

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Requests for Review of the Decision of the)	
Universal Service Administrator by)	
)	
North American Local, LLC)	
)	
Telrite Corporation)	
)	
Lifeline and Link-Up Reform and Modernization)	WC Docket No. 11-42
)	

ORDER

Adopted: August 28, 2025

Released: August 28, 2025

By the Chief, Wireline Competition Bureau:

I. INTRODUCTION

1. In this Order, the Wireline Competition Bureau (Bureau) resolves the Requests for Review by North American Local, LLC (North American Local) and Telrite Corporation (Telrite) of decisions made by the Universal Service Administrative Company (USAC) to recover funds disbursed under the Lifeline program.¹ We deny North American Local's Request for Review in whole and Telrite's in part. We find that USAC correctly determined that North American Local improperly received Lifeline program support for subscribers who lived outside of its eligible telecommunications carrier (ETC) designated service area. We also find that USAC correctly determined that Telrite improperly received Lifeline program support for subscribers who lived outside of its ETC designated service area. However, we grant Telrite's Request for Review in part because it passed through the full amount of program support to subscribers as required by program rules.

II. BACKGROUND

2. Section 214(e) of the Communications Act of 1934, as amended (the Act) provides that a common carrier designated as an ETC is eligible to receive universal service support throughout the service area for which the designation is received, as established by the state commission or the Federal Communications Commission (FCC).² Lifeline ETCs may receive Federal Lifeline support in the amount

¹ Request for Review by North American Local of Administrator's Decision on the Lifeline Program Appeal of Limited Scope Performance Audit Number LI2017LR008, WC Docket No. 11-42 (filed June 8, 2020), <https://www.fcc.gov/ecfs/document/1060817722563/1> (North American Local Request for Review); *see also* Supplemental Brief in Support of Request for Review, In the Matter of Request for Review by North American Local, LLC of Decision of Universal Service Administrator, WC Docket No. 11-42 (filed July 16, 2020), <https://www.fcc.gov/ecfs/document/10716004789831/1> (North American Local Supplemental Request for Review). Telrite Corporation Request for Confidential Treatment of Request for Review and Request for Review of Universal Service Administrator Decision in Audit No. LI2016LR002 (SAC 409016), WC Docket No. 11-42 (filed Dec 29, 2020), <https://www.fcc.gov/ecfs/search/search-filings/filing/122976198614> (Telrite Request for Review).

of up to \$9.25 per month per qualifying low-income household,³ with an additional \$25 per month for each qualifying household residing on Tribal lands,⁴ however, they may only claim support for subscribers who reside within their designated service areas.⁵ Additionally, Lifeline ETCs must certify that they will pass through the full amount of Lifeline program support to qualifying low-income consumers and that they received any non-federal regulatory approvals necessary to implement the rate reduction.⁶

3. *North American Local Factual Background.* North American Local first petitioned the Public Service Commission of Wisconsin (PSCW) for a facilities-based ETC designation in February 2014,⁷ and was designated as an ETC throughout the non-rural areas of Wisconsin in June 2014.⁸ More than three years later, North American Local submitted a petition with the PSCW to expand its ETC designation throughout the entire state of Wisconsin, which was granted on April 16, 2018.⁹

4. On March 1, 2019, USAC released an audit report that found, among other things, that North American Local improperly received Lifeline program support for subscribers who lived outside of its designated service areas.¹⁰ USAC's report found that North American Local's ETC designation was for all non-rural areas of Wisconsin, but that it claimed support for 615 subscribers outside of these designated areas from February 27, 2015 (the earliest possible North American Local subscriber start date) through the end of the audit period, which was February 28, 2017.¹¹ North American Local filed an

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² 47 U.S.C. § 214(e)(1); 47 U.S.C. § 214(e)(5). Section 254(e) of the Communications Act of 1934, as amended (the Act), provides that “only an eligible telecommunications carrier designated under section 214(e) shall be eligible to receive specific federal universal service support.” 47 U.S.C. § 254(e).

³ 47 CFR § 54.403(a)(1).

⁴ *Id.* §§ 54.403(a)(3), 54.400(e).

⁵ 47 CFR §§ 54.201(a)(1), (b), (d).

