boxes to re-calculate the appropriate amount of High Cost Program support. Centennial argues that "[i]n neither of these decisions, nor in the relevant Commission rule, is there any suggestion that a mobile wireless ETCs should exclude from its line count filings any customer who uses a P.O. Box as his billing address."²⁰ While USAC agrees that nothing in the Commission's rules prohibits mobile wireless ETCs from including subscribers with P.O. Boxes in their line count filings,²¹ USAC concurs with Cotton that in order for carriers to include the lines, the carrier is required to map lines to their respective billing addresses and not to the geographic center of the zip code. (If the carrier only has the P.O. Box address for the customer, then Centennial should map to the exact location of the P.O. Box.)

USAC hereby denies Centennial's appeal. Centennial, may, at its option and within 60 days of the date of this decision letter submit revised line count filings by mapping the reported lines using a customer's full billing address (i.e., street address along with city, state, and zip code) or the physical location of their P.O. Box if a street address is not available for the customer, rather than the methodology used by Centennial for the period

¹⁵ *Id.*

¹⁶ *Independent Accountants Report*, page 7.

¹⁷ *See supra* note 12.

¹⁸ *Independent Accountants Report*, page 7.

¹⁹ *USAC Management Response*, page 2.

²⁰ *June 15 Letter*, page 4-5.

²¹ *See* 47 C.F.R. § 54.307(b).

audited. If Centennial submits a revised filing by the due date set forth on page 2 above, USAC will recalculate a recovery amount based on the new data. If Centennial declines to revise its line counts, USAC will recover \$30,605 of High Cost Program support previously disbursed to Centennial.

Also included in this review are decisions on Centennial's appeal of two findings: HC-2008BE082-F01 and HC-2008BE082-F02, which were deferred by USAC until the resolution of Centennial's 2009 appeal of similar audit findings identified in HC-2007BE075 (the 2009 Appeal).²² The recovery amounts associated with these findings are \$460,940 and \$405,853, respectively.²³

Finding HC-2008BE082-F01 - Incorrect Line Count for ISDN PRI and BRI Service

USAC deferred recovery of previously disbursed High Cost Program support pending USAC's decision on Centennial's 2009 Appeal filed for a similar finding (HC-2007BE075-F01) that it converted each PRI ISDN service to 24 lines for its FCC Form 525 reporting rather than five lines as instructed on FCC Form 525.^{24, 25} The auditors recommended that USAC recover \$460,940 in High Cost Program support that was previously disbursed. USAC deferred this recovery pending the outcome of the 2009 appeal.²⁶

In the appeal decision of audit HC-2007BE075 (*see* Appendix A hereto), USAC denied the appeal of this finding.²⁷ The facts are similar and the analysis of the finding for this section is identical to HC-2007BE075-F01. Therefore, consistent with such finding, USAC hereby applies the legal analysis from that finding to the finding results in this audit, thereby resulting in a recovery of \$460,940 in previously disbursed High Cost Program support.

Finding HC-2008BE082-F02 - Lack of Documentation for Access Lines

USAC deferred the recovery of this finding due to Centennial's previous appeal filed for a similar finding, HC-2007BE075-F02.²⁸ As a result of this finding, the auditors deemed the reported prepaid lines as invalid and recommended that USAC recover \$405,853 in previously disbursed High Cost Program support. USAC Management deferred this recovery pending the outcome of the 2009 appeal.²⁹

In the appeal decision of audit HC-2007BE075, USAC agreed that the document retention requirements set forth in 47 C.F.R. § 54.707 were not in effect for the time

²² USAC Management Response, pages 1, 2.

²³ *Id.*

²⁴ USAC Management Response, page 1.

²⁵ Independent Accountants Report, page 3.

²⁶ USAC Management Response, page 1.

²⁷ 2009 Appeal Decision Letter, page 2.

²⁸ USAC Management Response, page 2.

²⁹ *Id.*

Ms. Cathy Carpino
AT&T Services, Inc.
February 27, 2013
Page 6

period audited.³⁰ USAC granted Centennial's appeal of this finding in its previous audit. As such, USAC applies the same decision to the finding results in this audit and will not recover \$405,853 of High Cost Program support previously disbursed to Centennial.

USAC Action and Centennial Appeal Rights

USAC hereby denies Centennial's appeal of HC-2008BE082-F03, but will provide Centennial, at its option, the opportunity to submit within 60 days of the date of this letter revised line count filings based upon the mapping of customers' lines to physical locations of the street address or P.O. Box. If Centennial declines to submit revised line counts, USAC will recover \$30,605 of High Cost Program support previously disbursed.

USAC hereby denies the deferred appeal of HC-2008BE082-F01 and will recover \$460,940 of previously disbursed High Cost Program support.

USAC will offset any amounts to be recovered against support Centennial is scheduled to receive through the monthly High Cost Program support disbursement process. If amounts to be recovered by USAC exceed the current month's disbursement, USAC will continue to net the recovery amount against subsequent monthly disbursements. USAC also reserves the right in its discretion and at anytime to issue an invoice to Centennial for all or a portion of the amount to be recovered. If any further errors are found in any of Centennial's reporting for the period under audit herein, USAC reserves the right to recover the financial impact of those deviations.

If you wish to appeal this decision, you may file an appeal pursuant to the requirements of 47 C.F.R. Part 54, Subpart I. Detailed instructions for filing appeals are available at:

<http://www.usac.org/hc/about/program-integrity/appeals.aspx>.

//s// Universal Service Administrative Company

³⁰ 2009 Appeal Decision Letter, page 5.

Appendix A
Administrator's Decision on High Cost Program Beneficiary Appeal
of Audits of High Cost Program Beneficiaries: Centennial Puerto Rico Operations
Corp. (SAC 639001), Audit HC-2007-075

Exhibit D



Cathy Carpino
General Attorney

AT&T Services, Inc.
1120 20th Street NW Ste 1000
Washington, D.C. 20036
Phone (202)457-3046
Fax (202)457-3073
E-mail: cathy.carpino@att.com

July 15, 2010

Via E-mail

Letter of Appeal
High Cost and Low Income Division
Universal Service Administrative Company
2000 L St., NW
Suite 200
Washington, D.C. 20036

Re: Request for Review by AT&T Inc. of Decision of the Universal Service Administrator on Behalf of Centennial Puerto Rico Operations Corporation (SAC 639001)

Pursuant to section 54.719(a) of the Commission's rules,¹ AT&T Inc. ("AT&T"), on behalf of its subsidiary, Centennial Puerto Rico Operations Corporation ("Centennial Puerto Rico" or the "Company")² hereby seeks review of the amount of the alleged overpayment that the Company received as a result of the methodology it used to assign its subscribers to incumbent local exchange carrier ("ILEC") study areas. Based on AT&T's analysis of another Centennial affiliate that was audited by the same third-party auditor and had the same audit finding issued against it, we believe that the overpayment amount contained in Centennial Puerto Rico's final audit report and USAC's Management Response for Finding 3 may be overstated.³

¹ 47 C.F.R. § 54.719(a).

