REDACTED FOR PUBLIC INSPECTION

DOCKET FILE COPY ORIGINAL

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
Universal Service High-Cost Filing Deadlines	)	WC Docket No. 08-71
	)	
Petition of Madison Telephone Company For Waiver of Section 54.305(d)(2), 54.305(f), and 36.612(a)(2)	)	

ACCEPTED/FILED
NOV - 7 2013
Federal Communications Commission
Office of the Secretary

PETITION OF MADISON TELEPHONE COMPANY FOR WAIVER OF SECTIONS 54.305(d)(2), 54.305(f), AND 36.612(a)(2) TO RECEIVE SAFETY VALVE SUPPORT

Madison Telephone Company ("Madison" or "Company") hereby files this petition pursuant to Section 1.3 of the rules of the Federal Communications Commission ("FCC" or "Commission") seeking waiver of Sections 54.305(d)(2) and 36.612(a)(2) as well as Section 54.305(f) to the extent necessary,[1] to allow the Company to receive Safety Valve Support ("SVS").[2] As demonstrated herein, Madison fully complied with notification provisions set forth in these rules but has never received SVS due to lack of clear guidance from the Universal Service Administrative Company ("USAC") and the National Exchange Carrier Association ("NECA") as to what data should be filed in order to receive SVS.

1 As explained herein, such waiver may be necessary if the Commission were to grant this request and, for administrative efficiency, allow Madison to re-establish its index year which would then allow the financial data that Madison has been submitting on an annual basis to match the index year. *See infra*, note 8.

2 47 C.F.R. § 54.305(b) and (d).

No. of Copies rec'd 0+3
List ABCDE

Madison acquired exchanges in May 2001 from an unaffiliated carrier. Pursuant to what is now known as Sections 54.305(d)(2)[3] and (f) of the Commission's rules, on July 2, 2001 the Company provided written notice to USAC, NECA and the FCC that it had acquired the exchanges and that it had opted to define its index year for purposes of calculating the safety valve loop cost expense adjustment as July 1, 2001 through June 30, 2002.[4] Accordingly, Madison timely and fully complied with this notification requirement in order to receive SVS. As demonstrated herein, Madison then diligently sought to follow the requirements for submitting the data required in order to receive SVS by making numerous attempts to seek clarification on the filing requirements, but did not receive clear guidance from USAC or NECA as to whether quarterly or annual filings were required.[5] In this regard, the Madison's situation is similar to other companies who filed waiver petitions due to the lack of clarity associated with these filing requirements and whose petitions were granted.[6] It was not until recently when the company undertook a comprehensive review of its overall budget in the context of the five-year plan filing requirement that the Madison discovered that it had not received SVS because it did not provide the correct financial data submissions to match the index year.

Madison has consistently invested in its exchanges since they were acquired. If clarity and instructions regarding the data requirements had been provided when Madison sought

---

3 This rule section was previously known as Section 54.305(c) which is referred to in Attachment A.

4 Section 54.305(d)(2) provides carriers with the option of selecting either the first calendar year or the first calendar quarter following the transfer of the exchanges as being the "first year of operation" which is used to determine the carrier's index year. Madison opted for the first calendar quarter following the transfer of the exchanges instead of the following calendar year in order to expedite the process of receiving SVS.

5 Because of lack of clarity with the rules pertaining to data submission, the Company also initially interpreted the rules to require the submission of data that was associated with the period of time when the exchanges were owned by the previous owner.

6 *See, e.g., Federal-State Joint Board on Universal Service, CenturyTel of Central Wisconsin and Telephone USA of Wisconsin, LLC, Petition for Waiver of Section 36.612(a)(3) of the Commission's Rules,* CC Docket No. 96-45, 21 FCC Rcd 14633 (rel. December 19, 2006) ("*Wisconsin LECs Order*"); *Telecommunications Access Policy Division of the Wireline Competition Bureau Grants Petitions Requesting Waiver of Various High-Cost Universal Service Filing Deadlines,* WC Docket No. 08-71, Public Notice, DA 12-39 (rel. January 11, 2012) ("*Twin Valley Public Notice*").

guidance on the filing requirements, the Company estimates that it would have received over two million dollars in SVS between 2005 and 2013.[7] As has been the case when the FCC has granted previous waivers of these rules, Madison requests that the Commission grant its waiver and allow Madison to receive the SVS it should have received in previous years.[8] As the Commission has found in granting previous waiver requests of these rules, "strict compliance with the rules is inconsistent with the public interest and, therefore, considerations of hardship weigh in favor of granting the requested waiver."[9] Madison also requests that in granting this petition, the Commission clear up any remaining questions regarding Madison's eligibility to receive SVS on a going forward basis. Madison respectfully requests expedited attention to this petition for waiver.

I. BACKGROUND

Founded in 1940, Madison is a privately-owned rural local exchange carrier ("RLEC") in mid-state Illinois.[10] The Company has deployed a robust fiber-optic voice and broadband network and provides its customers with voice telephony and high-speed Internet service that exceeds the minimum standards set forth by the FCC in the National Broadband Plan. Madison's mission is to meet the communications needs of the anchor institutions, consumers,

---

7 Madison's estimated SVS for 2005-2013 based on the requested 2002 calendar year is shown in Attachment B.

8 Upon grant, Madison is prepared to submit past years' quarterly financial information. Alternatively, for administrative efficiencies, in granting this waiver request, the Commission could allow Madison to re-establish its index year as January 1 – December 31, 2002 (the first calendar year after the purchase of the exchanges) which would then allow the financial data that Madison has been submitting on an annual basis to match the index year. Madison hereby also seeks waiver of Section 54.305(f) to the extent such waiver is necessary if the Commission decides to take such action. Madison commits to ensuring flexibility and openness while working with the Commission on this matter in order to expeditiously begin receiving SVS.

9 *See Wisconsin LECs Order* at para. 6.

