

ORIGINAL

State of Florida



## Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

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**DATE:** June 22, 2007  
**TO:** Ann Cole, Commission Clerk - PSC, Office of Commission Clerk  
**FROM:** James S. Polk, Regulatory Analyst I, Division of Competitive Markets & Enforcement *OSP*  
**RE:** Placement of Document in Docket File 010977-TL

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Attached is the original, signed copy of ITS's response to the Data Request for State Certification of Rural Telecommunication Carriers. Please place the document in the 010977-TL docket file.

Thank you for your assistance in this matter.

Cc: Division of Competitive Markets & Enforcement (Moses, Casey)

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FPSC-COMMISSION CLERK



**ITS TELECOMMUNICATIONS SYSTEMS, INC.**

15925 SW Warfield Blvd. • P. O. Box 277

Indiantown, Florida 34956

772-597-2111

2007 JUN -8 FRI 12:23  
DIVISION OF  
CONSUMER SERVICES

June 4, 2007

Mr. Robert J. Casey  
Public Utilities Supervisor  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

RE: FPSC Docket No. 010977-TL  
State Certification of Rural Telecommunication Carriers

Dear Mr. Casey:

Enclosed is the original, signed copy of ITS' response to the Data Request in the above referenced docket. A copy of this document was provided to John Mann via e-mail on May 17, 2007.

Should you have any questions or need additional information, please contact me at (772) 597-3129. Thank you.

Sincerely,

ITS TELECOMMUNICATIONS SYSTEMS, INC.

Mary Ann Holt  
Administrative Services Manager

Enclosure

DOCUMENT NUMBER-DATE

05007 JUN 22 5

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**AFFIDAVIT**

STATE OF FLORIDA  
COUNTY OF MARTIN

BEFORE ME, the undersigned authority, personally appeared **Jeffrey S. Leslie**, known to me to be a credible person and of lawful age, who deposed and said:

1. My name is Jeffrey S. Leslie. I am employed by **ITS Telecommunications Systems, Inc.** (ITS or the "Company") as Vice President, Chief Financial Officer. I possess substantial knowledge of the Company's operations and am an officer authorized to give this affidavit on behalf of the Company. This affidavit is being given to support the certification of the Florida Public Service Commission ("Commission") as contemplated in 47 C.F.R. §54.314.
2. ITS hereby certifies that it will utilize all federal high-cost support it receives during 2008 only for the provision, maintenance and upgrading of facilities and services for which the support is intended, consistent with 47 U.S.C. § 254(e) of the Telecommunications Act of 1996.
3. In lieu of providing progress reports on a five-year service quality improvement plan, ITS submits that certain requirements, procedures and processes to which the Company adheres, and which are further explained in the following paragraphs, constitute the Company's progress report with respect to the receipt and utilization of federal universal service support. Under the existing rules and processes discussed the federal support funds received by the Company and other rural incumbent local exchange carriers ("ILECs") are, in fact, an integral part of the rural ILEC's recovery of expenditures incurred in the provision, maintenance and upgrading of its provision of universal service. Essentially, the Company receives federal universal service support ("USF") through various programs which are administered through the Universal Service Administrative Company ("USAC"). USAC has contracted with the National Exchange Carrier Association, Inc. ("NECA") to assist in data collection necessary for the remittance of USF. The company submits, not less frequently than annually, detailed information requested by NECA in the USF data collection process. USF data used in the USF calculations by NECA must also be filed with the FCC by November 1<sup>st</sup> of each year.

Rural ILECs must attest to the information submitted. Further, NECA and its auditors must attest to the validity and integrity of NECA's process. In other words, the ILEC cost studies and responses to data collection requests are subject

to audit. The information provided in response to all of the universal service fund mechanisms utilizes FCC accounts for regulated costs and must be in compliance with FCC rules in Parts 32, 36, 54 and 64.

All cost studies submitted by rural ILECs and all USF funding submitted by rural ILECs must be based upon financial statements. In addition, NECA performs focus reviews of cost studies as well as the USF filings for the cost companies involved in the NECA process. In addition, an officer of the rural ILEC must certify the accuracy and validity of the filed information. This process ensures that the Company will not be deprived of the USF funding upon which the Company depends to provide rural telephone customers with affordable and quality telecommunications services.

The federal USF received by the Company and other rural ILECs is divided into four categories: High Cost Loop Support ("HCLS"); Local Switching Support ("LSS"); Interstate Common Line Support ("ICLS"); and Safety Net Additive Support ("SNAS"). Each of these mechanisms has been created by the FCC in conjunction with the Federal-State Joint Board on Universal Service. This means that representatives from State Commissions have also been involved in the development of these mechanisms through their representation in the Joint Board process.

HCLS for rural ILECs is based upon each company's embedded, unseparated loop cost. These costs are calculated using a set of complex algorithms approved by the FCC, the inputs for which are scrutinized by NECA. Therefore, HCLS is reimbursing ILECs for investments and expenses already incurred.