² Last November, the Commission approved AT&T Inc.'s acquisition of Centennial Communications Corp. See *Applications of AT&T Inc. and Centennial Communications Corp. for Consent to Transfer Control of Licenses and Authorizations, and Spectrum Leasing Arrangements*, WT Docket No. 08-246, 24 FCC Rcd 13915(2009).

³ See *Results of the 2008-2009 Federal Communications Commission (FCC) Office of the Inspector General (OIG) Audit, Centennial Puerto Rico Operations Corporation* (dated April 26, 2010) (attaching the final audit report (July 27, 2009) and USAC's Management Response (dated Feb. 25, 2010)). The

As part of the Commission's Office of the Inspector General's Improper Payment Information Act audits, a third party auditor, Cotton and Company ("Cotton"), audited the Company's compliance with the Commission's high-cost rules during the twelve-month period that ended on June 30, 2008. Cotton issued a finding against Centennial Puerto Rico for its practice of using only its subscribers' billing ZIP codes to assign customers to ILEC study areas.⁴ According to Cotton, by not utilizing its subscribers' full billing addresses (i.e., street address along with city, state, and ZIP code) when assigning them to ILEC study areas, the Company reported a "material number" of subscribers in incorrect study areas.⁵ Cotton concluded that, as a result of the Company's methodology, it received \$30,605 more than it should have. This is the third appeal that AT&T has filed on behalf of its legacy Centennial subsidiaries on this issue. On June 7, 2010, AT&T filed an identical appeal with USAC on behalf of Centennial Beauregard and four other Centennial entities, and we filed another appeal on behalf of Centennial Beauregard on June 29, 2010.⁶

cover letter, dated April 26, 2010, states that the Company must file any appeal of the audit findings within 60 days "of receipt of this letter." Unfortunately, Company personnel do not know when AT&T received the letter. To the extent that the 60-day period has lapsed, we respectfully request that USAC grant us an extension. We apologize for any delay and we believe that, going forward, we have a sound process in place to ensure that such extension requests will be unnecessary in the future. *See* Letter from Cathy Carpino, AT&T, to High Cost and Low Income Audits (dated June 9, 2010) (requesting that the undersigned be made the contact for future audit-related correspondence).

⁴ *See* Centennial Puerto Rico Operations Corporation Final Audit Report at 7. As a competitive eligible telecommunications carrier (ETC), the Company's high-cost support is based on the per line support of the ILEC that provides service in that particular area. For purposes of reporting subscribers in line count filings used to determine high-cost support, the Commission directed mobile wireless ETCs to use their subscribers' billing addresses. *See Rural Task Force Order*, 16 FCC Rcd 11244, ¶ 181 (2001); *2005 ETC Report and Order*, 20 FCC Rcd 6371, ¶¶ 82-83 (2005).

⁵ Centennial Puerto Rico Operations Corporation Final Audit Report at 7.

⁶ Letter of Appeal from Cathy Carpino, AT&T, to High Cost and Low Income Division, USAC (dated June 7, 2010) ("AT&T June 7 Appeal"); Letter of Appeal from Cathy Carpino, AT&T, to High Cost and Low Income Division, USAC (dated June 29, 2010).

Cotton derived its \$30,605 figure by using mapping software to identify the exact geographic locations of the Company's subscribers for two sample line counts and then by calculating the amount of support the Company should have received had it assigned its subscribers to ILEC service areas based on its subscribers' complete billing addresses.⁷ AT&T Mobility, which now manages the line count filings for Centennial, uses the same geocoding software (MapInfo) as Cotton. When AT&T Mobility personnel tried to replicate Cotton's overpayment analysis for another Centennial affiliate, Centennial Beauregard, based on that affiliate's September 30, 2006 line count filing, using that same software program, they were unable to do so.⁸ In fact, AT&T Mobility's estimated overpayment was dramatically less than the amount contained in the Company's final audit report covering June 2007-June 2008. Given the large discrepancy (AT&T's estimate was approximately 26 percent of Cotton's estimate for that particular line count filing), AT&T contacted Cotton to request a copy of their audit work papers in order to understand the reason for this significant gap. Through subsequent conversations and e-mail exchanges with Cotton, we learned that Cotton excluded from its analysis all of Centennial's subscribers who have billing addresses that lack a street address (e.g., subscribers with post office boxes). In other words, Cotton concluded that subscribers who have P.O. boxes as part of their billing address should not have been included in Centennial's line count filings and, thus, Centennial's affiliates were not permitted to obtain high-cost support for providing supported services to such customers. There is nothing in the Commission's rules, however, that prohibits mobile wireless ETCs from including subscribers with P.O. boxes in their line count filings.

⁷ Centennial Puerto Rico Operations Corporation Final Audit Report at 7.

⁸ See AT&T June 7 Appeal. AT&T Mobility personnel selected Centennial Beauregard's September 30, 2006 line count filing to test since it was the affiliate that Cotton identified as receiving the largest overpayment. *Id.* at 3.

In its 2001 *Rural Task Force Order*, the Commission recognized that, unlike wireline ETCs, mobile wireless ETCs do not provide service to a fixed location and, therefore, “there is a question as to how to relate a mobile wireless carrier to [an ILEC’s study area] for purposes of determining how much support a carrier is entitled to for serving that customer.”⁹ The Commission found that mobile wireless ETCs should be required to use their customers’ billing addresses since doing so is “reasonable and the most administratively simple solution to this problem.”¹⁰ In reaching this decision, the Commission acknowledged that billing addresses “could allow arbitrage” (i.e., by enabling a carrier to identify a customer in a high-cost zone when service is taken primarily in a low-cost zone in order to receive a higher level of per-line support).¹¹ Consequently, the Commission stated that it would monitor the reasonableness of using a customer’s billing address as the surrogate for a mobile wireless customer’s location.¹²

Upon further review in 2005, the Commission reaffirmed its earlier decision, noting that “the underlying address information will be provided by the customer, who is unlikely to be providing false information in order to increase universal service payments to its service provider.”¹³ The Commission also explained that, since it issued its decision in 2001, it was unaware of any allegation that a mobile wireless ETC was misusing customer billing addresses for arbitrage purposes. In neither of these decisions, nor in the relevant Commission rule,¹⁴ is there any suggestion that a mobile wireless ETC should exclude from its line count filings any

⁹ *Rural Task Force Order*, ¶ 181.

