186652

The Public Service Commission
State of South Carolina

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June 14, 2007

Certified Mail
Return Receipt Requested

Bonnie D. Shealy, Esquire
Robinson, McFadden & Moore, P.C.
Post Office Box 944
Columbia, South Carolina 29202

C. Lessie Hammonds, Esquire
Office of Regulatory Staff
Post Office Box 11263
Columbia, South Carolina 29211

RECEIVED
JUN 14 2007
PSC SC
DOCKETING DEPT.

COPY
Posted: tcl
Dept: N/A
Date: 6/14/07
Time: 4:55

Re: Docket No. 2007-75-C – Application of STi Prepaid, LLC for a Certificate to Provide Interexchange Telecommunications Services and for Alternative Regulation and Joint Application of STi Prepaid, LLC and Dialaround Enterprises, Inc. for Approval to Transfer the Assets of Dialaround to STi Prepaid.

Dear Bonnie and Lessie:

Enclosed please find a proposed order in the above-captioned docket, which is being delivered to you pursuant to the requirements of 26 S.C. Code Ann. Regs. 103-841(C). As parties of record in this case, you have ten (10) days from your receipt of this proposed order to file exceptions, present briefs, and/or file written requests for oral argument to the Commission, if you should desire to do so. If none of these are received by me within 10 days of your receipt of the proposed order, I will request that the Commission issue its order in this case based upon the record of the formal proceeding and the proposed order.

Sincerely,

F. David Butler
Hearing Examiner

FDB/hha
Enclosure

cc: Joseph M. Melchers, Chief Counsel
Douglas Pratt, Advisory Staff

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2007-75-C - ORDER NO. 2007-

JUNE 14, 2007

IN RE: Application of STi Prepaid, LLC for a Certificate to Provide Interexchange Telecommunications Services and for Alternative Regulation and Joint Application of STi Prepaid, LLC and Dialaround Enterprises, Incorporated for Approval to Transfer the Assets of Dialaround to STi Prepaid.	))))))))	ORDER APPROVING CERTIFICATE AND ASSET TRANSFER-PROPOSED ORDER OF THE HEARING EXAMINER

This matter comes before the Public Service Commission of South Carolina ("Commission") by way of the Application of STi Prepaid, LLC ("STi Prepaid") for a Certificate of Public Convenience and Necessity to provide intrastate resold telecommunications services. Further STi Prepaid, LLC and Dialaround Enterprises, Inc. ("the Joint Applicants") seek approval of a transfer of certain assets of Dialaround Enterprises, Inc. ("DEI") to STi Prepaid. The Application and Joint Application were filed pursuant to S.C. Code Ann. Sections 58-9-280, 58-9-300, and 58-9-310 (Supp. 2006) and the rules and regulations of the Commission.

The Commission's Docketing Department instructed the Applicant and the Joint Applicants to publish, one time, a Notice of Filing in newspapers of general circulation in the areas of the State affected by the Application. The purpose of the Notice of Filing was to inform interested parties of the Application and the Joint Application and of the

manner and time in which to file the appropriate pleadings for participation in the proceeding. The Applicant and Joint Applicants complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. No Protests or Petitions to Intervene were filed. Subsequently, a Hearing Examiner was appointed to hear the matter, pursuant to Order No. 2007-167. The parties filed a Settlement Agreement (Order Ex. 1), also.

A hearing was held before F. David Butler, Hearing Examiner on June 4, 2007 at 10:00 AM. Bonnie D. Shealy, Esquire, represented the Applicant and Joint Applicants. C. Lessie Hammonds, Esquire represented the Office of Regulatory Staff (ORS). The Applicant and Joint Applicant presented the testimony of Jeffrey K. Storey, Acting President of STi Prepaid, by video conference.

Storey testified that STi Prepaid is a limited liability company under the laws of the State of Delaware, and is authorized to transact business within the State of South Carolina. DEI is a privately held corporation also organized under the laws of the State Delaware, and is certificated by this Commission to provide various telecommunications services pursuant to Order. No. 2003-478, dated August 11, 2003 in Docket No. 2003-20-C. STi Prepaid seeks authority to operate as a reseller of intrastate interexchange telecommunications services to the public on a statewide basis and to offer a full range of "1+" interexchange telecommunications services on a resale basis to both business and residential customers. Specifically, STi Prepaid will provide prepaid calling services and dial-around services. STi Prepaid will provide its dial-around services in the same manner as these telecommunications services are currently offered by Dialaround

Enterprises, Inc. STi Prepaid will adopt DEI's South Carolina intrastate tariff and continue to offer services at the same rates, terms, conditions as were previously offered by DEI. STi Prepaid requests that all of its business service offerings be regulated pursuant to the procedures described and set out in Docket No. 95-661-C and as modified by Order No. 2001-997 in Docket No. 2000-407-C. STi Prepaid will also post a $5,000 surety bond with this Commission, due to the prepaid service that it intends to offer.

Storey testified that STi Prepaid has sufficient managerial, technical, and financial resources and ability to provide the telecommunications services proposed in its Application. The assets of DEI will be transferred to STi Prepaid as described in the Joint Application. STi Prepaid is seeking a waiver of the requirements of 26 S.C. Code Ann. Regs. 103-610 with regard to a carrier keeping all records required by the Commission's rules and regulations within the State of South Carolina. Storey noted that since the STi Prepaid's corporate offices are in New York, maintaining its books and records in South Carolina would be unduly burdensome. Further, STi Prepaid seeks an exemption for any policies that might require it to maintain its financial records in conformance with the Uniform System of Accounts (USOA), since STi Prepaid actually keeps its books in accordance with Generally Accepted Accounting Principles (GAAP).

