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The Public Service Commission
State of South Carolina

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March 7, 2007

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Office of Regulatory Staff
Post Office Box 11263
Columbia, South Carolina 29211

Re: Docket No. 2006-260-C – Application of Phone1, Inc. for a Certificate of Public Convenience and Necessity

Dear Jack and Wendy:

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. 103-865(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 Melchers, Chief Counsel
Douglas Pratt, Advisory Staff

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BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2006-260-C - ORDER NO. 2007-

MARCH 7, 2007

IN RE: Application of Phone1, Inc. for a Certificate of Public Convenience and Necessity to Provide Resold and Operator Assisted Interexchange Telecommunications Services within the State of South Carolina and for Alternative Regulation.	))))))))	ORDER GRANTING CERTIFICATE AND APPROVING MODIFIED ALTERNATIVE REGULATION- PROPOSED ORDER OF THE HEARING EXAMINER

This matter comes before the Public Service Commission of South Carolina ("Commission") by way of the Application of Phone1, Inc ("Phone1" or the "Company") requesting a Certificate of Public Convenience and Necessity authorizing it to provide resold interexchange telecommunications services within the State of South Carolina. The Company's Application was filed pursuant to S.C. Code Ann. §58-9-280 (Supp. 2006) and the rules and regulations of the Commission. By its Application, Phone1 also requests alternative regulation of its business interexchange services consistent with Commission Orders, and waiver of certain Commission regulations.

The Commission's Docketing Department instructed Phone1 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 of Phone1 and of the manner and time in which to file the appropriate

pleadings for participation in the proceeding. Phone1 complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. No Petitions to Intervene or Protests were filed.

Subsequently, Phone1 and ORS filed a Settlement Agreement attached hereto as Order Exhibit 1. A hearing was convened on March 5, 2007, at 10:00 a.m. in the offices of the Commission in Columbia, South Carolina, before David Butler, Hearing Examiner. Phone1 was represented by John J. Pringle, Jr., Esquire. The Office of Regulatory Staff ("ORS") was represented by Wendy B. Cartledge, Esquire.

Jon Leath, Manager of the operator services platform of the Company, testified in support of the Company's Application, and adopted the prefiled testimony of Geren Anderson of the Company. The record reveals that Phone1 is a corporation organized under the laws of the State of Florida which is registered to transact business in South Carolina as a foreign corporation. According to Mr. Leath, the Company seeks authority as a reseller of interexchange services. Mr. Leath explained the Company's request for authority, and the record further reveals the Company's services, operations, and marketing procedures. The Company intends to primarily market interexchange services to payphones and hospitality locations through aggregators. Phone1 does not plan to offer services directly to members of the public at this time. The Company holds a Certificate to operate in some forty different states. Mr. Leath also discussed Phone1's technical, financial, and managerial resources to provide the services for which it seeks authority.

With regard to management and technical capabilities, the Company's Application and Mr. Leath's testimony both evidence that Phone1's management has

extensive experience in telecommunications, information technology, regulatory matters, and accounting and finance. Mr. Leath also testified that Phone1 will operate in accordance with Commission rules, regulations, guidelines, and Commission Orders. Mr. Leath offered that approval of Phone1's Application would serve the public interest.

Mr. Leath, on behalf of the Company, requests a waiver of 26 S.C. Code Ann. Regs.103-610, since the Company's books are maintained in Florida. Further, the Company requests an exemption from record keeping policies that require maintenance of financial records in conformance with the Uniform System of Accounts ("USOA"). BLC maintains its books in accordance with Generally Accepted Accounting Principles ("GAAP").