¹⁰ *Id.*

¹¹ *Id.*, ¶ 183.

¹² *Id.*

¹³ *2005 ETC Report and Order*, ¶ 82.

¹⁴ 47 C.F.R. § 54.307.

customer who uses a P.O. box as her billing address. Indeed, the only mention of “post office boxes” in the context of a mobile wireless customer’s location was in a 2004 Joint Board Recommended Decision, where the Joint Board recommended that the “Commission develop the record on the following issues: First, is the [Mobile Telecommunications Sourcing Act’s] place of primary use approach an efficient method to redefine the location of mobile service lines? This may in part depend on the extent to which post office boxes are used to misrepresent customer locations. . .”¹⁵ The Commission acted on the Joint Board’s Recommended Decision in its *2005 ETC Report and Order* and yet, despite the Joint Board’s express mention of “post office boxes,” the Commission declined to modify its rules and, instead, explained how unlikely it would be for the customer to provide false information since doing so provides no benefit to the customer.¹⁶

Cotton has not alleged that Centennial Puerto Rico (or, for that matter, any of Centennial’s affiliates) is using P.O. boxes to “misrepresent customer locations” nor could it: As the Commission recognized, it is the customers who provide mobile wireless ETCs with their billing information and there is no incentive for them to provide billing addresses that are designed to maximize the high-cost support received by their service providers. Thus, Cotton was incorrect to exclude from its mapping process those subscribers who have P.O. boxes as part of their billing address. Based on its review of Centennial Beauregard’s September 30, 2006 line count filing (which was one of three Centennial Beauregard line count filings reviewed by Cotton during its audit covering June 2007-June 2008), AT&T estimates that almost 20 percent of this affiliate’s subscribers have P.O. boxes. This percentage almost doubles for Centennial

¹⁵ *Federal-State Joint Board on Universal Service*, Recommended Decision, CC Docket No. 96-45, 19 FCC Rcd 4257, ¶ 103 (2004).

¹⁶ *2005 ETC Report and Order*, ¶ 82.

Puerto Rico's subscribers. It is not surprising that such a large number of Centennial's subscribers have P.O. boxes since its affiliates are providing service in truly remote areas.

Including such subscribers is consistent with AT&T Mobility's practice of using its mapping software to assign subscribers with P.O. boxes to an ILEC study area based on the customer's billing ZIP code. The software will always plot the latitude and longitude of the center of the geographic area of the ZIP code (either ZIP+4 code, ZIP+2 code or the center of the entire ZIP code). Thus, there can be no claim that AT&T Mobility is somehow manipulating its subscribers' data to maximize its high-cost support payments. Moreover, this practice is consistent with the Commission's orders and rules, which require mobile wireless ETCs to use their "customer's billing address for purposes of identifying the service location of a mobile wireless customer in a service area."¹⁷ The Commission has never directed mobile wireless ETCs to exclude certain types of billing addresses from their line count filings. Until the Commission declares otherwise, it is therefore appropriate for mobile wireless carriers to obtain support for providing service to subscribers who have P.O. boxes as part of their billing address.

AT&T respectfully requests that USAC direct Cotton to revise its overpayment analysis by mapping Centennial Puerto Rico's subscribers who have billing addresses with P.O. boxes since these are legitimate billing addresses and the Company is permitted to include such subscribers in its line count filings. AT&T also asks that USAC direct Cotton to revise any

¹⁷ 47 C.F.R. §54.307(b).

conclusion that the Company’s use of its subscribers’ billing zip codes resulted in a “significant deficiency in internal control over support received.”¹⁸

Respectfully Submitted,

/s/ Cathy Carpino
Cathy Carpino

Attachments

¹⁸ Centennial Puerto Rico Operations Corporation Final Audit Report at 2.

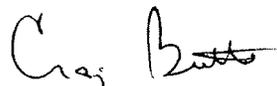
**Before the
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
Washington, DC 20036**

**Request for Review by AT&T Inc. of Decision of the Universal Service Administrator on
Behalf of Centennial Puerto Rico Operations Corporation (SAC 639001)**

DECLARATION OF CRAIG BUTLER

I, CRAIG BUTLER, do hereby, under penalty of perjury, declare and state as follows:

1. My name is Craig Butler, I am a Lead Finance Analyst employed by Cingular Wireless Employee Services LLC, a subsidiary of AT&T Mobility LLC, a wholly owned subsidiary of AT&T Inc. In that capacity, I was and am familiar with the filing of the FCC Form 525s with the Universal Service Administrative Company for the subsidiaries of AT&T Mobility LLC and with the mapping software used to complete those filings.
2. In accordance with Commission rules, 47 C.F. R. § 54.721 (b)(2), I have reviewed the factual assertions set forth in the appeal and hereby certify that they are true and correct to the best of my knowledge.



Name

Dated: JULY 15TH 2010

Certified Mail, Return Receipt Requested

April 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

**INDEPENDENT ACCOUNTANT'S REPORT
REPORT NO. HC2008BE082**

**CENTENNIAL PUERTO RICO OPERATIONS CORPORATION
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
HIGH COST PROGRAM SUPPORT FOR THE YEAR ENDED JUNE 30, 2008
STUDY AREA CODE No. 639001**

**Cotton &
Company**

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**INDEPENDENT ACCOUNTANT'S REPORT
REPORT NO. HC2008BE082**

July 27, 2009

Centennial Puerto Rico Operations Corporation
Universal Service Administrative Company
Federal Communications Commission

We have examined Centennial Puerto Rico Operations Corporation (the Beneficiary) compliance relative to Study Area Code (SAC) No. 639001 with 47 CFR Part 54, Subparts C, D, J, and K of the Federal Communications Commission's (FCC) rules and related orders governing Universal Service Support for the High Cost Program (HCP) relative to \$24,184,283 of support received from the Universal Service Fund HCP during the 12-month period ending June 30, 2008. Management is responsible for the Beneficiary's compliance with these requirements. Our responsibility is to express an opinion on the Beneficiary's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and 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 about the Beneficiary's compliance with specified requirements 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 Beneficiary's compliance with specified requirements.