Further, Storey testified that, pursuant to the terms of an Asset Purchase and Contribution Agreement ("Agreement") between DEI and its respective individual owners and corporate parents ("Sellers") and STi Prepaid dated January 23, 2007, DEI agreed to transfer all or substantially all of its assets to STi Prepaid (the "Transaction"). Pursuant to the terms of the Agreement, STi Prepaid will purchase seventy-five percent

(75%) of the assets and assume seventy-five percent (75%) of the Seller's liabilities. The remaining twenty-five (25%) of STi Prepaid will be held by Samer Tawfik through a new limited liability corporation, ST Finance, LLC ("ST Finance). The results of these transactions are that STi Prepaid will obtain the telecommunications assets and operations of DEI in the State of South Carolina and all other states in which DEI operates. STi Prepaid will file a tariff to establish rates, terms, and conditions identical to those in DEI's tariff's, thus, according to Storey, providing a seamless transition for consumers using DEI's services. The transaction will be virtually transparent to consumers in terms of the services that they receive. Upon completion of the Transaction and STi Prepaid receiving the requisite authority from the Commission, DEI will cancel any tariffs on file with the Commission and surrender its telecommunications authorizations in South Carolina.

Storey testified that the proposed Transaction furthers the public interest, convenience, and necessity. Storey noted that there will be increased competitive from STi Prepaid and that consumers will benefit by having a wide range of telecommunications choices in the long distance market. As an affiliate of Leucadia, a publicly traded New York corporation, STi Prepaid will have access to the public capital markets that can provide support for the expansion of the services currently offered by DEI. Storey stated that the combination of existing technical experience at DEI and the financial backing of Leucadia will enhance STi Prepaid's ability to efficiently provide and expand its services.

FINDINGS OF FACT

1. STi Prepaid is a limited liability company organized under the laws of the State of Delaware. DEI is a privately-held corporation organized under the laws of the State of Delaware. Both have qualified as foreign limited liability companies with the South Carolina Secretary of State under the laws of the State of South Carolina.

2. DEI desires to transfer certain assets to STi Prepaid, and DEI intends to surrender its Certificate of Public Convenience and Necessity once the transfer is complete.

3. STi Prepaid has applied for a Certificate of Public Convenience and Necessity to provide resold interexchange intrastate telephone services.

4. We find that the asset transfer from DEI to STi Prepaid should be approved and that STi Prepaid should be granted a Certificate of Public Convenience and Necessity to provide interexchange intrastate telephone services as described in the Applicantion and the testimony of Mr. Storey.

5. STi Prepaid requests a waiver of 26 S.C. Code Ann. Regs. 103-610. The Commission finds STi Prepaid's requested waiver reasonable and understands the potential difficulty presented to STi Prepaid should the waiver not be granted. Further, we find a waiver of 26 S.C. Code Ann. Regs. 103-610 to be in the public interest. We also believe that exemption from the policies that would require the STi Prepaid to keep its records under the USOA is reasonable.

CONCLUSIONS OF LAW

1. The Commission concludes that the asset transfer from DEI to STi Prepaid is reasonable and should be approved and that STi Prepaid possesses the managerial, technical, and financial resources to provide the requested telecommunications services to customers as described in its Application.

2. The Commission concludes that approval of the asset transfer from DEI to STi Prepaid will serve the public interest by enhancing competition in the State of South Carolina by providing for efficient use of existing telecommunications resources.

3. The Commission concludes that voluntary surrender of DEI's Certificate of Public Convenience and Necessity after consummation of the sale of assets from DEI to STI Prepaid is in the public interest.

4 The Commission concludes that the issuance of the authority to provide intrastate interexchange telecommunications services as requested by STi Prepaid and as set forth in its Application and Mr. Storey's testimony is in the best interests of the citizens of the State of South Carolina.

5. The Commission concludes that a Certificate of Public Convenience and Necessity should be granted to STi Prepaid to provide resold intrastate interexchange telecommunications services. STi Prepaid should post a $5,000 surety bond, due to the prepaid nature of its services.

6. The Commission adopts a rate design for STi Prepaid for its residential interexchange services, if any, which include maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment

below the maximum rate levels has been previously adopted by the Commission. *In Re: Application of GTE Sprint Communications Corporation, etc.,* Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

7. STi Prepaid shall not adjust its residential interexchange rates for end-users, if any, below the approved maximum level without notice to the Commission and to the public. STi Prepaid shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. *In Re: Application of GTE Sprint Communications, etc.*, Order No. 93-638, issued in Docket No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level for residential interexchange services reflected in the tariff which would be applicable to the general body of the Company's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp.2006).

8. The Commission concludes that STi Prepaid's intrastate interexchange business telecommunications services shall be regulated in accordance with the principles and procedures established for alternative regulation of business service offerings set out in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. The Commission has previously granted this "alternative regulation" to competitive intrastate interexchange carriers operating within South Carolina, and the Commission concludes that the

competitive marketplace requires the Commission to allow this flexible regulation to those carriers which request it. Specifically, the Commission-approved alternative regulation allows business service offerings, including consumer card services and operator services, to be subject to a relaxed regulatory scheme identical to that granted to AT&T Communications in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C.

However, pursuant to Order No. 2001-997 (Docket No. 2000-407-C), this Commission has modified alternative regulation by the re-imposition of rate caps with regard to certain "operator-assisted calls" where a customer uses a local exchange carrier's calling card to complete calls from locations which have not selected that local exchange carrier as the toll provider. Order No. 2001-997, dated November 8, 2001, imposed a maximum cap of $1.75 for operator surcharges for such calls, and a maximum cap of $0.35 related to the flat per-minute rate associated with these calls. Under this relaxed regulatory scheme, tariff filings for business services shall be presumed valid upon filing. The Commission will have seven (7) days in which to institute an investigation of any tariff filing. If the Commission institutes an investigation of a particular tariff filing within the seven days, the tariff filing will then be suspended until further Order of the Commission.