The Company's financial resources, especially over the long term, are a source of some concern, even though the Company and ORS agreed in their Settlement Agreement filed November 29, 2006 (Hearing Exhibit 1) that the Company appears to have the financial resources necessary to provide the services proposed in its Application. (See Hearing Exhibit 1 at 3.) First, in the Report of Independent Registered Public Accounting Firm dated May 31, 2006, which was submitted to update the financials in the original Application, Rachlin Cohen & Holtz, LLP ("the accounting firm") expressed the opinion that the net loss of $9,129,000 and the use of $2,921,000 in cash for the year ending March 31, 2006 raised substantial doubt about the parent Company's (Phone1Globalwide, Inc.'s) ability to continue as a going concern. Additionally, the accounting firm reported that although the parent Company was actively seeking additional funding, the parent Company could not predict whether it would actually

obtain that funding, or if it did, whether the terms of that funding would be at terms favorable to the parent Company. The accounting firm also pointed out the fact that the Company derived 56% of its revenue from one source in the last fiscal year. The accounting firm noted that the contract with this customer expired on December 10, 2007, and may not be renewed.

Mr. Leath testified that this approximately $9 million loss over the last fiscal year was an improvement over the Company's $11 million loss in 2005, and that the Company believed that its finances would be even more improved for the fiscal year ending March 31, 2007. Mr. Leath noted that the Company had cut many of its prior costs, by eliminating offices in several cities. Further, the Company had obtained new major customers, such as Hawaii Telecom. In addition, the Company has developed new products to market. With regard to the contract with one customer, Mr. Leath noted that it was possible that the contract would not be renewed, but that it was unlikely, considering the fact that the company involved would have to convert large amounts of equipment if it decided to contract with some other Company than Phone1. The Company volunteered to file quarterly financial statements with this Commission.

After consideration of the applicable law, the Company's Application, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. Phone1 is organized under the laws of the State of Florida as a corporation, and is authorized to do business as a foreign corporation in South Carolina by the Secretary of State.

2. Phone1 desires to operate as a provider of resold interexchange services in South Carolina.

3. We find that Phone1 possesses the managerial experience and capability to operate as a provider, through resale, of interexchange services in South Carolina.

4. We find that the issuance of a Certificate of Public Convenience and Necessity to Phone1 to operate as a reseller of interexchange services in South Carolina would be in the best interest of the citizens of South Carolina by providing more innovative services.

5. Phone1 requests a waiver of 26 S.C. Code Ann. Regs. 103-610. The Commission finds Phone1's requested waiver reasonable and understands the potential difficulty presented to Phone1 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 Company to keep its records under the USOA is reasonable.

6. The Company has the managerial and technical resources to provide the services as described in its Application.

7. The Company, based on the financial records and balance sheets submitted by it, possesses questionable financial resources to provide the services as

described in its Application, and certain reporting requirements as described below should be imposed on the Company.

CONCLUSIONS OF LAW

1. The Commission concludes that Phone1 possesses the managerial and technical resources to provide the telecommunications services as described in its Application. However, the financial resources of the Company are in question. For the purposes of awarding a certificate to Phone1, the Commission will recognize the Leath testimony that indicated that the Company will be furnishing a more positive financial statement for the fiscal year ending March 31, 2007, and that the Company will continue to cut costs, obtain new major customers and investors, and furnish new products to the market as evidence that the Company conditionally meets the financial requirements of this Commission. However, this Commission herein requires that the Company file quarterly financials (income statement, balance sheet, and any other relevant financial documents) of the Company's parent corporation Phone1Globalwide, Inc. beginning within thirty (30) days of issuance with this Commission, with a copy being sent to the Office of Regulatory Staff. If ORS files a Petition requesting relief, this Commission may require another proceeding to assess the financial condition of this Company. If the Company's financial condition continues to deteriorate from the position discussed in the accounting firm's March 31, 2006, document, this Commission may consider, after further hearing, whether or not to revoke the Certificate of Public Convenience and Necessity granted herein.

2. The Commission concludes that the issuance of the authority to provide intrastate interexchange telecommunications services as requested by Phone1 and as set forth in its Application and Mr. Leath's testimony is in the best interests of the citizens of the State of South Carolina.