Our examination disclosed that the Beneficiary over-reported the number of Integrated Services Digital Network (ISDN) Primary Rate Interface (PRI) and Basic Rate Interface (BRI) lines on its Form 525 submissions, resulting in an estimated overpayment of \$905,758 in Interstate Common Line Support (ICLS). Additionally, the Beneficiary did not have evidence to support that prepaid lines reported on Form 525 submissions were active loops. It received \$405,853 in ICLS for these prepaid lines. See Finding Nos. F01 and F02 in the Schedule of Findings.

In our opinion, except for the instances of material noncompliance described in the preceding paragraph, the Beneficiary complied, in all material respects, relative to SAC No. 639001 with 47 CFR Part 54, Subparts C, D, J, and K of FCC rules and related orders governing Universal Service Support for HCP relative to disbursements of \$24,184,283 for telecommunications services made from the Universal Service Fund during the 12-month period ending 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 findings that are required to be reported under *Government Auditing Standards* and these findings, along with the views of management, are described in the attached Schedule of 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 Finding Nos. F01, F02, and F03 described in the Schedule of Findings to be significant deficiencies 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 material weaknesses. We consider Finding Nos. F01 and F02 to be material weaknesses.

We noted two immaterial violations of HCP requirements that we have reported as Finding No. F03 and F04 in the Schedule of Findings. In addition, we have commented on a clarification issue identified during our examination in Comment No. C01 in the Schedule of Findings.

This report is intended solely for the information and use of the Beneficiary, Universal Service Administrative Company (USAC), and FCC and is not intended to be and should not be used by anyone other than those specified parties; however, this report is a matter of public record.

COTTON & COMPANY LLP

A handwritten signature in black ink, appearing to read "Michael W. Gillespie". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael W. Gillespie, CPA, CFE
Operations Managing Partner

CENTENNIAL PUERTO RICO OPERATIONS CORPORATION
REPORT NO. HC2008BE082
SCHEDULE OF FINDINGS

FINDING NO. HC2008BE082_F01

Condition

The Beneficiary over-reported the number of lines for ISDN PRI and BRI service. It included 24 lines for each ISDN PRI trunk reported on its Form 525 submissions for ICLS, rather than 5 as required, and 2 lines for each ISDN BRI trunk, rather than 1 as required.

Criteria

Instructions for Completing FCC Form 525, June 2005, page 8, Column 31, which is directly related to ICLS support, states:

Multi-Line Business: CETC must identify its total number of multi-line business access lines in service. Multi-line business class lines reported may include multi-line business, Centrex, PRI ISDN, and other related business class lines. Such lines include all business class lines assessed the end user common line charge pursuant to 47 C.F.R. § 69.104. Pursuant to § 69.104(p) and (q), you should include in your multi-line business access line count five (5) lines for each PRI ISDN service arrangement that you offer in your study area.

According to 47 CFR § 54.307, *Support to a competitive eligible telecommunications carrier*, Section (a)(1):

... A competitive eligible telecommunications carrier serving loops in the service area of a rural incumbent local exchange carrier, as that term is defined in §54.5 of this chapter, shall receive support for each line it serves in a particular service area based on the support the incumbent LEC would receive for each such line, disaggregated by cost zone if disaggregation zones have been established within the service area pursuant to §54.315 of this subpart. 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.

47 CFR § 69.104, *End User Common Line for non-price cap local incumbent exchange carriers*, Section (p), states:

Beginning January 1, 2002, nonprice cap local exchange carriers shall assess: 1) No more than one End User Common Line charge as calculated under the applicable method under paragraph (n) of this section for Basic Rate Interface integrated services digital network (ISDN) service; 2) No more than five End User Common Line charges as calculated under paragraph (o) of this section for Primary Rate Interface ISDN service.

Cause

The Beneficiary did not consider FCC regulations to clearly prescribe the manner in which to count ISDN PRI and BRI trunks.

Effect

We calculated the ICLS overpayment related to excess lines reported on Form 525 submissions that used September 2006 and June 2007 line-count data. We then extrapolated this overpayment to the balance of the examination period based on the percentage of USAC disbursements tested to total disbursements. The overpayment calculation follows:

Line Count (as of)	Amounts
September 2006	\$196,051
June 2007	264,889
Total Overpayment in Sample	\$460,940
% of Disbursements Tested	50.89
Total Estimated Overpayment	<u>\$905,758</u>

Recommendation

We recommend that the Beneficiary revise its policies and procedures to report lines on the Form 525 submissions in accordance with FCC regulations.

Management Response

Management responded as follows:

The auditors concluded—based on the instructions to FCC Form 525, and Section 54.307(a)(1) and 69.104(p) of the FCC’s rules—that Centennial incorrectly reported its ISDN PRI and BRI trunks. The auditors assert that Centennial should have reported only five for each PRI trunk and one for each BRI trunk, instead of the number of lines these types of trunks are capable of carrying pursuant to industry standards—24 for PRI trunks and 2 for BRI trunks.¹

The language from the FCC Form 525 instructions cited by the auditors reads:

CETC must identify its total number of multi-line business access lines in service. Multi-line business class lines reported may include multi-line business, Centrex, PRI ISDN, and other related business class lines. Such lines include all business class lines assessed the end user common line charge pursuant to 47 C.F.R. § 69.104. Pursuant to §§ 69.104(p) and (q), you should include in your multi-line business access line count five (5) lines for each PRI ISDN service arrangement that you offer in your study area.²

*The fatal flaw in these instructions is that they fail to mention BRI trunk at all, then rely entirely on a regulation that only applies to ILECs, 47 C.F.R. § 69.104. In fact, the very first paragraph of section 69.104 states that “[t]his section is applicable **only** to incumbent local exchange carriers that are not subject to price cap regulation...”³ Not only is it limited to ILECs, but it is not even applicable to all ILECs—it is limited to non-price cap ILECs. (The instructions do not reference the companion rule for price cap ILECs found at 47 C.F.R. § 69.152(l), which is equally inapplicable.) None of the rules that actually apply to CETCs cross-reference this rule, or in any way indicate that this rule is to guide CETCs in reporting their line counts. It is beyond doubt, therefore, that this regulation simply does not apply to CETCs, such as Centennial (who is neither an ILEC nor subject to any sort of rate of return or similar regulation). USAC is prohibited*

under FCC rules from making the policy determination that this ILEC rule should be extended to CETCs.⁴

Moreover, the reason why ILECs report fewer lines for PRI and BRI trunks is the result of an effort to accommodate ILECs' desire to reduce charges paid by ILEC business customers. Specifically, end users such as these business customers pay common line ("EUCL") charges. What the ILECs do not recover through the EUCL, they recover through other means. Without delving into the details, it is sufficient for present purposes to say that the ILECs were previously required to report the full number of circuits that could be provided over PRI and BRI ISDN trunks. This rule was changed to allow ILECs to limit the number of EUCL charges assessed on their business customers, and therefore, the corresponding rule was changed to limit the number of trunks reported in connection with their high cost funding reports.⁵ The result is that while their overall level of recovery is not diminished, it is generally shifted away from charges assessed on end users (the exact formulation for price-cap ILECs is different from non-price cap ILECs).