10 Madison is the incumbent carrier in the Illinois exchanges of Hamel, Livingston, Prairietown, Staunton, and Worden in Madison and Macoupin counties. Madison is headquartered in Staunton.

and businesses throughout its territory. In May 2001, Madison acquired the Staunton and Livingston exchanges from Gallatin River Communications LLC, and since the acquisition Madison has made significant investments to the exchanges. At the time of the acquisition, the exchanges were in very poor condition such that even basic voice services were not reliable. The central office infrastructure did not have the ability to support SS7 service, voice mail, or basic custom calling features. There were no backbone facilities in place to transport the nascent but growing broadband needs of the customers. Additionally, maintenance parameters required for basic voice grade telephone service were below par.[11] Further, the selling carrier had not made any network investments that would have facilitated the delivery of advanced information services, specifically broadband, despite knowledge that a State of Illinois legislative mandate requiring provision of the aforementioned services to 80% of customers by January 1, 2005 was imminent.[12]

Madison persisted with the acquisition even though the Company knew that it faced significant technical challenges in upgrading the long-neglected infrastructure, strategic challenges in integrating the exchanges into the rest of the Company's service area, and financial challenges in the capital investment and maintenance expenses that would be required to upgrade the infrastructure. By purchasing and modernizing the communications infrastructure in these exchanges, Madison intended to contribute to the economic sustainability of rural Illinois, provide competitive services to residents and businesses, and meet the growing demands of anchor institutions that deliver vital social services in this territory.

[11] The voice network at the time of the acquisition performed poorly on service quality standards for network trouble reports per 100, total trouble reports per 100, and repeat trouble reports within 30 days of an initial report.

[12] 220 Ill. Comp. Stat. § 5/13-517(a).

Shortly after the purchase of the exchanges was completed, in accordance with Section 54.305(f), Madison provided notification on July 2, 2001 to NECA, USAC and the FCC that the acquired exchanges were eligible for SVS, and that the index period expense adjustment for SVS starts in the first quarter after the close of the acquisition, which in this case was July 1, 2001 and ends on June 30, 2002.[13] The selection of this timeframe as the index period was made pursuant to what was then known as Section 54.305(c) (now known as Section 54.305(d)(2)) which allows carriers the *option* of establishing the index period beginning either the first calendar quarter or the first calendar year following the acquisition.[14] Madison *opted* for the period of time beginning with the calendar quarter in order to expedite the process of receiving SVS. At this point in time, Madison understood the rules to require that its selection of this time period as the index year mandated the submission of data from July 1, 1999 – June 30, 2000.[15] In the SVS Letters, Madison then requested that NECA provide "the appropriate data forms…to use in supplying the required data for this data period."[16] However, as explained below, neither NECA nor USAC ever provided Madison with a clear response regarding the appropriate forms nor was any objection raised as to Madison supplying data associated with the July 1, 1999 – June 30, 2000 time period despite the Company's continued efforts to secure guidance.

On April 11, 2002, Madison sent a letter to USAC stating that the Company never received any data forms, and therefore the Company was submitting what it believed to be the correct data in the correct format.[17] The letter references the SVS Letters and "follow up teleconference calls" that were held between Madison and USAC and states:

---

13 Schwartz, R., letters to NECA, July 2, 2001 ("SVS Letters"), *see* Attachment A.

14 47 C.F.R. §54.305(d)(2).

15 As shown in the SVS Letters, Madison stated, "the data used for calculating the expense adjustment for this period is July 1, 1999 through June 30, 2000."

16 *Id.*

17 Guffy, M., letter to USAC, April 11, 2002, *see* Attachment C.

> Unless we hear to the contrary, we will assume that, based on these rules, the index period expense adjustment started on July 1, 2001 (first quarter after acquisition) and ends on June 30, 2002. Furthermore, according to Part 36.612 the data used for calculating the expense adjustment for this period is July 1, 1999 through June 30, 2000.[18]

Accordingly, in order to receive the SVS Madison was entitled to receive, the Company provided data in compliance with what it understood the rules to require while at the same time continuing to seek guidance from NECA and USAC as to whether the data was indeed the correct data. After submitting this data, the Company did not receive any information "to the contrary" from NECA or USAC that indicated Madison's filings were incomplete or out of period for SVS based on the selected index period.

By 2004, Madison had expected to begin receiving SVS. When it was not forthcoming, Madison engaged its consultant to investigate. As documented in the email from the Company's consultant, Ken Burchett, USAC was unable to locate the notification letters so copies had to be sent.[19] Mr. Burchett also contacted NECA and was assured that the NECA national office was "checking into it to see if they can do some pushing to get [the matter] resolved."[20] The Company was then led to believe that resolution of the matter was forthcoming when it received an e-mail from NECA on September 9, 2004 informing Madison that "it appears that Madison will qualify for Safety Valve payments effective with the January 2005 payment month."[21] In the email, NECA referenced the <u>calendar year</u> filings that Madison had submitted in 2003 and 2004 and stated that based on these submissions, the Company "may be eligible to receive Safety

---

18 *Id.*

19 Burchett, K., e-mail communication to Madison, May 20, 2004, *see* Attachment D.

20 *Id.*

21 Alvir, R., e-mail communication to Madison, September 9, 2004. This communication also included a worksheet to assist Madison in anticipating the amount of SVS payments that USAC will calculate, and a summary of the SVS rules. *See* Attachment E (the worksheet attachment is not included but will be provided to the Commission upon request).