3. The Commission concludes that a Certificate of Public Convenience and Necessity should be granted to Phone1 to provide resold intrastate interexchange telecommunications services.

8. The Commission adopts a rate design for Phone1 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).

9. Phone1 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. Phone1 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).

10. The Commission concludes that Phone1'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.

12. We conclude that Phone1'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.

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

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED THAT:

1. A Certificate of Public Convenience and Necessity should be granted to Phone1 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, Phone1 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 Phone1-ORS Settlement Agreement.

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. Phone1 shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If Phone1 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, Phone1 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, Phone1 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, Phone1 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, Phone1 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. The Company 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.

Phone1 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. The Company 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, Phone1 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 Phone1's requested waiver reasonable and understands the potential difficulty presented to Phone1 should the waiver not be granted. The Commission therefore grants the requested waiver. However, Phone1 shall make available its books and records at all reasonable times upon request by the Office of Regulatory Staff, and Phone1 shall promptly notify the Commission and ORS if the location of its books and records changes.

12. Phone1 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, Phone1 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, Phone1 requests an exemption from the USOA requirements. We grant the Company's request for the reasons stated above.

14. The Settlement Agreement between Phone 1 and ORS is hereby approved.

15. 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. 2006-260-C

November__, 2006

IN RE:

Application of Phone1, Inc. for a Certificate of Public Convenience and Necessity to Provide Resold and Operator Assisted Interexchange Telecommunications Services within The State of South Carolina and for Alternative Regulation First Granted in Docket No. 95-661-C	)	**SETTLEMENT AGREEMENT**

This Settlement Agreement ("Settlement Agreement") is made by and among the Office of Regulatory Staff ("ORS") and Phone 1, Inc., ("Phone1" or "the Company") (collectively referred to as the "Parties" or sometimes individually as "Party").

WHEREAS, on August 21, 2006, the Company filed its application requesting a Certificate of Public Convenience and Necessity to provide resold and operator-assisted interexchange telecommunications services within the State of South Carolina, and for alternative regulation for its interexchange services in accordance with the principles and procedures established for alternative regulation in Docket No. 95-661-C, and as modified by Order No. 2001-997 in Docket No. 2000-407-C.

WHEREAS, on September 6, 2006, the Public Service Commission of South Carolina (the "Commission") issued a Notice of Filing and Hearing and set return dates

for the hearing in the above captioned matter scheduled to be heard before a Hearing Examiner on December 4, 2006;

WHEREAS, on October 23, 2006, Phone1 pre-filed testimony of Geren Anderson with the Commission;

WHEREAS, the purpose of this proceeding is to review the application filed by the Company and its request for a Certificate of Public Convenience and Necessity;

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, and ORS has calculated certain performance ratios based upon information provided by the Company;

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

WHEREAS, ORS has reviewed the proposed tariffs submitted by the Company;

WHEREAS, as a result of its investigations, ORS has determined a) the Company intends to operate as a reseller of existing interexchange carrier services, and to provide direct dial and operator assisted interexchange services throughout the state; b) Phone1 will utilize facilities-based interexchange carriers, certified to operate within this state for its underlying carrier, such as Qwest,,, and calls will be routed over switched access facilities to the nearest underlying carrier's point-of-presence; the underlying carrier will transport the calls to its switch and terminate calls over its own terminating network; c) the Company does intend to offer prepaid calling cards; d) the officers of the Company possess sufficient technical and managerial abilities to adequately provide the services

applied for; e) based upon the information provided and the analysis performed, the Company appears to have the financial resources necessary to provide the services proposed in its application; f) certain revisions should be made to the Company's proposed tariffs in order to comply with Commission statutes and regulations; g) the services provided by the Company will meet the service standards required by the Commission; h) to the extent it is required to do so by the Commission, the Company will participate in the support of universally available telephone service at affordable rates; and i) the provision of interexchange services by the Company will not adversely impact the public interest.