9. We conclude that STi Prepaid's request for waiver of 26 S.C. Code Ann. Regs. 103-610 should be granted as strict compliance with the regulation would potentially cause undue hardship on that Company. We also grant exemption from the policies requiring the use of USOA.

10. The Settlement Agreement between the Company and ORS should be approved.

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED THAT:

1. The asset transfer from DEI to STi Prepaid is approved. Also, a Certificate of Public Convenience and Necessity should be granted to STi Prepaid to provide intrastate interexchange services through the resale of services authorized for resale by tariffs of carriers approved by the Commission within the State of South Carolina.

2. The Company's rate designs for its products shall conform to those designs described in Conclusions of Law above.

3. If it has not already done so by the date of issuance of this Order, STi Prepaid shall file its revised tariff. The revised tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations, as well as the provisions of the Settlement Agreement. STi Prepaid shall post a $5,000 surety bond with this Commission.

4. The Company's service is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that for access purposes resellers and facilities-based interexchange carriers should be treated similarly.

5. With regard to the Company's resale of service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

6. STi Prepaid shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If STi Prepaid changes underlying carriers, it shall notify the Commission in writing.

7. With regard to the origination and termination of toll calls within the same LATA, STi Prepaid shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993), with the exception of the 10-XXX intraLATA dialing requirement, which has been rendered obsolete by the toll dialing parity rules established by the FCC pursuant to the Telecommunications Act of 1996 (See, 47 CFR 51.209). Specifically, STi Prepaid shall comply with the imputation standard as adopted by Order No. 93-462 and more fully described in paragraph 4 of the Stipulation and Appendix B approved by Order No. 93-462.

8. In addition to the financial filings required supra, STi Prepaid shall file annual financial information in the form of annual reports and gross receipts reports as required by the Commission. The annual report and the gross receipt report will necessitate the filing of intrastate information. Therefore, STi Prepaid shall keep financial records on an intrastate basis for South Carolina to comply with the annual report and gross receipts filings. The proper form for filing annual financial information can be found at the Commission's website at www.psc.sc.gov/forms.asp or at the ORS's website at w.w.w.regulatorystaff.sc.gov. The title of this form is "Telecommunications Company Annual Report." This form shall be utilized by the Company to file annual financial information with the Commission and ORS and shall be filed no later than **April 1st**.

Commission gross receipts forms are due to be filed with the Commission and ORS no later than **August 31st** of each year. The proper form for filing gross receipts information can be found at the ORS website at www.regulatorystaff.sc.gov, and the appropriate form is entitled "Gross Receipts Form."

Each telecommunications company certified in South Carolina is required to file annually with the ORS the Intrastate Universal Service Fund ("USF") worksheet, which may be found on the ORS's website at www.regulatorystaff.sc.gov. This worksheet provides ORS information required to determine each telecommunications company's liability to the State USF fund. The Intrastate USF worksheet is due to be filed annually no later than **August 15th** with the Commission and ORS.

9. STi Prepaid shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests, and repairs. In addition, the Company shall provide to the Commission and ORS in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours. STi Prepaid shall file the names, addresses, and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The "Authorized Utility Representative Information" form can be found at the Commission's website at www.psc.sc.gov/forms.asp; this form shall be utilized for the provision of this information to the Commission and ORS. Further, the Company shall promptly notify the Commission and ORS in writing if the representatives are replaced.

10. STi Prepaid is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

11. At the hearing, STi Prepaid requested a waiver of 26 Code Ann. Regs. 103-610 (Supp. 2006), which requires that records required by the Commission's Rules and Regulations be maintained in South Carolina. The Commission finds STi Prepaid's requested waiver reasonable and understands the potential difficulty presented to STi Prepaid should the waiver not be granted. The Commission therefore grants the requested waiver. However, STi Prepaid shall make available its books and records at all reasonable times upon request by the Office of Regulatory Staff, and STi Prepaid shall promptly notify the Commission and ORS if the location of its books and records changes.

12. STi Prepaid also requests that it be exempt from record keeping policies that require a carrier to maintain its financial records in conformance with the Uniform System of Accounts. The USOA was developed by the FCC as a means of regulating telecommunications companies subject to rate base regulation. As a competitive carrier, STi Prepaid maintains its book of accounts in accordance with Generally Accepted Accounting Principles. GAAP is used extensively by interexchange carriers and other competitive telecommunications carriers. Accordingly, STi Prepaid requests an exemption from the USOA requirements. We grant the Company's request for the reasons stated above.

13. The Settlement Agreement between the parties is hereby approved.

14. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

G. O'Neal Hamilton, Chairman

ATTEST:

C. Robert Moseley, Vice Chairman

(SEAL)

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2007-75-C

May 22 2007

IN RE:

Application of STi Prepaid, LLC for a Certificate to Provide Interexchange Telecommunications Services and for Alternative Regulation; and Joint Application of STi Prepaid, LLC and Dialaround Enterprises, Incorporated for Approval to Transfer the Assets of Dialaround to STi Prepaid	))))))	**SETTLEMENT AGREEMENT**

This Settlement Agreement ("Settlement Agreement") is made by and among the Office of Regulatory Staff ("ORS") and STi Prepaid, LLC ("STi Prepaid" or "the Company") (collectively referred to as the "Parties" or sometimes individually as "Party");