Valve support beginning in January" and then warned that the Company notify USAC by September 30, 2004 if it wished to receive SVS, and to provide a copy of the letter to NECA.[22]

Madison promptly followed through when, on September 21, 2004, Madison sent a letter to USAC which once again informed USAC of the acquisition of the Staunton and Livingston exchanges and reiterated that Madison had provided notification of the acquisition and eligibility of SVS in accordance with Section 54.305(f) in July 2001.[23] In the letter, the Company also stated that it had not received any SVS to date.[24] In the letter, Madison referenced "discussions" that it has had with NECA and USAC and explained that "there seems to be some controversy regarding a couple of issues related to the Safety-valve computations."[25] The letter then discusses these issues which are "a disagreement over what data should be used to calculate the index period expense adjustment" and "a disagreement about how the quarterly update process should be administered with regards to the Safety-valve computations."[26] The letter concludes with Madison urging USAC to "assist in the resolution of this issue, so Madison can receive the Safety-valve support to which it is entitled."[27]

By May 2005, it appeared that the matter had been resolved when the Company's NECA disbursement statement dated May 4, 2005 showed the company would receive $2,480 in SVS.[28] However, as shown on the revised NECA disbursement statement dated May 31, 2005, this amount was rescinded and never received by the Company.[29] As shown on the revised statement, in rescinding the amount, NECA mislabeled the support as "Safety Valve Additive."

---

22 *Id.*
23 Guffy, M., letter to USAC, September 21, 2004, *see* Attachment F.
24 *Id.*
25 *Id.*
26 *Id.*
27 *Id.*
28 NECA Disbursement Notification, May 4, 2005, *see* Attachment G.
29 Revised NECA Disbursement Notification, May 31, 2005, *see* Attachment G.

Madison is not certain how this amount was calculated or why it appeared on the statements. The Company did not receive any verbal clarification or written documentation from NECA or USAC regarding the NECA settlement statements. From the Company's internal review, it appears that the email from NECA indicating that SVS would be received based upon submission of the calendar year data, which the Company routinely does annually, as well as the mislabeling on the settlement statement may have led the Company to believe that it would be qualifying for SVS the next year. In its investigation as to what may have occurred after the NECA settlement statement was received, Madison discovered that approximately in the same timeframe, the Company qualified to begin receiving Safety *Net* Additive the next year in the amount of $2,445 which is almost identical to the amount labeled on the NECA settlement statement as Safety Valve *Additive*. Accordingly, when the Company began receiving Safety Net Additive on a monthly basis, which it received from January 2006 until December 2010, it appears that the Company believed that the matter had been resolved and that it continued to qualify for SVS based on the submission of the annual data.[30]

As there were no instructions to the contrary provided by NECA or USAC, Madison continued to submit calendar year cost study data on an annual basis. In light of the reforms from the November 2011 *USF/ICC Transformation Order* mandating fiscal responsibility and accountability of universal service support, the Company commenced a close evaluation of its recoverable costs and planned network investments in all of its exchanges in order to meet the requirements of the anticipated five-year service quality improvement plan.[31] While analyzing

---

[30] Additionally, in January 2009, the Company experienced staff and consultant changes which separated the Company from those that had been most closely involved in the discussions and correspondence with NECA and USAC regarding SVS.

[31] *Connect America Fund et. al.,* WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) ("*USF/ICC Transformation Order*") at 17854, para. 587, *pets. for review pending sub nom. In re: FCC 11-161*,No. 11-9900 (10th Cir. filed Dec. 8, 2011).

its costs and planning future network improvement projects, Madison realized that what it thought was SVS was indeed Safety Net Additive support and that it would have been receiving SVS since 2004 if it had received definitive guidance from USAC and NECA as to the data submission requirements. In researching the matter, Madison also realized that this support is greatly needed for the Company to continue investing in the Livingston and Staunton exchanges and that the FCC has granted waivers based on situations where other companies had not provided the correct financial data submissions due to lack of clarity with the SVS rules. In the absence of SVS, Madison fears that it will have to scale back network investments, maintenance, and service quality improvements in these exchanges; therefore the Company determined that it had no other alternative but to file this waiver in order to allow the Company to submit the appropriate financial data submissions which matches the index year.

II. GRANT OF MADISON'S WAIVER IS WARRANTED

The FCC may waive its rules for good cause shown.[32] The FCC may take into account considerations of hardship, equity, or more effective implementation of overall policy on an individual basis,[33] and a waiver is appropriate when special circumstances warrant a deviation from general rules and such deviation will serve the public interest.[34] As demonstrated herein, Madison's situation constitutes a special circumstance and warrants a deviation from the general rules. Furthermore, granting the waiver and permitting Madison to receive support from 2004 is certainly in the public interest, as the SVS will be used to deploy broadband and improve

[32] 47 C.F.R. § 1.3; *see also* 47 C.F.R. § 1.925(b)(3).

[33] *WAIT Radio v. FCC,* 418 F.2d 1153, 1159 (D.C. Cir. 1969), *cert. denied,* 409 U.S. 1027 (1972).

[34] *Northeast Cellular Telephone Co. v. FCC,* 897 F.2d 1164, 1166 (D.C. Cir. 1990). *See also* 47 C.F.R. § 1.925(b)(3)(i).

network facilities in the Livingston and Staunton exchanges in accordance with the goals of universal service and SVS in particular.

A. Madison's Situation is Similar to Others Whose Waivers Have Been Granted

Madison's request is similar to other waiver petitions regarding SVS and the data submissions required for companies that elect fiscal index years instead of calendar index years. In December 2005, CenturyTel of Central Wisconsin, LLC and Telephone USA of Wisconsin, LLC (the "Wisconsin LECs") filed a petition for waiver of the Section 36.612(a)(3) quarterly filing deadline. The Wisconsin LECs had been receiving SVS based on an index period of October 1, 2000 – September 30, 2001. As such, the Wisconsin LECs reported annual cost study data for each calendar year *and* the corresponding quarterly data for the October 1 – September 30 fiscal year. The Wisconsin LECs stopped receiving SVS in July 2005, and upon investigating the problem, they ultimately learned, "[i]nadvertently, the Wisconsin LECs did not submit fiscal year cost information to NECA for the October 1, 2003 – September 30, 2004 fiscal year, which was due in March, 2005."[35] The Wisconsin LECs further explained that NECA never sent a routine reminder in advance of the March due date as is customary with the annual cost study, and "[n]o such process is in place with respect to quarterly updates, even those that are required as a condition of the carrier's receipt of SVS."[36] The Commission granted the Wisconsin LECs' petition on December 19, 2006.[37]