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 testimony of Phone1 Witness Geren Anderson who will be presented without cross-examination by ORS;

2) Phone1 agrees to submit into the record before the Commission revised tariffs in accordance with ORS recommendations which are attached hereto and incorporated herein as Exhibit 1;

3) The Parties agree that the Company should be granted a Certificate of Public Convenience and Necessity to provide resold direct dial and operator-assisted interexchange telecommunications services within the State of South Carolina ;

4) 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 regulations.

5) The Company has requested a waiver of any Commission rules or policies requiring a carrier to maintain its financial records in conformance with the Uniform System of Accounts ("USOA"). The Company, acknowledges that S.C. Code Ann. § 58-9-340 (effective May 24, 2006) provides that the 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 the 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 the 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 the USF Form, which is attached in its current form as Exhibit 2, and as the form may be amended from time to time. .

6) ORS does not oppose the Company's request that the Commission grant the Company's request that its interexchange services be subject to alternative regulation, in accordance with the principles and procedures established for alternative regulation in Docket No. 95-661-C, and as modified by Order No. 2001-997 in Docket No. 2000-407-C.

7) Phone1 agrees to resell the services of only those existing facilities-based interexchange carriers authorized to do business in South Carolina by the Commission.

8) Phone1 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) The Company agrees to file necessary financial information with the Commission and ORS for universal service fund reporting, annual reporting and/or gross receipts reporting and remit fees as appropriate;

10) The Company agrees to comply with the verification regulations governing change of preferred interexchange carriers as established by Federal

Communications Commission. In addition, the Company agrees to comply with the marketing practices and guidelines established in Order No. 95-638.

11) The Company agrees to obtain a surety bond or certificate of deposit, in the amount of $5,000, prior to offering or marketing any prepaid debit card service in the State of South Carolina. The certificate of deposit shall be drawn on federal or state chartered banks or savings and loan associations which maintain an office in South Carolina and whose accounts are insured either by the FDIC or the Federal Savings and Loan Insurance Corporation. A surety bond shall be issued by a duly licensed bonding or insurance company authorized to do business in South Carolina.

12) 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) (added by Act 175). S.C. Code § 58-4-10(B)(1) through (3) read 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;

13) 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;

14) 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;

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

16) 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

Wendy B. Cartledge

Wendy B. Cartledge, Esquire
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WE AGREE:

Representing Phone 1, Inc.

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Ellis, Lawhorne & Sims, P.A.
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Exhibit

1

Phone1, Inc. Docket No. 2006-260-C

Exhibit V – Proposed Tariff – South Carolina Tariff No. 1

Application for Interexchange (IXC) Authority with Alternative Regulation

Section 1 – Technical Terms and Abbreviations – Original Pages 6, 7, 8 and 9– **Comment: Suggest adding "ORS" for the South Carolina Office of Regulatory Staff.**

Pay Telephone – Original Page 8 – *"Telephone instruments provided by the Company, Customer, Confinement Institution or other third party for use by the transient general public. Pay Telephones permit the user to place calls to other parties and bill such calls on a non sent-paid or sent-paid basis. To facilitate sent-paid calling, Pay Telephones can be equipped with a credit card reader, coin box, or similar device that allows charges to the collected for each call at the instrument. To facilitate sent –paid calling, Pay Telephones can be equipped with a credit card reader, coin box or similar device that allows charges to be collected for each call at the instrument."* **Comment 1: Suggest that the Company include a Confinement Institution Rate Schedule if this service will be provided or specify in the current offerings which rate schedule will apply to such. The Company's Application Narrative does not appear to mention the offering of Confinement Service. Comment 2: The term "Transient General Public" appears in this section relative to Pay Telephone. Suggest that the Company make a distinction between the services/rates for end user transient service and aggregator service. In the event that they (the services and rates) apply to both classes of customer, the Company must comply with the Orders issued by the Commission governing End User applicability.**