CLECs, on the other hand, were never part of this restructuring process and have continued the practice of reporting the number of lines that these trunks are technically capable of carrying. The FCC has never said or even implied in any order, regulation or elsewhere that this rule (or its counterpart for price cap ILECs) applies to CETCs. In light of the foregoing, Centennial suggests that the auditors seek further guidance from USAC on this issue.

Quotation Footnotes

¹See e.g., *In Re Access Charge Reform; Price Cap Performance Review for Local Exchange Carriers; Transport Rate Structure and Pricing End User Common Line Charges*, First Report and Order, 12 FCC Rcd 15982 (FCC rel. May 16, 1997) at ¶ 111; *In Re 1997 Annual Access Tariff Filings*, Memorandum Opinion and Order, 13 FCC Rcd 3815 (FCC rel. Dec. 1, 1997) at ¶ 90 (stating that "the Access Charge Reform Order reduced the number of EUCL charges assessed on primary rate interface (PRI) ISDN lines from twenty-four to five, and reduced the number of EUCL charges assessed on basic rate interface (BRI) ISDN lines from two to one.").

²Competitive Carrier Line Count Report, FCC Form 525 (June 2005) at 8 (emphasis added).

³47 C.F.R. § 69.104(a) (emphasis added).

⁴47 C.F.R. § 54.702(c).

⁵See summary of these revisions to the rules in *In Re National Exchange Carrier Association Petition to Amend Section 69.104 of the Commission's Rules*, Order Granting Petition for Rulemaking, Notice of Proposed Rulemaking, and Order Granting Interim Partial Waiver (FCC rel. July 19, 2004) at ¶¶ 2-8.

FINDING NO. HC2008BE082_F02

Condition

The Beneficiary did not maintain evidence to show that prepaid lines reported on Form 525 submissions were active loops during the testing period. It could not provide line-count data to support September 2006 and June 2007 prepaid lines reported.

Criteria

According to 47 CFR § 32.12, *Records*, Section (b):

The company's financial records shall be kept with sufficient particularity to show fully the facts pertaining to all entries in these accounts. The detail records shall be filed in such manner as to be readily accessible for examination by representatives of this Commission.

Cause

The Beneficiary stated that prepaid lines were managed by an outside vendor on the vendor's proprietary system. The vendor had recently changed platforms and had considerable trouble recovering historical data.

Effect

This issue affects all prepaid lines reported in the examination period. We obtained the Beneficiary's summaries of prepaid lines reported for each period, applied the per-line USAC disbursement rate, and calculated the ICLS overpayment associated with those lines, as follows:

Line Count (as of)	Amount
September 2006	\$79,262
December 2006	56,693
March 2007	97,007
June 2007	<u>172,891</u>
Total Overpayment	<u>\$405,853</u>

Recommendation

We recommend that the Beneficiary maintain supporting documentation for lines reported in Form 525 submissions.

Management Response

Management responded as follows:

This issue concerns the retention of documents demonstrating that prepaid lines reported on Centennial's 525 reports were active loops. The auditors erroneously rely on 47 C.F.R. § 32.12 as its basis for recommending recovery. Section 32.12 of the Commission's rules is a financial record-keeping rule that is only applicable to carriers subject to the Uniform System of Accounts ("USOC"). The USOC, however, is only applicable to ILECs and carriers specifically subjected to these rules via Commission order.¹ Centennial is not subject to USOC.

Centennial also notes that the FCC only recently introduced a document retention requirement for high cost filings, found at 47 C.F.R. § 54.202(e).² This rule became effective January 23, 2008.³ None of the amounts called into question here pertain to data from or reports generated or filed during the period prior to January 23, 2008. Moreover, USAC has recently sought guidance from the FCC on this very point.⁴ As a result, it is inappropriate for the auditors to recommend any action or to characterize

any support provided in connection with Centennial's prepaid services as "overpayments" unless and until the proper application of this rule is resolved with finality.

Quotation Footnotes

¹ 47 C.F.R. § 32.11(a).

² *In Re Comprehensive Review of the Universal Service Fund Management, Administration, and Oversight, Federal-State Joint Board on Universal Service, Schools and Libraries Universal Service Support Mechanisms, Rural Health Care Support Mechanism, Lifeline and Link-Up, Changes to the Board of Directors for the National Exchange Carrier Association, Inc.*, Report and Order, 22 FCC Rcd 16372 (FCC rel. Aug. 29, 2007).

³ 72 Fed. Reg. 54,214 (Sept. 24, 2007); 73 Fed. Reg. 11,837 (Mar. 5, 2008) (providing OMB approval date for and therefore effective date of the addition of subsection (e) to 47 C.F.R. § 54.202(e)).

⁴ *Comment Sought on Request for Universal Service Fund Policy Guidance Requested by the Universal Service Administrative Company, Public Notice, DA 09-2117 (FCC rel. Sept. 28, 2009) (seeking comments on, among other things, Aug. 19, 2009 letter from USAC seeking guidance on this issue at pages 3-4).*

FINDING NO. HC2008BE082_F03

Condition

The Beneficiary reported lines in incorrect Incumbent Local Exchange Carrier (ILEC) service areas and received support for which it was not entitled. The Beneficiary used customer billing ZIP Codes to identify and report lines in ILEC areas based on which carrier serviced the largest land area in a particular ZIP Code. For example, if two ILECs serviced one ZIP Code, one covering 60 percent of the area and the other 40 percent, the Beneficiary reported all lines in the larger ILEC area. This method did not accurately identify the number of lines in each ILEC service area. We used mapping software specifically designed for the telecommunications industry to identify exact geographic locations of customer billing addresses for two sample line counts to ILEC service areas. We determined that a material number of lines were reported to incorrect ILEC service areas.