WHEREAS, on February 27, 2007, STi Prepaid filed an application requesting (i) a Certificate of Public Convenience and Necessity be granted to operate as a reseller of interexchange telecommunications services throughout the State of South Carolina; (ii) alternative regulation for its interexchange services pursuant to South Carolina Code § 58-9-585 (Supp.1999), as was first granted by the Commission in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C; (iii) waiver of Commission regulation 103-610; and (iv) approval of joint Application of STi Prepaid and Dialaround Enterprises Incorporated ("Dialaround") to transfer the assets of Dialaround to STi Prepaid;

WHEREAS, on March 2, 2007, counsel for ORS entered a notice of appearance in this matter;

WHEREAS, on March 7, 2007, the Public Service Commission of South Carolina (the "Commission") issued a notice of hearing and set a return date of April 9, 2007 for the hearing in the above captioned matter scheduled to be heard before a Hearing Examiner on June 4, 2007;

WHEREAS, on March 15, 2007, the Commission issued Order 2007-167, appointing David Butler, Esquire as the Hearing Examiner for this matter;

WHEREAS, on April 6, 2007, the Company filed proof that publication had been filed in the following South Carolina newspapers: *The Greenville News*, *The Post and Courier*, and *The State*;

WHEREAS, no party filed to become an intervenor in this matter;

WHEREAS, on April 23, 2007, STi Prepaid pre-filed direct testimony of Jeffrey K. Storey with the Commission;

WHEREAS, the purpose of this proceeding is to review the application filed by STi Prepaid and its request for a Certificate of Public Convenience and Necessity as well as the joint Application of STi Prepaid, LCC and Dialaround;

WHEREAS, since the filing of the notice, ORS has conducted a review of the technical, managerial, and financial expertise of the Company to provide such services;

WHEREAS, ORS has reviewed the application and the financial data provided by the Company;

WHEREAS, ORS has investigated the services to be offered by STi Prepaid and its intended customer service plans;

WHEREAS, ORS has reviewed the prefiled testimony of Jeffrey K. Storey;

WHEREAS, as a result of its investigations, ORS has determined a) STi Prepaid intends to resell interexchange telecommunication services within the state of South Carolina; b) STi

Prepaid will not construct any facilities to implement the authority sought herein; c) the officers of STi Prepaid appear to possess sufficient technical and managerial abilities to adequately provide the services applied for; d) based upon the financial information provided and the analysis performed, STi Prepaid appears to have the financial resources necessary to provide the services proposed in its application; e) STi Prepaid agrees to adopt the current tariffs of Dialaround and file its final tariff with the Commission; and f) to the extent it is required to do so by the Commission, STi Prepaid will participate in the support of universally available telephone service at affordable rates.

WHEREAS, to ensure compliance with the Commission's statutes and regulations, the Parties have agreed to the following comprehensive settlement of all issues in this docket;

WHEREFORE, in the spirit of compromise, the Parties hereby stipulate and agree to the following terms and conditions:

1) The Parties agree to stipulate into the record before the Commission this Settlement Agreement. The Parties also agree to stipulate to the pre-filed direct testimony of STi Prepaid Witness Jeffrey K. Storey who will be presented by STi Prepaid without cross-examination by ORS on matters known as of the date of the filing of this Settlement Agreement;

2) The Parties agree that the Company should be granted a Certificate of Public Convenience and Necessity to operate as a reseller of interexchange telecommunications services within the state of South Carolina;

3) The Company has requested a waiver of 26 S.C. Code Ann. Regs. 103-610 (location of books and records). However, S.C. Code Ann. §58-9-380 (as amended by 2006 Acts No. 318) provides that:

> Each telephone utility shall have an office in one of the counties of this State in which its property or some part thereof is located and shall keep in

> such office all such books, accounts, papers and records as shall reasonably be required by the Office of Regulatory Staff. No books, accounts, papers or records required by the ORS to be kept within the State shall be removed at any time from the State except upon such conditions as may be prescribed by the Office of Regulatory Staff.

ORS is agreeable to allowing the Company to maintain its books and records outside of the State of South Carolina in exchange for the Company agreeing to provide access to the Company's books and records. This provision of the Settlement Agreement shall not be construed as a waiver by ORS of S.C. Code Ann. § 58-4-55 (Supp. 2005) or § 58-9-1070 (as amended by 2006 Acts No. 318). ORS expressly reserves its rights to require the production of books, records and other information located within or outside of the State of South Carolina in order to carry out its duties and compliance with any state or federal regulation;

4) The Company, acknowledges that S.C. Code Ann. § 58-9-340 provides that ORS may, in its discretion, and subject to the approval of the Commission, prescribe systems of accounts to be kept by telephone utilities subject to the Commission's jurisdiction and ORS may prescribe the manner in which the accounts shall be kept and may require every telephone utility to keep its books, papers, and records accurately and faithfully according to the system of accounts as prescribed by ORS. The Company agrees to keep its books, papers, and records in such a manner that permits ORS to audit its revenues and expenses for compliance with programs such as but not limited to USF and Interim LEC funds and gross receipts. The Company agrees to complete all required forms such as but not limited to the USF Form, which is attached in its current form as Exhibit 1, and as the form may be amended from time to time;

5) ORS does not oppose the Company's request for a waiver of the requirements of 26 S.C. Code Ann. Regs. 103-610;

6) ORS does not oppose the Company's request that all of its telecommunications offerings be regulated as described in its application pursuant to the procedures set out in Commission Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C;

7) STi Prepaid agrees to utilize underlying carriers and to resell the services of only those interexchange carriers authorized to do business in South Carolina by the Commission;

8) STi Prepaid agrees that the Company will allow an end-user of resold services to access an alternative interexchange carrier or operator service provider if the end-user expresses such a desire;

