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JSI's Client Efforts Lead to Refunds of Safety Net Support For All Qualifying Companies

GREENBELT, MD – August 10, 2006 – With JSI's help, three rural companies won their appeals filed with the FCC regarding a Universal Service Administrative Company's (USAC) decision that significantly reduced the companies' safety net additive (SNA) support, a universal service support mechanism available to carriers whose investment in rural infrastructure exceeds a certain threshold. The FCC's order, released August 7, not only granted the three appeals, but also overturned a previous finding by the FCC's Wireline Bureau, resulting in refund for all companies that re-qualify for SNA in a year succeeding their initial filing.

The three companies, Darien Telephone Company (Georgia), Logan Telephone Cooperative (Kentucky), and Roanoke & Botetourt Telephone Company (Virginia), qualified for SNA in multiple years and, prior to March 2005, had received SNA support for each year in which they qualified. In March 2005, however, these companies, and others that qualified for SNA in multiple years, received letters from USAC notifying them that the Wireline Bureau had ruled that the SNA support calculation should be based only upon the first qualifying year. In its letter, USAC noted that this "clarification" required that all funds advanced to date that were calculated based on subsequent year filings must be paid back immediately, and that SNA support on a going-forward basis must be reduced to reflect only the first qualifying year.

For JSI's client companies, this development meant that USAC immediately deducted the SNA amount in question from their overall Universal Service Fund disbursement, and their monthly SNA support was reduced significantly on a going-forward basis. Subsequently, in May 2005, the companies filed appeals with the FCC, seeking to overturn USAC's decision. Although company and JSI representatives conducted several *ex parte* meetings with FCC staff urging prompt resolution of the matter, the appeals remained pending for well over a year.

In the order it released Monday, the FCC found that the Wireline Bureau's "clarification" was flawed and that USAC must go back to the way it had initially calculated SNA support. As an example, the FCC stated that if a company qualified in the first year for \$5.00 per month support and then qualified in the second year for an additional \$5.00, it should receive \$5.00 per month the first year and \$10.00 per month (\$5.00 + \$5.00) in the second and following years. The FCC also instructed USAC to refund all of the amounts deducted from the three companies and to restore the monthly support on a going-forward basis to the same level that the companies had received prior to USAC's March 2005 letter.

In addition, since the FCC overturned the Wireline Bureau's "clarification," this recent ruling will benefit all companies that qualify for SNA support in multiple years. Companies that had their SNA support reduced in 2005 will receive refunds and have that support restored. Also, companies that are first-time qualifiers for SNA support will no longer be forced into a guessing game of whether or not they may be limiting their amount of future support when they make their initial filing.

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JSI is awaiting information from USAC regarding when and how it will refund the SNA support. In the meantime, if you have any questions regarding the order or the FCC's Safety Net rules, please contact John Kuykendall (jkuykendall@jsitel.com) or Brian Sullivan (bsullivan@jsitel.com) in JSI's Maryland office, at 301-459-7590.

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