Section 2 – Rules and Regulations

2.5.2 – Payment for Service

2.5 – Billing and Payment for Service

2.5.2 (D) – Original Page 16 – *"Charges for third party calls which are charged to a domestic telephone number will be included on the Billed Party's local exchange company bill pursuant to billing and collection agreements established by the Company or its intermediary with the applicable telephone company."* **Comment: Suggest that the Company ensure compliance with the requirement of call detail and other billing statement criteria per the Commission Rules and Regulations.**

Phone1, Inc. Docket No. 2006-260-C
Exhibit V – Proposed Tariff – South Carolina Tariff No. 1

2.5.2 (E) – Original Page 16 – *"Charges for credit card calls will be included on the Billed Party's regular monthly statement from the card-issuing company.* **Comment: Suggest that the same criteria be adhered to as in the aforementioned subsection (2.5.2 (D). Furthermore, the Company is obligated to issue a consolidated billing statement containing all customer calls and the requirements for billing.**

2.5.6 – Return Check Charge – Original Page 17 – *"The Company reserves the right to assess a return-check charge not to exceed that allowed by applicable state law as contained in S.C. Code Ann. 34-11-70, whenever a check or draft presented for payment of service is not accepted by the institution on which it is written. This charge applies each time a check is returned to the Company by a bank for insufficient funds. A Maximum Return Check Charge is $50.00."* **Comment: Suggest that the Company remove the last sentence. The amount is governed by the aforementioned statute.**

2.5.7 – Customer Complaints and/or Billing Disputes – Original Page 18 – *"Customers have the right to refer billing disputes and any other complaints to Company at 100 N. Biscayne Boulevard, 25th Floor, Miami, Florida 33132, or via telephone by dialing 1-866-674-6631. If the Customer and the Company are unable to resolve the dispute to their mutual satisfaction, the Customer may file a complaint with the South Carolina Public Service Commission in accordance with the Commission's rules of practice of procedure. The address of the Commission is as follows:"*

South Carolina Public Service Commission
Synergy Business Park
Saluda Building
101 Executive Center Drive, Suite 100
Columbia, SC 29210
Consumer Services Department – Telephone: (803) 896-5230
Consumer WATS Line – Telephone: (800) -922-1531

Comment: Suggest that the Company revise the last sentence of this subsection by removing references to the Public Service Commission and inserting the Office of Regulatory Staff (ORS). Furthermore, the "rules of practice and procedure" text should be removed. The address and phone numbers below should be utilized.

Office of Regulatory Staff
State of South Carolina
Consumer Services Division
P.O. Box 11263
Columbia, SC 29211
Telephone Number -803-737-5230
Toll Free Number – 1-800-922-1531
Fax Number – 803-737-4750

Phone1, Inc. Docket No. 2006-260-C
Exhibit V – Proposed Tariff – South Carolina Tariff No. 1

2.5.8 – Taxes and Fees

2.5.8.1 – Original Page 18 –"*All state and local taxes (i.e., gross receipts tax, sales tax, municipal utilities tax) are listed as separate line items on the Customer's bill and are not included in the quoted rates and charges set forth in this tariff. To the extent that a municipality, other political subdivision or local agency of government, or Commission imposes upon and collects from the Company a gross receipts tax, occupation tax, license tax, permit fee, franchise fee, or regulatory fee, such taxes and fees shall, insofar as practicable and allowed by law, be billed pro rata to the Customers receiving service from the Company within the territorial limits of such municipality, other political subdivision or local agency of government.*" **Comment: Suggest that Company remove the term "gross receipts tax". This term is ambiguous and it may not necessarily refer to gross receipts taxes assessed by the Public Service Commission for regulation, if so, the pass-through of such is not allowable in South Carolina as a line item. This request would be consistent with treatment of other carriers' tariffs. Furthermore, the term "regulatory fee" has become a parallel issue with "gross receipts tax in many instances. Suggest that this term be removed. The Company has more than adequate language in 2.5.8.1 and 2.5.8.2 to protect its interest. An additional line item fee may not be imposed on an end user in the event, for example, the underlying carrier imposes certain wholesale fees to the Company. The only acceptable means by which a Company may impose additional line items fees would be if the PSC, FCC, Tax Commission or other entity imposed a fee upon the carrier and the governmental entity specifically addressed the allowance of a pass through.**