⁶ 47 CFR § 54.403(a)(1).

⁷ North American Local, LLC Application for Designation as an Eligible Telecommunications Carrier, Public Service Commission of Wisconsin, Feb. 27, 2014 at 1 (requesting designation as an ETC “through the nonrural area of Wisconsin for local exchange services including the tribal areas of the state for the purpose of receiving federal universal service supported [sic]”) (North American Local 2014 ETC Application).

⁸ Public Service Commission of Wisconsin, Application of North American Local, LLC for Designation as an Eligible Telecommunications Carrier, 4178-TI-100, Final Decision, June 5, 2014, at 7 (ordering that “North American is designated as an ETC, for the purpose of receiving Lifeline support, throughout the non-rural areas of Wisconsin”) (North American Local 2014 ETC Order).

⁹ *See* Application to Expand the Current Service Area of North American Local LLC to Include the Entire State of Wisconsin, Public Service Commission of Wisconsin, December 21, 2017, at 1-2 (North American Local 2017 ETC Application) (requesting ETC designation throughout the entire state of Wisconsin and noting that “[m]any of North American's customers are in the tribal reservation areas that are scattered throughout the State of Wisconsin and parts and potentially all of some of the reservations fall outside of the North American current designated service area”). Public Service Commission of Wisconsin, Application of North American Local, LLC to Expand its Designation as an Eligible Telecommunications Carrier, 4178-TI-101, Final Decision, April 16, 2018 at 3 (designating North American Local as an ETC for the entire state of Wisconsin).

¹⁰ Universal Service Administrative Company, North American Local, LLC Limited Scope Performance Audit on Compliance with the Federal Universal Service Fund Lifeline Support Mechanism Rules, USAC Audit No. LI2017LR008, March 19, 2019 (North American Local Audit Report) ; *see also* Letter from Universal Service Administrative Company to Jorge Bellas, North American Local, LLC at 1 (Sept. 6, 2019) (North American Local Audit Letter) (reporting that the “Beneficiary claimed support for subscribers who resided outside the state-designated service area”).

appeal to USAC on November 5, 2019,¹² which USAC denied on March 23, 2020.¹³ North American Local then filed a Request for Review to the Commission on June 8, 2020, arguing that USAC should have interpreted the 2014 ETC designation as applying to all Tribal areas in Wisconsin and that USAC lacked authority to recover for time periods outside of its audit period.¹⁴ On July 16, 2020, North American Local filed a supplement to its Request for Review arguing again for reversal of the USAC audit decision and further alleging that USAC incorrectly applied its audit findings outside of the audit period.¹⁵

5. *Telrite Factual Background.* Telrite first received approval from the Arkansas Public Service Commission (Arkansas PSC) as an ETC in 2010, with a designation for a service area of the non-rural service area of AT&T Arkansas,¹⁶ and in 2024, sought approval for an ETC designation to serve the entire state of Arkansas.¹⁷

6. On August 22, 2018, USAC released an audit report that found, among other things, that Telrite claimed subscribers in December 2015 and June 2016 in areas where the company was not designated as an ETC and it did not pass through the full amount of Lifeline support to other subscribers.¹⁸ USAC then issued a recovery letter on January 31, 2019, affirming the findings and stating USAC's intention to recover funding from Telrite in connection with these subscribers.¹⁹ On April 1, 2019, Telrite appealed the audit report to USAC.²⁰ USAC issued an Administrator's Decision Letter on October 30, 2020, denying Telrite's appeal.²¹ On December 29, 2020, Telrite sought review from the Commission, arguing that service area designation recovery should be overturned on the bases that it reasonably believed it was authorized to receive support in the at-issue areas, that the Commission lacks

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¹¹ North American Local Audit Letter at 6.

¹² Letter from Jorge Bellas, Managing Partner, North American Local, LLC, to Lifeline Program Division, Universal Service Administrative Company (Nov. 5, 2019).

¹³ Letter from Universal Service Administrative Company, to Jorge Bellas, Managing Partner, North American Local, LLC (Mar. 23, 2020).

¹⁴ North American Local Request for Review at 3, 6.

¹⁵ North American Local Supplemental Request for Review at 3–5.