Criteria

According to 47 CFR § 54.307, *Support to competitive eligible telecommunications carrier*, Section (a):

A competitive eligible telecommunications carrier shall receive universal service support to the extent that the competitive eligible telecommunications carrier captures the subscriber lines of an incumbent local exchange carrier or serves new subscriber lines in the ILEC's service area.

Cause

The Beneficiary considered its method for mapping lines to be reasonable.

Effect

The Beneficiary received more HCP support than it was entitled to receive had it reported lines in correct ILEC service areas. To determine the overpayment amount we first calculated overpayments by support type for the sample line counts. We then projected total overpayments by calculating the percentage of disbursements related to sampled line counts to total disbursements for the examination period. We divided the overpayment amount by this percentage. The table below details the calculation.

Line Count (as of)	Amounts
September 2006	\$19,928
June 2007	10,677
Total Overpayments in Sample	\$30,605
% of Disbursements Tested	50.89
Total Estimated Overpayment	<u>\$60,140</u>

Recommendation

We recommend that the Beneficiary revise its methodology to accurately identify and report lines in correct ILEC service areas.

Management Response

Management responded as follows:

Centennial cannot adequately assess the accuracy of the auditors' asserted "overpayments," even if the auditors are correct in their assessment that there was, indeed, inaccurate reporting or record keeping by Centennial. The auditors do not provide enough information such that Centennial is able to verify the auditors' calculations, or assess the reasonableness of the many instances in which the auditors extrapolate certain findings based on what appears to be limited data over the entire audited period. Centennial would need to review the auditors' calculations in order to assess the accuracy thereof, as well as the statistical validity of their methodology. Centennial requests, therefore, copies of the auditors' workpapers and calculations used in arriving at the "overpayment" amounts included in their reports.

Centennial reserves the right to contest whether the recommended claw backs meet what is, apparently, a non-public materiality threshold for high-cost audits, as well as the propriety of any materiality threshold, particularly one that is non-public.¹ Centennial is unable to provide a thorough analysis of materiality, however, until it is provided with the above-requested workpapers and calculations.

The issue in the above-listed findings involves the methodology used to assign Centennial wireless customers to particular incumbent local exchange carrier ("ILEC") study areas. As a competitive eligible telecommunications carrier ("CETC"), Centennial's per-line support is determined by the per-line support that the ILEC receives for the affected area. Wireless customers, however, are mobile, and the services they receive are not confined to any particular study area. Recognizing this problem, the FCC decided to rely upon a "reasonable surrogate" for a customer's service location, based on billing addresses.²

In conducting these audits, the auditors noted Centennial's "ZIP code" method of assigning its customers to study areas and then concluded, based on their use of mapping software to geocode customer billing addresses, that Centennial's method was erroneous. The auditors' Schedules of Findings, however, fail to demonstrate that the FCC's rules require the use of such software, or even to explain why Centennial's method does not satisfy the FCC's rules. Centennial submits that the reason why the Schedules of Finding do not do so is because Centennial's method complies with the FCC's rules.

Moreover, even assuming that the auditors are correct that Centennial may not assign lines to study areas using ZIP codes, the auditors appear to have (1) made the assumption that all ZIP code were affected, (2) did not test all disbursements, and (3)

failed to explain what percentages were used in estimated asserted overpayments. With respect to the first point, the auditors summarize Centennial's method as such: "if two ILECs serviced one ZIP code, one covering 60 percent of the area and the other 40 percent, the Beneficiary reported all lines in the larger ILEC area" (emphasis added). Even if the auditors are correct that Centennial's method does not comply with FCC rules, it would only be an issue if more than one ILEC serves a particular ZIP code. Conversely, if there is only one ILEC in that ZIP code, all lines would be assigned to that ILEC, whether one uses Centennial's or the auditors' method. Yet the auditors appear to have applied erroneous percentages across all ZIP codes, without eliminating support associated with one-ILEC ZIP codes. Second, the auditors note that they did not test all disbursements, and did not even test half in the case of ICLS and IAS. Centennial would like further explanation of the statistical validity of these methods. Third, the auditors do not explain what percentages they used in determining the asserted overpayments. Centennial requests access to the underlying calculations in order to more fully comment on this point.

Finally, the auditors are indecisive about what action should be taken. In the first Centennial audit in which the auditors raised this issue (HC-2007-07), the auditors provided no final recommendation, but merely recommended that Centennial "work with USAC." USAC's response was that it would "follow up with an evaluation and review of the audit documentation and engage the audit firm to conduct further examination." To Centennial's knowledge, USAC has never followed up with the auditors. Yet in these most recent audits, the auditors no longer recognize the need for guidance from USAC.

If the auditors' position is that FCC rules do not require the use of mapping software, then it is unclear what the auditors are claiming Centennial failed to do that the auditors believe is required by the FCC rules. Centennial suggests that the auditors undertake whatever methodology is actually required under the FCC rules and employ such methodology to obtain the results it reports to USAC. Any other approach is invalid.

Quotation Footnotes

¹ See e.g., *In Re Request for Review of AT&T Inc. of Decision of Universal Service Administrator, Request for Review by AT&T Inc. of Decision of the Universal Service Administrator*, CC Docket No. 96-45, WC Docket No. 05-337 (filed Apr. 24, 2009).

² *In Re Federal-State Joint Board on Universal Service, Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposal Rulemaking in CC Docket No. 96-45, and Report and Order in CC Docket No. 00-256, 16 FCC Rcd 11244 (FCC rel. May 23, 2001) at ¶¶ 180-81; 47 C.F.R. § 54.307(b).

Auditor's Response

We did not state or intend to imply that FCC rules require the use of mapping software. We obtained mapping software, which is used by most CETCs, to identify which ILEC would serve each customer's billing address for purposes of our examination. For the sample of customers tested, results were clear that a significant number were assigned to incorrect study areas, and thus the Beneficiary was in many cases overpaid. Accordingly, the methodology used by the Beneficiary did not result in a reasonable determination of the lines in each ILEC service area in accordance with the FCC rules.

While we provided the example of two ILECs serving one ZIP code, this issue also affects areas in which there is only one ILEC in a ZIP code. The Beneficiary mapped each customer as if the customer was located in the center of a ZIP code area. Customers may, however, have been assigned ZIP codes for

mail-delivery purposes, but actually live outside that ZIP code boundary and possibly within another ILEC service area.