On August 9, 2010, Twin Valley Telephone, Inc. ("Twin Valley") filed a petition which was similar to the Wisconsin LECs in that it missed an SVS filing deadline "because of

---

35 Petition of CenturyTel of Central Wisconsin, LLC and Telephone USA of Wisconsin, LLC for Waiver of Section 36.612(a)(3) of the Commission's Rules, CC Docket No. 96-45 ("Wisconsin LECs Petition") at 3.
36 *Id.* at 3.
37 *Wisconsin LECs Order* at para. 9.

confusion concerning the obligation to make a quarterly rather than annual calendar year filing."[38] The Commission granted Twin Valley's petition on January 11, 2012.[39]

Madison's situation is similar to those of the Wisconsin LECs and Twin Valley in that the Company has to seek waiver to receive SVS because "Section 36.612(a) and 54.305(d)(2) interact in a confusing manner."[40] As explained above, Madison never received a clear answer about why it was not receiving SVS despite numerous requests for clarification from NECA and USAC regarding the data that these rules require. The Company even sought clarification as to the "controversial issues" which included how the quarterly update process should be administered with regard to the Safety Valve computations.[41] Despite these repeated efforts, Madison never received the clarification it sought nor did it receive notification by NECA or USAC that the calendar data it had been submitting annually was incorrect despite the fact that it had informed NECA and USAC that it would proceed in filing the data unless it heard "to the contrary."[42]

Indeed, rather than receiving information "to the contrary," Madison received from NECA what appeared to be confirmation of how it was filing the data. In its September 9, 2004 email, NECA indicated that Madison would begin receiving SVS effective January 2005 based upon submission of calendar year data. Madison's understanding that the calendar year data that it had been submitting was compliant was further supported when an amount labeled as SVS appeared on a NECA settlement statement in May 2005. Although the amount was subsequently removed in another NECA settlement statement later that month, the amount which was

---

38 Twin Valley Telephone, Inc. Petition for Waiver of Sections 36.612 and 54.305 of the Commission's Rules, CC Docket No. 96-45.

39 *Twin Valley Public Notice* at 2.

40 Wisconsin LECs Petition at 4.

41 *See supra*, p. 7 & n. 26.

42 *See supra,* pp 5-6 & n. 18.

rescinded was mislabeled "Safety Valve *Additive*," which apparently led to the Company's belief that the Safety Net Additive for which it had just qualified and received from 2006 - 2010 was instead the long awaited SVS.

B. Good Cause Exists and Grant of Madison's Waiver is in the Public Interest

In granting the waiver petitions filed by the Wisconsin LECs and by Twin Valley, the FCC found that these companies had demonstrated good cause. Specifically, the FCC found that "strict compliance with the rules is inconsistent with the public interest, and, therefore, considerations of hardship weigh in favor of granting the requested waiver."[43] Permitting Madison to receive SVS beginning in 2004 is in the public interest because the support will facilitate the deployment of high-speed broadband and ongoing maintenance and investment in communications infrastructure. Furthermore, Madison believes that, like the Wisconsin LECs, the Company will face a substantial hardship in its "ability to provide quality service to consumers" if it is not permitted to receive the SVS it has been eligible to receive.[44] Madison's intentions for the use of SVS are consistent with the goals of universal service, the National Broadband Plan, and the *2011 USF/ICC Transformation Order*: to deliver quality and reliable communications and information services to rural customers at a reasonable cost, and ensure that all locations within the Company's service area have access to broadband.

In the 2001 *Rural Task Force Order,* the FCC noted that SVS "should provide additional support to rural carriers that acquire high-cost exchanges and make post-transaction investments to enhance network infrastructure."[45] Consistent with the goals of Universal

---

43 *Wisconsin LECs Order* at para. 6.
44 *Id.* at para. 7.
45 *Rural Task Force Order* at para. 97.

Service as set forth in the Communications Act of 1934, as amended and the FCC's National Broadband Plan, Madison has diligently sought to develop a modern, cost-efficient, and high-quality network capable of delivering voice and high-speed broadband services that meet or exceed state and federal standards and help improve healthcare, education, business development, quality of life, and public safety in an economically challenged rural area. Madison is a community leader, a large employer in the area and has made significant improvements to the condition of the Staunton and Livingston exchanges since they were acquired. Since the acquisition, the Company has also been engaged in continuing efforts to develop comprehensive technology strategies to serve the evolving needs of customers residing in the acquired exchanges.

Further, Madison has been a leader in state and federal broadband initiatives to improve broadband deployment and adoption. Most notably, Madison is a participating provider in a public-private partnership in the Broadband Illinois pilot program, "Better Broadband, Better Lifeline," and this program is a recipient of the FCC's Broadband Lifeline Adoption Pilot Program. The program provides discounted Internet services, digital literacy training, and low-cost computers to low-income households in 35 rural Illinois counties. Consistent with goals encouraged by federal and state regulators, including the FCC's newly established Connect America Fund, Madison has developed strategic plans for all of its exchanges that include greenfield and brownfield deployments that are consistent with broadband deployment goals. Indeed Madison is earnestly pursuing the goals and expectations set forth by Congress, the FCC and state regulators to expand high-speed broadband in rural areas but without means of predictable and sufficient support for high-cost network investment in the acquired exchanges, it simply cannot achieve these goals.

C. Madison Commits to Ensuring that Filings Will be Accurately and Timely Filed

As demonstrated herein, Madison took extensive measures to familiarize itself with the rules and repeatedly sought guidance from NECA and USAC. Although the Company consistently received confusing guidance, it nevertheless continued to press the issue and submit information it believed to be correct. Madison recognizes, however, that failure of these agencies to provide proper guidance does not absolve the Company of its responsibilities to "ensure that filings are timely received."[46] Accordingly, Madison hereby reaffirms its commitment to fully understanding the rules and requirements related to receipt of high cost universal service funds, including SVS and ensuring that the proper filings are timely made.