LSS rules established by the FCC use the embedded costs of the rural ILECs associated with switching investments, depreciation, maintenance, expenses, taxes and an FCC established rate of return. Therefore, LSS is reimbursing ILECs for investments and expenses already incurred. This amount is used to offset the rural ILECs interstate switching revenue requirement. The difference between the interstate switching revenue requirement, again as set forth in the company's annual interstate cost study and LSS, makes up the switching rate which is charged to interexchange carriers.

ICLS is a universal service mechanism which is based upon each company's embedded, interstate loop cost and allows rate-of-return companies to offset interstate common line access charges and recover its interstate common line revenue requirement and still allow SLCs to remain affordable to customers. ICLS is reimbursing ILECs for investments and expenses already incurred. The ICLS calculation uses the interstate cost structure of a rural incumbent local exchange carrier ("ILEC") based upon annual interstate cost studies that are submitted and certified by the companies and received by NECA. The difference between the interstate common line revenue requirement, again as set forth in the

company's annual interstate cost study and the SLC revenue collected from end users, makes up the ICLS.

LSS rules established by the FCC use the embedded costs of the rural ILECs associated with switching investments, depreciation, maintenance, expenses, taxes and an FCC established rate of return. Therefore, LSS is reimbursing ILECs for investments and expenses already incurred. This amount is used to offset the rural ILECs interstate switching revenue requirement. The difference between the interstate switching revenue requirement, again as set forth in the company's annual interstate cost study and LSS, makes up the switching rate which is charged to interexchange carriers.

SNAS is support above the HCLS cap for carriers that make significant investment in rural infrastructure in years in which HCLS is capped. To receive this support, a rural ILEC must show that growth in telecommunications plant in service (TPIS) per line is at least 14 percent greater than the study area's TPIS in the prior year. Carriers seeking to qualify for SNAS must provide written notice to USAC that a study area meets the 14 percent TRIS trigger.

4. ITS hereby certifies that it follows appropriate procedures for network outage reporting as per the Federal Outage Reporting Order and State Outage Reporting Requirements. For the period between March 1, 2006 and March 1, 2007, ITS did not have any Federal FCC reportable outages. ITS did have one (1) reportable State PSC outage. Following are the details of this outage.

At approximately 7:15 PM on Thursday, July 20, 2007, three (3) rectifiers in the Central Office failed due to power surges/lightning earlier in the afternoon. Approximately 3,679 dial tone customers and 12 T-1's lost service.

At approximately 9:15 PM that same evening, 2570 customers were restored to 100% service and 8 T-1's were restored. By 10:00 PM an additional 839 customers were restored and at 2:30 AM, the remaining 270 customers and T-1's were restored. As of 8:00 AM on Friday, July 21<sup>st</sup>, two of the three rectifiers were running. As of 5:00 PM Friday, July 21<sup>st</sup>, ITS was completely 100% restored and all equipment was running at 100%.

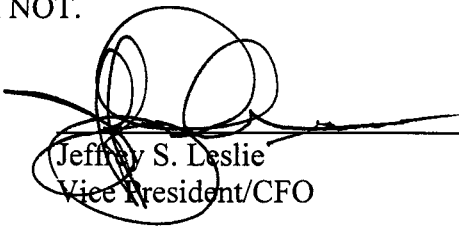
The Florida Public Service Commission (Rick Moses) was notified of this outage via e-mail at 10:29 AM on Friday, July 21, 2007 and again later that day when we were back to 100%.

In an effort to prevent further outages of this nature, ITS has replaced all surge protectors and rectifiers in the Central Office and conducted a ground study. The results of the ground study produced excellent results.

ITS received no Commission complaints as a result of this outage.

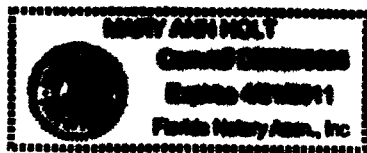
5. ITS hereby certifies that it received zero FCC complaints during the period March 1, 2006 through March 1, 2007; and received two (2) safety-issue related complaints filed with the FPSC during the period March 1, 2006 to March 1, 2007. These issues were satisfactorily handled by our Outside Plant Manger.
6. ITS hereby certifies that it did fulfill all requests for service from potential customers.
7. ITS hereby certifies that it complies with the applicable state PSC quality of service standards, federal and state consumer protection rules, is able to function in emergency situations, offers a tariffed local usage plan and provides equal access to long distance carriers.

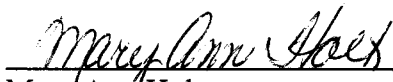
FURTHER AFFIANT SAYETH NOT.

  
Jeffrey S. Leslie  
Vice President/CFO

STATE OF FLORIDA  
COUNTY OF MARTIN

Acknowledged before me this 17<sup>th</sup> day of May 2007 by Jeffrey S. Leslie, as Vice President/CFL of ITS Telecommunications Systems, Inc., who is personally known to me and did not take an oath.



  
Mary Ann Holt  
Notary Public