We provided extrapolated overpayment amounts for USAC and FCC to use in considering potential actions.

FINDING NO. HC2008BE082_F04

Condition

We tested a sample of 70 lines against customer bills and reviewed information on the Beneficiary's customer-care system. We identified eight discrepancies on these lines:

- Two mobile numbers could not be located in the customer-care system.
- Four ZIP Codes recorded in line-count reports for customers who had moved did not agree with ZIP Codes on customer bills for the period tested.
- One mobile number had been disconnected and reassigned as of the line-count date per the customer-care system, but was reported on the line-count report to the former customer.
- One customer's address for the line-count period did not agree between the customer bill and the customer-care system. This customer was not reported as having moved.

Criteria

Instructions for Completing Competitive Carrier Line Count Report FCC Form 525 state:

By completing the reporting carrier certification page, the officer or employee of the reporting carrier is certifying that: (1) he/she is an officer or an authorized employee of the reporting carrier; (2) his/her responsibilities include ensuring the accuracy of the actual line count data reported on the form; and (3) the information reported on the form is accurate to the best of his/her knowledge.

Cause

The Beneficiary did not provide sufficient information to enable us to determine the cause of these discrepancies.

Effect

Errors in recording and reporting line-count data could result in over- or underpayments from USAC.

Recommendation

We recommend that the Beneficiary research and identify the cause for these discrepancies and determine if system changes are needed to ensure the accuracy of reported line-count data.

Management Response

Management responded as follows:

Centennial fully cooperated with the auditors with respect to their questions regarding all customers. From April through July 2009, Cotton & Company worked with Centennial to resolve the auditors' questions regarding the status and addresses of Centennial Puerto Rico Operations Corporation's customers. Some of this work was done via email, and some was done during the in-person visits by the auditors. Centennial believes that it provided a response to all questions posed by the auditors, and otherwise fully cooperated with the audit. The auditors' claim that Centennial "did not respond to our questions" is unsubstantiated. Given the small number of telephone numbers involved in this finding, the auditors should list the specific numbers at issue so that Centennial can more particularly refute the auditors' claim that it failed to fully respond to all inquiries.

Auditor's Response

The Beneficiary cooperated and was responsive to our questions and requests for additional information. We did, however, have follow-up questions for the Beneficiary, but it did not provide sufficient information for all address discrepancies we noted.

COMMENT NO. HC2008BE082_C01

Condition

The Beneficiary reported the maximum number of wire lines that a particular trunked service was capable of providing, rather than reporting lines in the same manner as ILECs. ILECs use guidance available in the NECA Loop Count Guide for USF, Cost Study and Cost Company Pool Reporting. The Loop Guide provides guidance for counting lines to calculate support costs. This guide is not, however, readily available to Competitive Eligible Telecommunications Carriers (CETCs). Because support is based on these counts, CETCs and ILECs using differing reporting methods would receive differing support amounts. As a CETC, the Beneficiary did not have access to the Loop Guide.

The difference by service type between the number of lines reported by the Beneficiary and those outlined in the Loop Guide follows:

Service Type	Reported by Beneficiary	NECA Loop Guide	Difference
ADSL with Voice	1	0	1
BDSL with Voice, Bundle 1	1	0	1
BDSL with Voice, Bundle 2	1	0	1
DS3 Access Trunk	672	24	648
DS3 PRI Trunk	672	24	648
ISP Dial Up Port	24	1	23
Totals	<u>1,371</u>	<u>49</u>	<u>1,322</u>

Criteria

Limited guidance is available to assist CETCs in counting lines for reporting. The rule outlined in 47 CFR § 54.307, *Support to competitive eligible telecommunications carrier*, Section (a) states:

A competitive eligible telecommunications carrier shall receive universal service support to the extent that the competitive eligible telecommunications carrier captures the

subscriber lines of an incumbent local exchange carrier (LEC) or serves new subscriber lines in the incumbent LEC's service area.(1) A competitive eligible telecommunications carrier serving loops in the service area of a rural incumbent local exchange carrier, as that term is defined in §54.5 of this chapter, shall receive support for each line it serves in a particular service area based on the support the incumbent LEC would receive for each such line, disaggregated by cost zone if disaggregation zones have been established within the service area pursuant to §54.315 of this subpart.

The Instructions for Completing FCC Form 525, June 2005, which relates only to ICLS line-count reporting, states:

Multi-Line Business: CETC must identify its total number of multi-line business access lines in service. Multi-line business class lines reported may include multi-line business, Centrex, PRI ISDN, and other related business class lines. Such lines include all business class lines assessed the end user common line charge pursuant to 47 C.F.R. § 69.104. Pursuant to § 69.104(p) and (q), you should include in your multi-line business access line count five (5) lines for each PRI ISDN service arrangement that you offer in your study area.

Further, 47 CFR § 69.104, *End user common line for non-price cap incumbent local exchange carriers*, Section p, referred to above, states:

Beginning January 1, 2002, non-price cap local exchange carriers shall assess: (1) No more than one End User Common Line charge as calculated under the applicable method under paragraph (n) of this section for Basic Rate Interface integrated services digital network (ISDN) service. (2) No more than five End User Common Line charges as calculated under paragraph (o) of this section for Primary Rate Interface ISDN service.

Cause

FCC rules and orders are imprecise regarding reporting the above-noted services. While the Loop Guide is available to ILECs, no similar guide exists for the CETCs. Without more specific guidance, the Beneficiary counted the number of service-line equivalents that each service offered.

Effect

Based on data available, we estimated that the Beneficiary received \$354,593 more ICLS support than it would have received if lines were counted as indicated by the Loop Guide.

Recommendation

We recommend that USAC seek guidance from FCC to clarify and communicate the appropriate method for CETCs to use in reporting lines.

Management Response

Management responded as follows:

With respect to trunked services other than ISDN lines, the auditors only made the following comment: “[w]e recommend that USAC seek guidance from [the] FCC to clarify and communicate the appropriate method for CETCs to use in reporting lines.” What troubles the auditors apparently is that Centennial is not reporting trunked lines in

the same manner as ILECs. Yet there is nothing in the FCC's rules, including 54.307(a) and 69.104(p) cited by the auditors, that requires this, and as discussed above, section 69.104(p) does not apply to CETCs at all. The auditors implicitly recognize this because their recommendation does not assert that Centennial has violated any FCC rules. The auditors also discuss the instructions to the form 525 as well as the NECA "Loop Guide." Again, as discussed above, the instructions to the 525 are not binding, and rely on an inapplicable rule (section 69.104). As for the NECA Loop Guide, this is a proprietary document only available to NECA members. Centennial is not a NECA member, but more importantly, the FCC rules do not require any CETC to follow this guide. Nor may USAC impose such a requirement, as USAC is barred under FCC rules from creating policy or regulations.¹

Quotation Footnote

¹ 47 C.F.R. § 54.702(c).