As has been explained above, the Company discovered that it was not receiving SVS in the context of a close evaluation of its recoverable costs and planned network investments in all of its exchanges in order to meet the requirements of the anticipated five-year service quality improvement plan. This close evaluation process is continuing and is now a part of Madison's operational procedures as it prepares its five-year plan and subsequent annual progress reports. Further, similar to the Wisconsin LECs, the Company has instituted internal procedures such as a reminder system for key personnel to ensure that filings are timely made.[47]

III. REQUESTED RELIEF

Madison respectfully requests the FCC grant the following relief:

1. Allow Madison to submit quarterly data for the previous years that the Company should have been receiving SVS, *or alternatively,* permit Madison to resubmit its

[46] *Wisconsin LECs Order* at para. 6.
[47] *Id.* at para. 8

SVS eligibility and election notification pursuant to Section 54.305(f) and establish a calendar index year of January 1 – December 31, 2002.

2. If Madison is permitted to re-establish its index year as a calendar year, accept the annual cost study data that Madison has submitted timely and correctly each year pursuant to Section 36.611 for the purpose of calculating SVS.
3. Direct USAC to distribute SVS to Madison for the period it should have been received and going forward.

IV. CONCLUSION

Grant of this waiver will allow Madison to receive SVS, to which it has been entitled, but has not received due to lack of guidance from USAC and NECA regarding what data should be filed in order to receive this critical support. Receipt of SVS at this juncture will provide an equitable and predictable mechanism for recovering existing and future investments made to deliver advanced services in rural areas in accordance with state and federal rules and allow Madison to continue fulfilling the goals and expectations of the FCC and state regulators.

Madison has made—and continues to make—significant investments to enhance the network infrastructure in its acquired exchanges since 2001 predicated on federal rules and the support mechanisms established in the Telecommunications Act of 1996. Madison's investments in the acquired exchanges have resulted in the deployment of an enhanced network capable of products and services that can accommodate the growing needs of business, residential, and anchor institution customers. Madison has been eligible for SVS all along despite uncertainty and a lack of guidance about the rules pertaining to the data requirements for receiving SVS. From 2004 to date, Madison should have received over two million dollars in

SVS. Madison now seeks to rectify prior misunderstandings and receive SVS so that the Company can continue to make the appropriate investments in network development in the exchanges it acquired and meet customers' evolving demands. Madison is firmly committed to meeting the constantly-increasing voice and data service needs of the residential, business, anchor institutions and public safety entities within the acquired exchanges.

Respectfully submitted,

Robert W. Schwartz
President
Madison Telephone Company
21668 Double Arch Road
P.O. Box 29
Staunton, IL 62088
618-635-1000

September 26, 2013

Enclosures

ATTACHMENT A

July 2, 2001 Madison Telephone Company letters to NECA, USAC and the FCC: notification of Safety Valve Support eligibility and index period

MADISON
TELEPHONE COMPANY

118 EAST STATE STREET
P.O. BOX 158
HAMEL, ILLINOIS 62046
TELEPHONE 618-633-2267
FACSIMILE 618-633-2713
www.madisontelco.com

July 2, 2001

National Exchange Carrier Association
80 South Jefferson Road
Whippany, NJ 07981

Dear Administrator:

This letter is to provide notification that Madison Telephone Company Study Area Code # 341049 acquired access lines that may be eligible for safety valve support under Part 54.305 of the Federal Communications Commission's Rules and Regulations. The acquisition was closed on June 1, 2001.

This notification is being provided in accordance with Part 54.305(f) of the Commissions Rules.

Sincerely,

Robert W. Schwartz
President

CC: Universal Service Administrative Company
Secretary, Federal Communications Commission

MADISON
TELEPHONE COMPANY

118 EAST STATE STREET
P.O. BOX 158
HAMEL, ILLINOIS 62046
TELEPHONE 618-633-2267
FACSIMILE 618-633-2713
www.madisontelco.com

July 2, 2001

National Exchange Carrier Association
80 South Jefferson Road
Whippany, NJ 07981

Dear Administrator:

This letter is to provide notification that Madison Telephone Company Study Area Code # 341049 has established its index period for safety valve support under Part 54.305(c) of the Federal Communications Commission's Rules and Regulations. The acquisition was made in May, 2001. Based on these rules, the index period expense adjustment starts on July 1, 2001 (first quarter after acquisition) and ends on June 30, 2002. According to Part 36.612 the data used for calculating the expense adjustment for this period is July1, 1999 through June 30, 2000. Please provide the appropriate data forms for us to use in supplying the required data for this data period. This data will be used to calculate the expense adjustment for the index period.

This notification is being provided in accordance with Part 54.305(f) of the Commissions Rules.

Sincerely,

Robert W. Schwartz
President

CC: Universal Service Administrative Company
Secretary, Federal Communications Commission

ATTACHMENT B

Madison Telephone Company Safety Valve Support calculations from 2005 through 2013

REDACTED FOR PUBLIC INSPECTION

Madison Tel Company
Safety Valve Calculations from 2005 through 2013

	Annual USF Support		Difference between the Index Year versus Subsequent Years	50%	Safety Valve Support	SVS Support Year
Index Year						
2003-1 USF Filing (2002 Financials)	[redacted]					
Subsequent Year Filings						
2004-1 (2003 Financials)	[redacted]	=	[redacted]	[redacted]	[redacted]	2005
2005-1 (2004 Financials)	[redacted]	=	[redacted]	[redacted]	[redacted]	2006
2006-1 (2005 Financials)	[redacted]	=	[redacted]	[redacted]	[redacted]	2007
2007-1 (2006 Financials)	[redacted]	=	[redacted]	[redacted]	[redacted]	2008
2008-1 (2007 Financials)	[redacted]	=	[redacted]	[redacted]	[redacted]	2009
2009-1 (2008 Financials)	[redacted]	=	[redacted]	[redacted]	[redacted]	2010
2010-1 (2009 Financials)	[redacted]	=	[redacted]	[redacted]	[redacted]	2011
2011-1 (2010 Financials)	[redacted]	=	[redacted]	[redacted]	[redacted]	2012
2012-1 (2011 Financials)	[redacted]	=	[redacted]	[redacted]	[redacted]	2013
Grand Total					[redacted]	