9) STi Prepaid agrees to file necessary financial information with the Commission and ORS for universal service fund reporting, annual reporting and gross receipts to the extent required by law and Commission orders. The parties agree that such reports shall be filed pursuant to ORS instructions and monies shall be remitted in accordance with the directions of ORS and the Commission;

10) As a prerequisite of offering prepaid calling card or prepaid long distance services, STi Prepaid agrees that it shall post a surety bond in the amount of $5,000;

11) The Company agrees to comply with the verification regulations governing change of preferred interexchange carriers as established by Federal Communications Commission, and the Company agrees to comply with the marketing practices and guidelines established in Order Nos. 95-658 and 95-933;

12) STi Prepaid agrees to comply with South Carolina Code Section § 58-9-300 entitled "Abandonment of Service." Additionally, STi Prepaid agrees to adhere to the Federal

Communication Commission 47 C.F.R. § 64.1190 and 64.1130 regarding the use of preferred carrier freezes and letters of agency.

13) STi Prepaid agrees to provide services that meet the service standards required by the Commission and to comply with all rules and regulations of the Commission unless the Commission has expressly waived such rule or regulation;

14) ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

> ...'public interest' means a balancing of the following:
> (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
> (2) economic development and job attraction and retention in South Carolina; and
> (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the Settlement Agreement reached among the Parties serves the public interest as defined above;

15) The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of all issues in the above-captioned proceeding and to take no action inconsistent with its adoption by the Commission. The Parties further agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein;

16) The Parties agree that signing this Settlement Agreement will not constrain, inhibit, impair or prejudice their arguments or positions held in other collateral proceedings, nor will it constitute a precedent or evidence of acceptable practice in future proceedings. If the Commission declines to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement in its entirety without penalty or obligation;

17) This Settlement Agreement shall be interpreted according to South Carolina law;

18) The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by affixing its signature or by authorizing counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the original signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement. The Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

WE AGREE:

Representing the Office of Regulatory Staff

C. Lessie Hammonds, Esquire
Office of Regulatory Staff
1441 Main Street, Suite 300
Columbia, South Carolina 29201
Phone: (803) 737- 0803
Fax: (803) 737- 0895
Email: lhammon@regstaff.sc.gov

WE AGREE:

Representing STi Prepaid, LLC

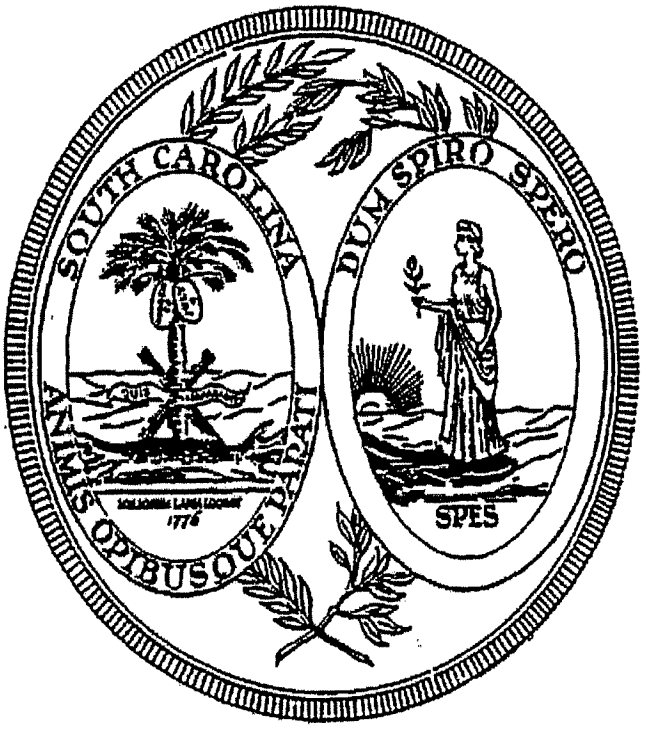
Bonnie D. Shealy
Robinson, McFadden & Moore, P.C.
Post Office Box 944
Columbia, SC 29202
Phone: 803-779-8900
Fax: 803-252-0724
Email: bshealy@robinsonlaw.com

EXHIBIT 1

2007 South Carolina Universal Service Contribution Worksheet

Revenue Data for Year Ending
12/ 31/2006

_____
Name of Company



Form must be completed and returned by July 1, 2007 to:

Universal Service Fund Administrator
South Carolina Office of Regulatory Staff
1441 Main St. Suite 300
Columbia, SC 29201

2007 SC USF Worksheet Table of Contents:

Form Names **Page Numbers**

I. Contributor Identification Form *2*

II. Certification of Revenues *3*

III. General Filing Instructions *4-5*

IV .Line Item Contribution Worksheet Instructions *6-8*

V. Contribution Worksheet *9-10*

2007 South Carolina Universal Service Fund Contribution Worksheet

I. Contributor Identification Information:

101. Legal name of reporting entity:

_____

102. IRS employer identification number:

_____

103. Name(s) by which telecommunications service provider is doing business, if different than shown in Line 101:

_____

104. Complete mailing address of reporting entity:

_____

_____

105. Individual who completed this worksheet:

_____

106. Telephone number of individual completing the worksheet:

_____

107. E-mail address for individual completing the worksheet:

_____

108. Fax number of individual completing the worksheet:

_____

109. Address that Universal Service Fund bills should be sent:

_____

_____

110. Contact person at your Company for Universal Service Fund billing questions:

_____

111. Telephone number for individual provided in Item 110:

_____

112. E-mail address for individual provided in Item 110.

_____

2007 South Carolina Universal Service Fund Contribution Worksheet

II. Certification of Net Universal Service Fund Contribution Base Revenues:

113. Revenues as reported on Line 222; Columns A, B and D of the worksheet:

(a) Total **Intrastate** End User Operating Revenues in South Carolina for 12 months period ending 12/31/2006: _____