2.10 - Responsibilities of Aggregators – Original Page 22 – **Comment: Suggest that the Company include a statement in this section of the tariff addressing the fact that an "Aggregator" and "Aggregator Rates" either are or are not "End User" customer rates. Furthermore, give examples of the type of entities that Aggregator rates apply.**

2.10.3 – Original Page 22 - "*The Company shall withhold payment (on a location-by-location basis) of any compensation, including commissions, to Aggregators if the Company reasonably believes that the Aggregator (i) is blocking access by means of "950" or "800" numbers to interstate common carriers in violation of The Telephone Consumer Protection Act of 1990 paragraph 3.4.1.B. or (ii) is blocking access to equal access codes in violation of rules the Federal Communications Commission and/or the South Carolina Public Service Commission may prescribe*". **Comment: Suggest removal of this paragraph. The Tariff is not the proper vehicle to address this type of issue as it relates to compensation between the Company and its Aggregator customer. It would appear that the proper relief would be via a complaint with a Regulatory Agency or a contract breech (is such exists) with the Aggregator.**

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Exhibit V – Proposed Tariff – South Carolina Tariff No. 1

2.13 – Validation of Credit – Original Page 24 – *The Company reserves the right to validate the creditworthiness of Customers and billed parties through available verification procedures. Where a Customer's creditworthiness is unacceptable to the Company, the Company may refuse to provide service, require a deposit or advance payment, or otherwise restrict or interrupt service to the Customer.* " **Comment: Suggest that the Company remove or revise this subsection to conform with the available remedy allowable by the Public Service Commission Rules and Regulations which is the imposition of a customer deposit (outlined in R.103-621) and "Reasons for Denial and Disconnection of Service" (outlined in R.103-625).**

2.14 – Marketing – Original Page 24 - "*As a telephone utility under the regulation of the Public Service Commission of South Carolina, CTI does hereby assert and affirm that as a provider of intrastate telecommunications service, CTI will not indulge or participate in deceptive or misleading telecommunications marketing practices to the detriment of consumers in South Carolina, and the Company will comply with those marketing procedures, if any, set forth by the Public Service Commission. Additionally, CTI will be responsible for the marketing practices of [its] contracted telemarketers for compliance with this provision. CTI understands that violation of this provision could result in a rule to Show Cause as to the withdrawal o f [its] certification to complete intrastate telecommunications traffic within the State of South Carolina.*" **Comment: Suggest that the Company remove the term "CTI" and utilize either "the Company" in this Marketing clause or provide a further explanation of what "CTI" is and why it is mentioned in the tariff.**

Section 3 – Description of Services And Rates

3.1 – General – Original Page 25 – *"Phone1 will provide direct dial to end users and operator assisted services to entities serving the transient public for communications originating and terminating within the State of Arkansas under the terms of this Tariff."* **Comment: Suggest that the Company ensure that this tariff applies to the State of South Carolina since the State of Arkansas is referenced in the subsection. If the Arkansas reference is a typographical error, please remove such and replace with South Carolina.**

3.8 – Toll Free Access Operator Services – Original Pages 29, 30, 31 – **Comment: These subsections appear to offer three (3) different rate plans for Operator Assisted Services by dialing a toll free number for access. The plans have different rates in some of the elements. The Company should provide an explanation of the distinction in the services (i. e. , minimum usage qualifications, etc.). An additional table of rates is found with basically the same Service Titles on Pages 42, 43 and 44 which have differing rates and options for call rating increments. Company should clarify s these services are one in the same and which rates apply. Additionally, specify if these services apply to end users or aggregators or both classes of customer.**