USAC Management Response

Date: February 25, 2010

Subject: Improper Payment Information Act (IPIA) Audit of the High Cost Program of Centennial Puerto Rico Operations Corporation, HC-2008-082

USAC management has reviewed the IPIA Audit of Centennial Puerto Rico Operations Corporation ("the Carrier"), SAC 639001. The audit firm Cotton & Company has issued a qualified opinion in its audit report. Our response to the audit is as follows:

Finding 1

Condition:

The Beneficiary over-reported the number of lines for ISDN PRI and BRI service. It included 24 lines for each ISDN PRI trunk reported on its Form 525 submissions for ICLS, rather than 5 as required, and 2 lines for each ISDN BRI trunk, rather than 1 as required.

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 the instructions for FCC Form 525. The instructions state that a CETC "should include in [its] multi-line business access line count five (5) lines for each PRI ISDN service arrangement that [it] offer[s] in [its] study area." Reporting more than five (5) lines for each PRI ISDN service arrangement results in excess ICLS received by the Carrier.

USAC management directs the Carrier to implement internal processes necessary to review and reconcile source documentation and reported USF data prior to submittal of USF data, and requests that the Carrier provide a detailed update of specific internal processes 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 \$460,940.

This same finding was included in last year's audit report for this Carrier and the Carrier filed an appeal with USAC concerning this finding. No further action is required by the Carrier at this time. At such time USAC concludes review of the appeal, USAC reserves the right to take further action consistent with USAC's decision on appeal.

Finding 2

Condition:

The Beneficiary did not maintain evidence to show that prepaid lines reported on Form 525 submissions were active loops during the testing period. It could not provide line-count data to support September 2006 and June 2007 prepaid lines reported.

Management Response:

USAC High Cost management concurs with the auditor. The Carrier should maintain its supporting documentation in accordance with FCC requirements.

USAC recognizes that the Carrier committed to addressing its internal controls related to this finding, and requests that the Carrier provide a detailed update of specific controls and document retention, 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 \$405,853.

This same finding was included in last year's audit report for this Carrier and the Carrier filed an appeal with USAC concerning this finding. No further action is required by the Carrier at this time. At such time USAC concludes review of the appeal, USAC reserves the right to take further action consistent with USAC's decision on appeal.

Finding 3

Condition:

The Beneficiary reported lines in incorrect Incumbent Local Exchange Carrier (ILEC) service areas and received support for which it was not entitled. The Beneficiary used customer billing ZIP Codes to identify and report lines in ILEC areas based on which carrier serviced the largest land area in a particular ZIP Code. For example, if two ILECs serviced one ZIP Code, one covering 60 percent of the area and the other 40 percent, the Beneficiary reported all lines in the larger ILEC area. This method did not accurately identify the number of lines in each ILEC service area. We used mapping software specifically designed for the telecommunications industry to identify exact geographic locations of customer billing addresses for two sample line counts to ILEC service areas. We determined that a material number of lines were reported to incorrect ILEC service areas.

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. While there is no obligation to use mapping software, the Carrier is obligated to file lines accurately and consistent with FCC rules, and allocation of all lines to the ILEC covering the largest geographic area within a zip code is improper. Lines must be filed within the ILEC service area consistent with the billing address of the wireless customer, not simply the zip code.

USAC management directs the Carrier to implement internal processes necessary to review and reconcile source documentation and reported USF data prior to submittal of USF data, and requests that the Carrier provide a detailed update of specific internal processes 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 \$30,605.

Finding 4

Condition:

We tested a sample of 70 lines against customer bills and reviewed information on the Beneficiary's customer-care system. We identified eight discrepancies on these lines:

- Two mobile numbers could not be located in the customer-care system.
- Four ZIP Codes recorded in line-count reports for customers who had moved did not agree with ZIP Codes on customer bills for the period tested.
- One mobile number had been disconnected and reassigned as of the line-count date per the customer-care system, but was reported on the line-count report to the former customer.
- One customer's address for the line-count period did not agree between the customer bill and the customer-care system. This customer was not reported as having moved.

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.

USAC management directs the Carrier to implement internal controls necessary to review and reconcile source documentation and reported USF data prior to submittal of USF data, and requests that the Carrier provide a detailed update of specific corrective actions 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.)

USAC notes that the auditor did not quantify a monetary effect and did not recommend recovery of funds for this finding.

Comment

Condition:

The Beneficiary reported the maximum number of wire lines that a particular trunked service was capable of providing, rather than reporting lines in the same manner as ILECs. ILECs use guidance available in the NECA *Loop Count Guide for USF, Cost Study and Cost Company Pool Reporting*. The Loop Guide provides guidance for counting lines to calculate support costs. This guide is not, however, readily available to Competitive Eligible Telecommunications Carriers (CETCs). Because support is based on these counts, CETCs and ILECs using differing reporting methods would receive differing support amounts. As a CETC, the Beneficiary did not have access to the Loop Guide.

The difference by service type between the number of lines reported by the Beneficiary and those outlined in the Loop Guide follows: [please see audit report]

Management Response:

USAC High Cost management concurs with the Carrier. As the NECA Loop Count Guide is proprietary and not available to CETCs, and neither FCC rules nor the FCC Form 525 instructions discuss the maximum number of wire lines that can be reported for a particular service type (with the exception of the PRI ISDN service arrangement i.e. maximum 5 lines), the lines reported by carrier for the reported service types cannot be deemed improper.

In the event USAC receives direction from the FCC on the treatment of line counts for various service types, such direction will be published for use by CETCs.

This concludes the USAC management response to the audit.

CERTIFICATE OF SERVICE

I, Shandee Felton, hereby certify that on this 16th day of April 2013, I caused a copy of the foregoing Request for Review by AT&T of Decision of the Universal Service Administrator in CC Docket No. 96-45 and WC Docket No. 05-337 to be hand-delivered to:

Universal Service Administrative Company
Attn: David Capozzi, Acting General Counsel
2000 L Street, NW
Suite 200
Washington, DC 20036

/s/ Shandee Felton