(b) Total **Interstate** End User Operating Revenues in South Carolina for 12 months period ending 12/31/2006: _____

(c) Total **Intrastate and Interstate** (Sum: 113 (a) and Sum 113 (b)) End User Operating Revenues in South Carolina for 12 months period ending 12/31/2006:

_____

114. **South Carolina USF Assessments** collected from retail end-user during the year ending 12/31/2006:

_____

115. **Certification of Report:** I certify that I am an officer of

_____

(Company Name) and that I have examined the foregoing report and to the best of my knowledge, information, and belief, all of the statements in this Contribution Worksheet are true and that said Worksheet is an accurate statement of affairs of the above named Company for the time period of covered in this report.

Signature: _____ Date: _____

Printed name of Officer signing above: _____

Position of Officer signing above: _____

SWORN TO AND SUBSCRIBED BEFORE ME
this the _____ day of _____, 20____

_____
NOTARY PUBLIC for
My Commission Expires: _____

III. General Filing Instructions:

Who Must File:

As required by the South Carolina Public Service Commission USF Guidelines approved by Order No. 2001-996, each carrier must file on an annual basis the information necessary to allow the Administrator to calculate the carrier's contribution.

When and Where to File:

Contribution Worksheets must be sent to:

SC Universal Service Fund Administrator
c/o South Carolina Office of Regulatory Staff
1441 Main St. Suite 300
Columbia, SC 29201

Each Carrier must file on an annual basis the information necessary to allow the Administrator to calculate the carrier's contribution. These filings are due **on or before July 1** of each year, reporting data as of December 31 of the prior calendar year.

Revenue Reporting General Instructions:

Reported revenues should:

- Include account set-up, connection, service restoration, termination and other non-recurring charges. (These charges should be reported on the same line that the filer reports any associated recurring revenue. For example, an early termination charge for a long distance private line service would be reported as revenue on Line 210.)
- Include revenues derived from the activation and provision of intrastate and interstate telecommunications and non-telecommunications services.
- Include total revenues billed to customers during the filing period with no allowances for uncollectible, settlements, or out-of-period adjustments.
- Include collection overages and unclaimed refunds for telecommunications services when not subject to escheats.
- Include any surcharges on telecommunications services that are billed to the customer and either retained by the filer or remitted to a non-government third party under contract.
- Include other surcharges treated as revenues on which the surcharges were levied.
- Include any charge billed to customer and represented to recover or collect contributions to federal or state universal service support mechanisms must be shown separately on Line 201.
- Exclude taxes and any surcharges that are not recorded on the company books as revenues but which instead are remitted to government bodies.
- Exclude Customer Deposits.
- Tie directly to the books and records (e.g., general ledger/trial balance) of the reporting entity and not include estimates developed and reported by NECA or other reporting entities.
- Gross revenues should not be reported net of related expenditures.

III. General Filing Instructions Continued:

Permissible Exceptions:

An entity is not required to impute or report revenues for services provided to itself or to wholly owned affiliates unless: 1) it is required to record such revenues for some other federal or state regulatory purpose; or 2) the filer is providing service to an affiliate for resale and the affiliate is not a direct universal contributor.

Use of Estimates:

If revenue category breakout cannot be determined directly from corporate books of account or subsidiary records, filers may provide on the Worksheet a good-faith estimate of the breakout. Detailed calculation of any such estimates must accompany the Worksheet and clearly describe all assumption used in their calculation. Filers may not simply report all revenues on one of the "other revenue" lines.

Mergers:

Where two contributors have merged prior to the filing date, the successor company should report total revenues for the reporting period for all predecessor operations. The two contributors, however, should continue to report separately if each maintains separate corporate identities and continue to operate independently. Where an entity obtains, through purchase, merger or transfer, the telecommunications operations or customer base of a telecommunications provider during the calendar year, it must report all telecommunications revenues associated with such operations or customer base including revenues billed in the calendar year prior to the date of acquisition.

Questions:

Questions can be directed to the South Carolina Office of Regulatory Staff at 803-737-0800. Please ask to be directed to the Universal Service Fund Administrator.

IV. Line Item Contribution Worksheet Instructions:

Line 201 -- Itemized charges levied by the reporting entity in order to recover contributions to state and federal universal service support mechanisms should be reported on Line 201. Any charge that is identified on a bill as recovering contributions to universal service support mechanisms must be shown on Line 201 and should be identified as either interstate or intrastate revenues, as appropriate.

Line 202 -- Monthly service, local calling, connection charges, vertical features, and other local exchange services should include the basic local service revenues except for local private line revenues, access revenues, and revenues from providing mobile or cellular services. This line should include charges for optional extended area service, dialing features, local directory assistance, added exchange services such as automatic number identification (ANI) or teleconferencing, LNP surcharges, connection charges, charges for connecting with mobile service and local exchange revenue settlements.

Line 203 -- Line 203 a. should include revenues for charges to end users specified in a carrier's access services tariffs, such as tariffed subscriber line charges and PICC charges levied by a local exchange carrier on customers that are not presubscribed to an interexchange carrier (*i.e.*, a no-PIC customer). However, Line 203 a. should not include revenues for charges to end users for special access services (which are reported on Line 204). Subscriber Line Charges associated with Public Payphone access line services and Lifeline Services should be excluded from Line 203 a. Telecommunications providers that do not have subscriber line charge or PICC tariffs on file with the the Federal Communications Commission or the Public Service Commission, or that are not reselling such tariffed charges, should report $0 on Line 203 a. Filers are required to specifically identify and report revenues associated with subscriber line charges excluded from Line 203 a. associated with Public Telephone Access Line Services on Line 203 b. and associated with the Lifeline Service on Line 203 c.