ATTACHMENT C

April 11, 2002 Madison Telephone Company letter to USAC and NECA requesting data forms and clarification

REDACTED FOR PUBLIC INSPECTION

MADISON TELEPHONE COMPANY

118 EAST STATE STREET
P.O. BOX 158
HAMEL, ILLINOIS 62046
TELEPHONE 618-633-2267
FACSIMILE 618-633-2713
www.madisontelco.com

April 11, 2002

VIA OVERNIGHT MAIL
Universal Service Administrative Company
Attn:Irene M. Flannery
2120 L Street, NW, Suite 600
Washington, DC 20037

RE: Safety Valve Support under Part 54.305(c)

Dear Ms. Flannery,

As discussed in my previous correspondence dated July 2, 2001 (a copy is enclosed for your reference) and follow up teleconference calls, Madison Telephone Company (Study Area 341049) has requested the appropriate data forms to use in supplying the required data to USAC. To date we have not received any "forms", therefore, we are submitting the "standard" USAC USF data request submission. Unless we hear to the contrary, we will assume that, based on these rules, the index period expense adjustment started on July 1, 2001 (first quarter after acquisition) and ends on June 30, 2002. Furthermore, according to Part 36.612 the data used for calculating the expense adjustment for this period is July1, 1999 through June 30, 2000.

The enclosed "standard" USF submission (1999-3) reflects the index period information (July 1, 1999 to June 30, 2000) and is considered the basis for the newly acquired property. Additionally, enclosed is a 2000 submission (2000-3) for the period from July 1, 2000 to June 30, 2001. **These submissions are specifically limited to the Safety Valve Support for the acquired exchanges of Staunton and Livingston and DO NOT impact the current high cost loop expense adjustment flow Madison Telephone Company currently receives for its embedded exchanges**. I utilized the same numbering scheme for the Safety-Valve submissions as the current USAC "embedded" submission. Is this fine or do you want to adopt a different numbering scheme that would better match up with the index period?

Should you have any additional questions or concerns please contact me directly at 618.633.2267.

Sincerely,

Michael Guffy : Director –
Financial & Regulatory Affairs

Enclosures

CC

Manager High Cost Programs (S-2081)
USAC
80 South Jefferson Road
Whippany, NJ 07981

NECA-Midwest Region
Gordon Calaway
O'Hare Plaza, Suite 444
8725 Higgins Road
Chicago, IL 60631

ATTACHMENT D

May 20, 2004 e-mail communication between Madison and its consultant about inquiries with USAC and NECA

Mary J Schwartz Westerhold

From: Ken Burchett <kburchett@gvnw.com>
Sent: Thursday, May 20, 2004 10:48 AM
To: Michael Guffy
Subject: Safety-Valve

Hi Michael,

Just a quick update. I have made contact with USAC regarding the Safety-Valve support for Madison. They indicated they could not find the notification letters, so I sent them copies. They are looking into the situation.

I have also made contact with your regional NECA office (Mary Behan) to let them know that we are trying to get this resolved. The NECA national office (Jeff Dupree) is checking into it to see if they can do some pushing to get this resolved.

I will send you another update when I find out more.

Ken

ATTACHMENT E

September 9, 2004 e-mail communication from NECA to Madison indicating Safety Valve Support eligibility and rules

Mary J Schwartz Westerhold

From: Roberta Alvir <RALVIR@neca.org>
Sent: Thursday, September 09, 2004 1:55 PM
To: mguffy@madisontelco.com
Cc: Bob Kwiatkowski; Mary Behan
Subject: Safety Net
Attachments: SV_341049_2001.xls

Mike,

It appears that Madison will qualify for Safety Valve payments effective with the January 2005 payment month.

Based on your 03-1
and 04-1 USF submissions for the acquired exchange, you may be eligible to receive Safety Valve support beginning in January, however, you MUST notify USAC by 9/30/04 if they wish to receive any funds.

Please provide me with a copy of your letter that you send to USAC.
You can find the mailing address at:
http://www.universalservice.org/hc/rtf/safetyvalve.asp

I have attached a worksheet to assist you in anticipating the amount of safety valve payments that USAC will calculate.

Purpose

This worksheet is provided to assist a carrier in anticipating the amount of safety valve payments that USAC will calculate, if the carrier acquires exchanges that are eligible for safety valve support and files required certifications with USAC.

Rules _

Section 54.305 of FCC rules provides that rural incumbent exchange carriers which acquire exchanges from other carriers may be eligible for safety valve support. Such carriers would be eligible for safety valve support if, in the absence of the FCC rule that restricts support to the per line amount received by the selling carrier, the acquired exchange would have qualified for high cost loop support.
In concept, the safety valve payment depends on the cost increase realized by the carrier because of improvements made after the acquisition. The safety valve calculation apparently expects that these additional costs will be reflected, not in the first year after the acquisition, but in the next year following.
The rules require a carrier to establish its 'Index Year' and 'Subsequent Years'. The Index Year is the first full year in which the acquiring carrier operates the acquired exchanges for which it reports loop cost data to NECA pursuant to Section 36.611 of the rules. Reporting of high cost loop data for that year occurs six months after the year is over. The Index Year can be established based on annual or quarterly data submissions. Basing the Index Year on a quarterly data submission could allow a carrier to begin receiving safety valve payments earlier than would result from reliance on annual submissions only.
For example, if a carrier does annual submissions only, and acquires exchanges in April 2003, the Index Year starts on January 1, 2004, and would be reported by the carrier in the annual data submission in July 2005. If, on the other hand, this carrier did quarterly submissions, the carrier could start its index year by making a December 2004 quarterly update filing of data for the year beginning July 2003.
Once the carrier establishes its Index Year, data of a Subsequent Year is reported in a corresponding subsequent filing. To continue the examples described above, the carrier filing annually would report Subsequent Year data each following

July, while the carrier filing quarterly would report subsequent year data in quarterly updates in December of each subsequent year.