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Exhibit V – Proposed Tariff – South Carolina Tariff No. 1

3.9 - Busy Line Verification Service- Original Page 32; 3.10- Directory Assistance – Original Page 33 – **Comment: Company should examine the rate format in the tariff and determine if these services are subject to a maximum schedule (Alternative Regulation).**

3.12 – Bill Statement Fee – Original Page 33 – **Comment: Company should offer a paper billing (direct billing) alternative to the customer if a fee will be charged for the option of LEC Billing. Customers should not be assessed a fee to receive a billing statement from any Company unless it is an elective process on the part of the customer.**

3.14 – Aggregator Service – Original Page 34 - **Comment: Company should examine the rate format in the tariff and determine if these services are subject to a maximum schedule (Alternative Regulation). This service would appear to be a business service sold to a payphone provider.**

3.15 – Phone1 Toll Services – Original Pages 35, 36, 37, 38, 39 – **Comment: Company appears to be offering prepaid calling/toll service in this subsection. Calling Card Service is not subject to maximums per Alternative Regulation. The Company should review these plans and remove maximums which are not applicable. Additionally, the Company should be prepared to post a $5,000 surety bond for prepaid calling card services.**

Section 4 – Current Rates

4.1 – Operator Services – Original Pages 40 and 41 – **Comment: Company should ensure that if these services are applicable to Hospitality Operator Service (Commission Order 88-612) that the rates comply with the allowable rate levels.**

Section 5 – Promotions

5.1- Promotions – General - Original Page 48 – *"From time to time the Company shall, at its option, promote subscription or stimulate network usage by offering to waive some of all of the nonrecurring or recurring charges for the Customer (if eligible) of target services for a limited duration, not to exceed 90 days, or by offering premiums or refunds of equivalent value. Such promotions shall be made available to all similarly situated Customers in the target market area. All promotions will be filed with the Commission prior to offering them to customers"* – **Comment: Company should revise the last sentence to state that promotions will be filed with the Commission and the Office of Regulatory Staff (ORS).**

Exhibit

2

South Carolina Universal Service Fund Contribution Worksheet

Contributor Identification Information:

101. Legal name of reporting entity: _____

102. IRS employer identification number: _____

103. Name telecommunications service provider is doing business as if different than shown above: _____

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: _____

_____

South Carolina Universal Service Fund Contribution Worksheet

Certification of Revenues:

113. Revenues:

(a)Total Intrastate End User Operating Revenues in South Carolina for 12 months period ending 12/31/2005: _____

(b)Total Interstate End User Operating Revenues in South Carolina for 12 months period ending 12/31/2005: _____

(c)Total Intrastate and Interstate End User Operating Revenues in South Carolina for 12 months period ending 12/31/2005: _____

114. Certification of Report: I certify that I am an officer of the above named reporting entity, 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: _____

Who Must File:

As required by the South Carolina Public Service Commission Order # 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 August 30, 2006, reporting data as of December 31, 2005.

Revenue Reporting General Instructions:

The purpose of this report is to establish the company's Net Universal Service Fund contribution revenue from operations in South Carolina. The reporting format is designed, however, to include all revenues of a company conducting telecommunications operation in South Carolina. Inclusion of non-South Carolina revenues is to assist the Administrator in determining that all revenues have been included in the report and to simplify the audit process. As such, all revenues must be categorized as either End User (retail) from South Carolina operations, End User from non-South Carolina Operations or Carrier's Carrier (wholesale) for USF reporting purposes.

For South Carolina reporting purposes, companies must report booked gross revenues from all sources, including non-regulated and nontelecommunications services on Lines 201 through 217 and these must add to total gross revenues as reported on Line 218.