Line 204 -- Line 204 should include local private line and special access services. This includes revenues from providing local services that involve dedicated circuits, private switching arrangements, digital subscriber line, and/or predefined transmission paths. Line 204 should include revenues from special access lines resold to end users unless the service is bundled with, and charged as part of a toll service, in which case the revenues should be reported on the appropriate toll service line. Also, report on Line 204 revenues from offering dedicated capacity between specified points even if the service is provided over local area switched ATM or frame relay networks. Revenues associated with digital subscriber line services (DSL) used to provide internet access should not be included in Line 204.These digital subscriber line (DSL) revenues should identified and reported as part of Line 213.

Line 205 -- Line 205 a. should include all revenues received from customers paid directly to the payphone service provider, including all coin-in-the-box revenues. Do not deduct commission payments to premises' owners. Public Telephone Access Line Services should be excluded from these revenues. However, filers are required to identify and report revenues associated with public telephone access line services (PTAS) provided to payphone service providers as Carrier's Carrier (Wholesale) revenues on Line 205 b.

Line 206 -- Other local telecommunications service revenues should include local telecommunications service revenues that reasonably would not be included with one of the other fixed local service revenue categories.

Line 207 -- This line should include revenues (excluding international) from prepaid calling cards provided either to customers or to retail distributors. Revenues should represent the amounts actually paid by customers (face value) and not the amounts paid by distributors or retailers, and should not be reduced or adjusted for discounts provided to distributors or retail establishments. All prepaid card revenues are classified as end-user revenues. For purposes of completing this Worksheet, prepaid card revenues should be recognized when the cards are sold.

IV. Line Item Contribution Worksheet Instructions Continued:

Line 208 – Interstate and intrastate operator and toll calls with alternative billing arrangements should include all calling card or credit card calls, person-to-person calls, and calls with alternative billing arrangements such as third-number billing and collect calls which are billed to South Carolina end-users. This line should include all charges from interstate and intrastate toll or long distance directory assistance. All revenues from international calls should be reported on line 217. Line 211 should include revenues from all calls placed from all coin and coinless, public and semi-public, accommodation and prison telephones, except that calls that are paid for via prepaid calling cards should be included on Line 207 and calls paid for by coins deposited in the phone should be included on Line 205.

Line 209 -- Ordinary long distance and other switched toll services should include all long distance message revenues except for amounts reported on Lines 205, 207, 211, or 216. Line 209 should include ordinary message telephone service (MTS), WATS, subscriber toll-free, 900, "WATS-like," and similar switched services. This category includes most toll calls placed for a fee and should include flat monthly charges billed to customers, such as account maintenance charges, PICC pass-through charges, package plans giving fixed amounts of toll minutes, and monthly minimums. However, where customers are charged single rate for a combined local and long distance service, all revenues for such service should be reported on Line 202.

Line 210 -- Long distance private line service should include revenues from dedicated circuits, private switching arrangements, and/or predefined transmission paths, extending beyond the basic service area. Line 210 should include frame relay and similar services where the customer is provided a dedicated amount of capacity between points in different basic service areas. Any revenues from international service should be excluded here and reported on line 216.

Line 211 -- All other long distance services (excluding international) should include all other revenues from providing long distance communications services. Line 211 should include toll teleconferencing. Line 211 should include switched data, frame relay and similar services where the customer is provided a toll network service rather than dedicated capacity between two points.

212 -- Universal service support revenues should include all amounts that filers receive as universal service support from either states or the federal government. Line 212 should include as revenues Lifeline Assistance reimbursement for the waived portion of subscriber line, presubscribed interexchange carrier charges or credits for subsidized services provided to schools, libraries, and rural health care providers. Line 212 should include amounts received as cash as well as amounts received as credit against contribution obligations. Line 212 should not include any amounts charged to customers to recover universal service or similar contributions.

Line 213 – Include revenues from the provision of broadband (including DSL and cable TV Program transmissions) services. These revenues are excluded from the calculation of Net Universal Service Fund revenue.

Line 214 -- Data reported on this line should contain mobile service revenues other than toll charges to mobile service customers. Charges associated with mobile service provided to resellers should not be included on this line. For services provided to end users, Line 214 should contain monthly charges, activation fees, service restoration, and service order processing charges, etc. End-user prepaid wireless service revenues attributable to activation and daily or monthly access charges should be reported on Line 214.

Line 215 -- Message charges, including any roaming charges assessed on customers for calls placed out of customers' home areas and local directory assistance charges. End-user prepaid wireless service revenues attributable to airtime should be reported on Line 215. Itemized toll charges to mobile service customers should be included in the Lines 210, 211 or 216, as appropriate.

IV. Line Item Contribution Worksheet Instructions Continued:

Line 216 – Line 216 should include all revenues derived from the provision of international communications services. International services are defined as any call which originates or terminates at a point outside of the United States, regardless of its transmission path.