All data reported for safety valve calculations must represent the acquired exchanges only.

Safety Valve calculation depends on hypothetical expense adjustment amounts for the acquired exchanges in the Index Year and in each Subsequent Year. The hypothetical expense adjustment is the amount that would have been received for the acquired exchange if the payment had been based on its own cost data. If the difference between the Subsequent Year amount and the Index Year amount is a positive number, the annual payment equals one half of the annual difference. This payment begins in the seventh month after the reporting of the Subsequent Year data to NECA. The payment is recalculated after each Subsequent Year is reported to NECA.

Safety Valve Worksheet for Acquired Exchanges

Filing of Quarterly Updates

Generally, the FCC's rules allow but do not require quarterly updates of loop cost data. If an ILEC has a CETC operating in its study area, the ILEC must do quarterly updates of loop counts, but need not do quarterly updates of cost data. Only an update of cost data can be used to establish an Index Year. Cost companies decide whether they will do a quarterly update based on their own data. For average schedule companies that have CETCs in their study area, NECA files quarterly loop cost updates, and also files quarterly Cost Per Loop updates if the new Cost Per Loop data would benefit the company's USF payments.

Even if a carrier's Cost Per Loop data is updated quarterly, the carrier must still notify USAC whether the quarterly updates will be the basis of its Index Year. If an average schedule company wants to base its Index Year on a quarterly update, it should contact its NECA region office to arrange for NECA to begin filing quarterly data on its behalf. All average schedule filing data will be based on the average schedule High Cost Loop formula approved by the Commission. Once a carrier establishes its index year based on a quarterly update, NECA expects that USAC will require the continued filing of quarterly updates in all subsequent years in order for the safety valve payment to continue.

Reporting and Payment Dates

The FCC rules appear to contemplate a direct link between acquisition date, annual or quarterly updates, and payment dates. This worksheet shows payment dates accordingly. Generally it would not be in a carrier's interest to defer the start of an index year past the following January, as the delay would probably decrease and defer safety valve payments. Filing dates on the worksheet are the times when NECA submits the High Cost Loop data to the FCC. Carriers submit the corresponding data to NECA three months earlier.

Cost Per Loop and Loop Count Data

Cost per loop and loop count data on the worksheet are taken from the accounting period, not the expense adjustment payment period. For example, if a carrier establishes calendar year 2003 as its index year, the cost and loop data would be taken from the July 2004 data submission to NECA, which is used to determine expense adjustments to be paid in 2005.

Be careful to report the data of the starting quarter of the index year in the first row of index year data, regardless of which quarterly update is reflected. Report data corresponding to subsequent quarters on subsequent lines. The correspondence between data months and quarterly data should be the same for each subsequent year as for the index year.

Safety Valve Worksheet for Acquired Exchanges

A safety valve payment based on a 2001 Index Year will begin in 2005. To determine that payment amount, the capped NACPL that will apply in 2005 must be known and entered into the Capped NACPLs worksheet. The initial view of that value will be available shortly before NECA files the high cost loop data submission with the FCC on October 1, 2004.

Updating the Form for Subsequent Years

NECA will update data in these worksheets each year. Check NECA's website each year for new updates. Also please see www.NECA.org - Access Development and Support - Industry Issues, for a Question and Answer paper about Safety Net and Safety Valve payments. As always, please call your NECA region office for assistance.

Roberta L. Alvir
Manager
NECA Midwest Region - Chicago
773 693 3234 (voice)
800 323 8402 (fax)

ATTACHMENT F

September 21, 2004 letter from Madison to USAC requesting assistance in receiving Safety Valve Support and seeking clarification on controversial issues with the rules

REDACTED FOR PUBLIC INSPECTION

MADISON
TELEPHONE COMPANY

118 EAST STATE STREET
P.O. BOX 158
HAMEL, ILLINOIS 62046
TELEPHONE 618-633-2267
FACSIMILE 618-633-2713
www.madisontelco.com

September 21, 2004

VIA OVERNIGHT MAIL
Ms. Lisa Zaina
Universal Service Administrative Company
2000 L Street, N.W.
Suite 200
Washington, D.C. 20036

Dear Ms. Zaina:

This letter is to ask for your assistance in getting USAC to pay the Safety Valve support that is due to Madison Telephone Company (SAC 341049) in accordance with the FCC rules Part 54.305.

Notification

Madison Telephone Company acquired the Staunton and Livingston exchanges in May 2001. In accordance with Part 54.305(f), on July 2, 2004 Madison Telephone Company provided notification to USAC, NECA, and the FCC that it had acquired the lines and that it was establishing its index period expense adjustment for the period July 1, 2001 through June 30, 2002.

Data for Index Period Expense Adjustment

Part 54.305 requires that the index period expense adjustment be calculated using the existing rules in Part 36.611 and 36.612. Under these rules, the expense adjustment is calculated using data from a prior period. Under Part 36.611, annual data is collected and is used for the expense adjustment starting twenty-four (24) months after the start of the data period. Under Part 36.612, a company may use updated information on a rolling quarterly basis to change the expense adjustment for the remainder of the calendar year. Under these procedures, the Index Period Expense Adjustment would be calculated using the quarterly update procedures in 36.612 for the initial six months (July 1, 2001 through December 31, 2001). Then the required submission of annual data for calendar year 2000 would be used for the index period expense adjustment for the first six months of 2002. The data for the initial period was sent to USAC and NECA on April 9, 2002. We note that the information submitted was for the period July 1, 1999 through June 30, 2000. We now recognize that the lag period is shorter under the quarterly procedures and ask that the dates on the original filing be changed to October 1, 1999 through September 30, 2000. Note that there will be no change to the data.