Reported revenues shall 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. Deposits are not revenue. Gross revenues should include revenues derived from the activation and provision of interstate, international, and intrastate telecommunications and non-telecommunications services. Gross revenues consist of total revenues billed to customers during the filing period with no allowances for uncollectibles, settlements, or out-of-period adjustments. Gross revenues should include collection overages and unclaimed refunds for telecommunications services when not subject to escheats. Gross revenues should <u>not</u> be reported net of related expenditures. Reported revenues should 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 also should 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.

Gross revenues should exclude taxes and any surcharges that are not recorded on the company books as revenues but which instead are remitted to government bodies. Note that any charge included on the customer bill and represented to recover or collect contributions to federal or state universal service support mechanisms must be shown separately on Line 201. Other surcharges treated as revenues should be included in the revenue categories on which the surcharges were levied.

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.

South Carolina Universal Service Fund Contribution Worksheet
Worksheet to Determine Reportable Revenues
Line by line 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 should include charges to end users specified in access 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 should not include charges to end users for special access services (which are reported on Line 204). Telecommunications providers that do not have subscriber line charge or PICC tariffs on file with the Commission or who are not reselling such tariffed charges, should report $0 on Line 203.

Line 204 -- Local private line and special access service should include revenues from providing local services that involve dedicated circuits, private switching arrangements, digital subscriber lines, 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. 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.

Line 205 -- Line 205 should include 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. Note that the revenues associated with access line services (PTAS) provided to payphone service providers as well as the revenues associated with federal subscriber line charges associated with this access line service should be reported as Carrier's Carrier (Wholesale) revenues.

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.

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 that both originate or terminate in a U.S. point. 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.

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.

South Carolina State USF Fund
Worksheet to Determine Reportable Revenues
Year Ending 12/31/2005

	A	B	C	D
	End User (Retail) South Carolina Intrastate	**End User (Retail) Outside of South Carolina Interstate**	**Carrier's Carrier (Wholesale)**	**Total**
Gross South Carolina Revenues From All Sources (Telecommunications and Nontelecommunications)				
201 - Surcharges or other amounts on bills identified as recovering both state and federal Universal Service contributions				
Fixed local services:				
202 - Monthly service, local calling, connect charges, vertical features, and other local exchange service charges. Except for federally tariffed subscriber line charges.				
203 - PICC charges levied by a local exchange carrier on a no-PIC customer and tariffed subscriber line charges.				
204 - Local private line and special access service				
205 - Payphone revenues				
206 - Other local telecommunications service revenues				
Toll services:				
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)				

South Carolina State USF Fund
Worksheet to Determine Reportable Revenues
Year Ending 12/31/2005

	A	B	C	D
	End User (Retail) South Carolina Intrastate	**End User (Retail) Outside of South Carolina Interstate**	**Carrier's Carrier (Wholesale)**	**Total**
Gross South Carolina Revenues From All Sources (Telecommunications and Nontelecommunications)				
Revenues from all other sources:				
212 - Universal service support received from federal and state sources (both USF and Interim LEC Funds)				
213 - Revenues from provision of broadband (including DSL and cable TV Program transmission) services				
214 - Monthly service and activation charge revenues from mobile (including wireless telephony, paging and messaging and other mobile services) services				
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 than telecommunications services, including, but not limited to: Information services, inside wiring maintenance, billing and collection, customer premises equipment, published directory, 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. 2006-260-C– Application of Phone1, Inc. for a Certificate of Public Convenience and Necessity to Provide Resold and Operator Assisted Interexchange Telecommunications Services within the State of South Carolina and for Alternative Regulation.	))))))	**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 Granting Certificate and Approving Modified Alternative Regulation – Proposed Order of the Hearing Examiner*** issued in the above-referenced docket, dated March 7, 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.

John J. Pringle, Jr., Esquire
Ellis, Lawhorne & Sims, PA
Post Office Box 2285
Columbia, South Carolina 29202

Wendy B. Cartledge, Esquire
Office of Regulatory Staff
Post Office Box 11263
Columbia, South Carolina 29211

Hope H. Adams

March 7, 2007
Columbia, South Carolina

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