217 -- Line 217 should include all non-telecommunications service revenues on the reporting entity's books, as well as some revenues that are derived from telecommunications-related functions, but that should not be included in the universal service or other fund contribution bases. For example, information services offering a capability for generating, acquiring, storing, transforming, processing, retrieving, utilizing, or making available information via telecommunications are not included in the universal service or other fund contribution bases. Information services do not include any use of any such capability for the management, control, or operation of a telecommunications system or the management of a telecommunications service. Information services also are called enhanced services because they are offered over transmission facilities used in interstate communications and employ computer processing applications that act on the format, content, code, protocol, or similar aspects of the subscriber's transmitted information; provide the subscriber additional, different, or restructured information; or involve subscriber interaction with stored information. For example, call moderation and call transcription services are information services. These services are exempt from contribution requirements and should be reported on Line 217. Line 217 should include revenues from published directory and carrier billing and collection services. Line 217 should include revenues from the sale, lease, installation, maintenance, or insurance of customer premises equipment (CPE). Line 217 should include inside wiring charges and inside wiring maintenance insurance. Line 217 should include the sale or lease of transmission facilities, such as dark fiber or bare transponder capacity, that are not provided as part of a telecommunications service or as a UNE. Line 217 should include pole attachment revenues. Line 217 should include revenues from providing open video systems (OVS), cable leased access, and direct broadcast satellite (DBS) services. Line 217 should include late payment charges and charges (penalties) imposed by the company for customer checks returned for non-payment. Line 217 should not include any revenues from the provision of broadband (including DSL and cable TV Program transmissions) services. All revenues from the provision of broadband services should be reported on Line 213.

Line 219 – Reflects the gross amount includable in Net Universal Service Fund contribution revenue. This number is the total of Lines 201 through 211.

Line 220 -- Show the uncollectible revenue/bad debt expense associated with gross billed revenues amounts reported on Line 218. This should be the amount reported as bad debt expense in the filer's income statement for the year. Note that it will include uncollectibles associated with all revenue on the filer's books (Line 218), covering carrier's carrier revenues, end-user telecommunications revenues and revenues reported on Lines 212 through 217. The contributor's uncollectible revenues/bad debt expense should be calculated in accordance with Generally Accepted Accounting Principles. Thus, uncollectibles should represent the portion of gross billed revenues that the contributor reasonably expects will not be collected. Note that uncollectibles may not include any amounts associated with unbillable revenues. Filers that operate on a cash basis should report $0 on this line.

Line 221 -- Show the portion of the uncollectible revenue/bad debt expense reported on Line 220 that is associated with just the universal service contribution base amounts reported on Line 219. Filers that maintain separate detail of uncollectibles by type of business should rely on those records in determining the portion of gross uncollectibles reported on Line 220 that should be reported on Line 221. Filers that do not have such detail should make such assignments in proportion to reported gross revenues. Filers must be able to document how the amounts reported on Line 221 relate to the uncollectible revenue/bad debt expense associated with gross billed revenues reported on Line 219.

Line 222 -- This is your net universal service fund contribution base revenue. It contains the total base revenue reported on line 219 less the uncollectible revenue associated with the line 219 amount as reported on line 221. This amount should be reported on the certification page line 113 Lines A, B, and C.

203 a. - PICC charges levied by a local exchange carrier on a no-PIC customer and tariffed subscriber line charges .				
203 b. - Revenues from Subscriber Line Charges billed to Public Telephone Access Line Servcies.				
203 c. - Revenues from Subscriber Line Charges billed to Lifeline Services.				
204 Local private line and special access service				
205 a. - Payphone revenues				
205 b.- Revenues from Payphone Telephone Access Line Services				
206 - Other local telecommunications service revenues				
207 - Prepaid calling card (including card sales to customers and non-carrier distributors but excluding international calling) reported at face value of cards.				
208 - Interstate and intrastate operator and toll calls with alternate billing arrangements (credit card, collect, , etc.)				
209 - Ordinary interstate and intrastate long distance (direct-dial MTS, customer toll-free 800/888 service, "10-10" calls, associated monthly account maintenance, PICC pass-through, and other switched services not reported above				
210 - Long distance private line services (excluding international)				
211 - All other long distance services (excluding international)				

215 - Mobile service message charges including roaming, but excluding toll charges				
216 - International operator and toll calls, international calling card sales, international private line services and any other international services				
217 - Revenues from other non-telecommunications services, including, but not limited to: Information services, inside wiring maintenance, billing and collection, customer premises equipment, published directory, CATV, and dark fiber				
218 - Gross revenues from all sources (Lines 201 through 217)				

South Carolina State USF Fund Contribution Revenue:				
219 - Total Gross universal service contribution base amounts - Lines 201 through 211				
220 - Uncollectible revenue/bad debts expense associated with gross revenue amounts on Line 218				
221 - Uncollectible revenue/bad debts expense associated with universal service contribution amounts on Line 219				
222 - Net Universal Service Fund contribution base revenue (Line 219 minus Line 221)				

Docket No. 2007-75-C– Application of STi Prepaid, LLC for a Certificate to Provide Interexchange Telecommunications Services and for Alternative Regulation and Joint Application of STi Prepaid, LLC and Dialaround Enterprises, Inc. for Approval to Transfer the Assets of Dialaround to STi Prepaid.	)	**CERTIFICATE OF SERVICE** **(By Certified U.S. Mail)** **(Return Receipt Requested)**

I, Hope H. Adams, an employee of the Public Service Commission of South Carolina, do hereby certify that I have this date served one (1) copy of ***Order Approving Certificate and Asset Transfer – Proposed Order of the Hearing Examiner*** issued in the above-referenced docket, dated June 14, 2007, to the person(s) named below by causing said copies to be deposited with the United States Postal Service, by certified mail, return receipt requested, postage prepaid and addressed as follows.

Bonnie D. Shealy, Esquire
Robinson, McFadden & Moore, P.C.
Post Office Box 944
Columbia, South Carolina 29202

C. Lessie Hammonds, Esquire
Office of Regulatory Staff
Post Office Box 11263
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June 14, 2007
Columbia, South Carolina

Hope H. Adams, Administrative Assistant
Public Service Commission of South Carolina