Subsequent Year Expense Adjustment

The first subsequent year expense adjustment for Madison Telephone Company is the period from July 1, 2002 through June 30, 2003. Under the current rules as administered by NECA, the expense adjustment for the first six months of this period was the annual data submission for the year 2000 data. The company could opt to file quarterly updates under Part 36.612 as follows:

- By September 30, 2001 the company could file a quarterly update using data from the period April 1, 2000 through March 31, 2001. This data would be used for the expense adjustment starting January 1, 2002 and would remain in place throughout the calendar year or until updated by way of another quarterly update. (This would cover the expense adjustment for the July 1, 2002 through December 31, 2002 portion of the first subsequent years expense adjustment.)
- By December 30, 2001 the company could file a quarterly update using data from the period July 1, 2000 through June 30, 2001. This data would be used for the expense adjustment starting April 1, 2002 and would remain in place for the remainder of the calendar year unless updated with another quarterly update. (This again would cover the expense adjustment for the July 1, 2002 through December 31, 2002 portion of the first subsequent years expense adjustment.)

The data for the last six months of the first subsequent years expense adjustment (January 1, 2003 through June 30, 2003) would be computed using the calendar year 2001 data as submitted under Part 36.611. The company could opt to file quarterly update information in September or December 2002 to change the monthly expense adjustment amounts affecting the first half of calendar year 2003.

Controversial Issues

In discussions with NECA and with USAC there seems to be some controversy regarding a couple of issues related to the Safety-valve computations. Specifically, there seems to be a disagreement over what data should be used to calculate the index period expense adjustment, and secondly there appears to be a disagreement about how the quarterly update process should be administered with regards to the Safety-valve computations. Following is a brief discussion of each of these issues.

Data Period vs. Expense Adjustment Period

There has been a clearly established lag between the expense adjustment provided in the Part 36 rules and the data period used to calculate the expense adjustment. Under NECA's consistent application of Part 36.611 there is a twenty-four (24) month lag between the beginning of the data period and the beginning of the expense adjustment period. In the early 1990's our consultant (GVNW) contested this lag with regards to acquisitions. They believed it was not equitable to use zero cost for the acquiring company for submission of USF data for the first two years. It was argued that either the lag period should be removed, or at a minimum the acquiring company should use the selling company's costs in the submission of data. The FCC did not agree and required NECA to administer the fund using zero costs until the acquiring company had costs in the data periods used for the expense adjustment. NECA has been consistently using this methodology except when a company has a waiver approved by the FCC. We have no evidence that the FCC intended to remove the lag period in conjunction with the Safety-valve computation, and clearly the FCC rejected the idea of using the selling company's cost data. (See Paragraph 103 of the RTF order).

Application of Quarterly Updates

There also seems to be some notion that the quarterly updates should be administered differently for Safety-valve computations compared to the way it is administered for all other USF recipients. We find no evidence in the FCC rules or orders that support a different application of Parts 36.611 and 36.612. We ask that USAC administer this process consistent with the way NECA has administered these rules from the beginning, and if there is a desire to change these rules that it go through the FCC's rule changing process.

Conclusion

Based on the FCC rules, Madison Telephone Company's Index Period Expense Adjustment is $0. Under the applicable rules, the company is entitled to one half of its calculated expense adjustment for subsequent periods. Using data submitted to NECA and subsequently to USAC and the FCC, Madison's computed expense adjustment for 2004 was $293,517, which entitles Madison to Safety-valve support in the amount of $146,758 for 2004.

Please assist in the resolution of this issue, so Madison can receive the Safety-valve support to which it is entitled.

If you have any questions concerning the above, please contact our consultant Ken Burchett at GVNW. His telephone number is 503 612-4408.

Sincerely

Michael Guffy
Director of Financial & Regulatory Affairs

cc: Roberta Alvir, NECA
Irene Flannery, USAC
Ken Burchett, GVNW

ATTACHMENT G

NECA Disbursement Notifications, May 4, 2005 and May 31, 2005

REDACTED FOR PUBLIC INSPECTION

NECA

Company Code: 000001049
Statement No.: PS0591328
Date: May 4, 2005

Disbursement Notification

Madison Tel Co
Attn: Ms. Mary J. Schwartz
P.O. BOX 158
Hamel, IL 62046-0000

THIS IS NOT A NECA BILL

This notification is to advise you of the current month's disbursement which is being made to your company by NECA.

Direct questions to your NECA Regional Industry Relations Office

Total Amount Due NECA From Last Bill	[redacted]	
Past Due Amount		[redacted]
Current Net Balance For Apr 2005 Data Month (AS3000/EC3050)	[redacted]	
Global Crossing Settlement Payment * High Cost Loop Fund (USAC) * Safety Valve Support (USAC) * Local Switching Support (USAC) * Lifeline (USAC) * Link Up (USAC)	[redacted]	
Current Net Balance		[redacted]
Total Amount Due Exchange Carrier		[redacted]

You Will Receive Above Payment By May 31, 2005

THIS IS NOT A BILL - DO NOT REMIT PAYMENT

* NECA estimates of Universal Service payments reflected on this statement are derived from prior month payments plus any known changes available to NECA. True-ups to these estimates will be provided in a second statement from NECA after actual payment information is available from USAC.

REVISED

Page: 1 of 1

Company Code: 000001049
Statement No.: PS0591328
Date: May 31, 2005

Disbursement Notification:

THIS IS NOT A NECA BILL
This notification is to advise you of the current month's disbursement which is being made to your company by NECA.

Madison Tel Co
Attn: Ms. Mary J. Schwartz
P.O. BOX 158
Hamel, IL 62046-0000

Direct questions to your NECA Regional Industry Relations Office

Total Balance From May 2005 Statement [redacted]

Adjustments applied to NECA estimates of Universal Service Payments:*

Lifeline (USAC)
Link Up (USAC)
Local Switching Support (USAC)
Safety Valve Additive (USAC) [redacted]

Current Net Balance [redacted]

Total Amount due Exchange Carrier [redacted]

You Will Receive Above Payment By May 31, 2005

THIS IS NOT A BILL - DO NOT REMIT PAYMENT

*** These adjustments reflect actual payments received from USAC**