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July 9, 2013

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**VIA ELECTRONIC FILING**

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

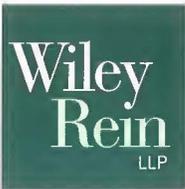
Re: *Request for Review by Virgin Islands Telephone Corp. d/b/a Innovative Telephone of Decision of Universal Service Administrator*, Docket No. 08-71; *Request for Review by Virgin Islands Telephone Corp. d/b/a Innovative Telephone of Decision of Universal Service Administrator*, Docket No. 96-45

Dear Ms. Dortch:

On September 28, 2010 and October 21, 2010, the Virgin Islands Telephone Corp. d/b/a Innovative Telephone (“Innovative”) filed the above-referenced Petitions for Review of the Universal Service Administrative Company’s (“USAC”) management responses to audits evaluating Innovative’s compliance with the requirements of the Federal High Cost Universal Service Program for the periods from July 1, 2006 through June 30, 2007 (Audit HC-FL-042) and July 1, 2007 through June 30, 2008 (Audit HC-2008-345) (collectively, “Petitions”).<sup>1</sup> In the Petitions, Innovative challenged USAC’s treatment of deferred tax asset and its calculation of the amount of high cost support that Innovative allegedly had been overpaid.

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<sup>1</sup> See *Request for Review by Virgin Islands Telephone Corp. d/b/a Innovative Telephone of Decision of Universal Service Administrator*, Docket 96-45 (filed September 28, 2010) (seeking review of USAC management response to Audit HC-FL-042, which was a Follow-Up to Examination HC-2007-382, VITELCO-Innovative SAC 643300, for the Year Ended June 30, 2007 submitted by McBride, Lock & Associates); *Request for Review by Virgin Islands Telephone Corp. d/b/a Innovative Telephone of Decision of Universal Service Administrator*, Docket 08-71 (filed October 21, 2010) (seeking review of USAC management response to Audit HC-2008-345, VITELCO-Innovative SAC 643300, for the Year ended June 30, 2008 submitted by McBride, Lock & Associates).



Marlene H. Dortch

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On April 9, 2013, USAC notified Innovative of its intention to recover \$5,683,667 in high cost support related to the audit for the July 1, 2007 through June 30, 2008 time period. Because the proposed recovery included amounts that were the subject of Innovative's pending petition for review, Innovative filed a request with the Commission seeking review and an emergency stay of USAC's April 9, 2013 Recovery Notification ("Emergency Stay Request").<sup>2</sup>

Subsequent to the filing of the Emergency Stay Request, USAC agreed to resolve the issues raised in the Petitions by refunding to Innovative \$2,820,844 in connection with Audit HC-FL-042 and \$6 in connection with Audit HC-2008-345, provided that Innovative withdraw the Petitions with prejudice.<sup>3</sup>

Based on USAC's agreement to refund the above-referenced amounts and to take no further action to recover amounts in connection with the audits that are the subject of Innovative's Petitions, no need exists for the Commission to act upon the Petitions or the Emergency Stay. Accordingly, Innovative respectfully withdraws the Petitions and Emergency Stay Request with prejudice.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bennett L. Ross", written over a horizontal line.

Bennett L. Ross

cc: David Capozzi  
Amy Bender  
Travis Litman

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<sup>2</sup> See *Emergency Request for Review by Virgin Islands Telephone Corp. d/b/a Innovative Telephone of Decision of Universal Service Administrator*, Docket No. 08-71 (filed May 13, 2013).

<sup>3</sup> See Letter to Elise Hodge, Deputy Chief Financial Officer, Virgin Islands Tel. Corp, from Karen Majcher, Vice President, USAC High Cost and Low Income Division (July 8, 2013) (copy attached).



Universal Service Administrative Company

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*Via Electronic Mail*

July 8, 2013

Elise G. Hodge  
Virgin Islands Telephone Corp.  
d/b/a Innovative Telephone  
Deputy Chief Financial Officer  
Innovative Business Center  
4611 Tutu Park, Suite 200  
P.O. Box 6100  
St. Thomas, V.I. 00801

Re: Revisions to Findings in USAC Audit of Virgin Islands Telephone Corp. d/b/a  
Innovative Telephone

Dear Ms. Hodge:

USAC conducted audits of the Virgin Islands Telephone Corp. d/b/a Innovative Telephone ("Vitelco") to determine whether Vitelco complied with federal Universal Service High Cost Support Mechanism rules promulgated by the Federal Communications Commission ("FCC" or "Commission") for support disbursed for the periods from July 1, 2006 through June 30, 2007 (audit HC-FL-042) and July 1, 2007 through June 30, 2008 (audit HC-2008-345).

For audit HC-2008-345, USAC determined that High Cost support in the amount of \$2,696,370 should be recovered, which amount USAC recovered through a netting of High Cost support disbursements issued on May 30, 2013. USAC also determined for this audit that \$2,985,144 should be recovered, which to date USAC has not taken action to recover due to the appeal Vitelco filed with the FCC on October 21, 2010 in WC Docket No. 08-71, which is pending before the Commission. Vitelco does not dispute USAC's recovery of \$2,696,370 associated with audit HC-2008-345, except for \$6 of this amount.

For audit, HC-FL-042, USAC determined that High Cost support in the amount of \$6,016,971 should be recovered, which amount USAC recovered through a netting of High Cost support disbursements issued on March 29, 2012. On September 28, 2010, Vitelco also appealed to the FCC the deferred tax asset finding for audit HC-FL-042 in the amount of \$2,820,844. Vitelco does not dispute USAC's recovery of \$3,196,127 associated with audit HC-FL-042.

Elise. G. Hodge  
Virgin Islands Telephone Corp.  
d/b/a Innovative Telephone  
July 8, 2013  
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USAC and representatives of Vitelco have been discussing an appropriate resolution to this matter. USAC has determined that the findings in audits HC-2008-345 and HC-FL-042 associated with Vitelco's treatment of deferred tax assets, which are the subject of both aforementioned appeals, may properly be waived as a result of further review of National Exchange Carrier Information ("NECA") guidance to carriers.

USAC and Vitelco have agreed that in exchange for Vitelco withdrawing the aforementioned appeals at the FCC with prejudice, USAC will refund to Vitelco the amount of \$2,820,844 associated with audit HC-FL-042 and \$6 associated with audit HC-2008-345 and will take no further action to recover amounts in connection with the audits that are the subject of Vitelco's appeals. Once Vitelco withdraws its appeals with prejudice, USAC will disburse the amounts listed above in this paragraph as soon as practicable in an upcoming High Cost Support Mechanism disbursement cycle.

In the event Vitelco determines not to withdraw its appeals with prejudice, USAC will take no further action on this matter until the FCC decides Vitelco's appeals.

We await a return reply on what course of action Vitelco intends to take concerning this matter.

Sincerely,

//s// Karen Majcher  
Vice President, USAC High Cost and Low Income Division

cc: Travis Littman, Esq., Federal Communications Commission  
Bennett Ross, Esq., Wiley Rein LLP