¹⁶ See In the Matter of the Application of Telrite Corporation for Certification as an Eligible Telecommunications Carrier (Low-Income Only), Arkansas Public Service Commission Docket No. 10-078-U, Order No. 3 (Arkansas Public Service Commission 2010), https://apps.apsc.arkansas.gov/pdf/10/10-078-u_5_1.pdf.

¹⁷ Renewed Petition of Telrite Corporation For Expanded Service Area As A Wireless ETC in the State of Arkansas (Low Income Only), Arkansas Public Service Commission Docket No. 10-078-U (filed Apr. 24, 2024), https://apps.apsc.arkansas.gov/pdf/10/10-078-U_22_1.pdf; see also In the Matter of Petition of Telrite Corporation for Expanded Service Area as a Wireless ETC in the State of Arkansas (Low Income Only), Arkansas Public Service Commission Docket No. 10-078-U (filed Dec. 8, 2015), https://apps.apsc.arkansas.gov/pdf/10/10-078-U_8_1.pdf.

¹⁸ Universal Service Administrative Company, Telrite Corporation Limited Scope Performance Audit on Compliance with the Federal Universal Service Fund Lifeline Support Mechanism Rules USAC Audit No. LI2016LR002 at 6–7, 11–12 (August 22, 2018) (Telrite Audit Report).

¹⁹ Letter from the Universal Service Administrative Company, to Brian Rathman, Telrite Corporation (Jan. 31, 2019).

²⁰ Email from John J. Heitmann, Counsel to Telrite Corporation, to Universal Service Administrative Company (Apr. 1, 2019).

²¹ Letter from the Universal Service Administrative Company, to Brian Rathman, Telrite Corporation (Oct. 30, 2020).

jurisdiction to determine that support was provided outside of its designated service area, and that Telrite properly confirmed that the subscribers were eligible for Lifeline support.²² It also argues that it properly passed through its Lifeline support to subscribers because they were given their full allotment of minutes for the month.²³

III. DISCUSSION

7. Based on our review of the record, we resolve the Requests for Review as discussed below.²⁴

8. *North American Local Request for Review.* We deny North American Local's Request for Review because the PSCW's applicable designation order unambiguously excluded rural areas from North American Local's designated ETC service area. North American Local does not dispute that it received Lifeline program support for subscribers outside of the geographic area determined to be its designated service area.²⁵ Instead, it contends that USAC misinterpreted the PSCW's designation as not encompassing all Tribal areas and argues that USAC should not have recovered for support provided outside of the period subject to the audit.²⁶

9. We disagree with North American Local's contention that USAC erred by not interpreting the North American Local 2014 ETC Order to include all Tribal areas of Wisconsin. The PSCW's order consistently and unambiguously states that the designation was for all *non-rural areas* of Wisconsin without differentiating between Tribal and non-Tribal areas,²⁷ concluding that "North American is designated as an ETC, for the purpose of receiving Lifeline support, throughout the non-rural areas of Wisconsin."²⁸ Further, nowhere does the North American Local 2014 ETC Order differentiate between Tribal and non-Tribal areas of the state, so any Tribal areas that fall within North American Local's designation would need to be in non-rural areas. Based on a plain language reading of the 2014 ETC Order and related PSCW documentation for North American Local, it is clear that the ETC designation did not apply to rural Tribal areas of Wisconsin, and any disbursements to North American Local to those areas would have been improper.

10. North American Local bases its contention that rural Tribal areas fall within its designation on a statement in its 2014 ETC application that requested designation as an ETC "through the nonrural area of Wisconsin for local exchange services including the tribal areas of the state for the purpose of receiving federal universal service support [sic]"²⁹ coupled with a statement in the North American Local 2014 ETC Order that "it is in the public interest to designate North American as an ETC in the areas for which North American requests such designation."³⁰ With respect to Tribal areas, the

²² See Telrite Request for Review at 5–10.

²³ *Id.* at 3–4, 10–11.

²⁴ See 47 CFR § 54.723.

²⁵ See North American Local Request for Review at 4 (admitting that North American Local provided Lifeline service to consumers with physical residential addresses in non-rural telephone company areas and tribal lands within the state of Wisconsin).

²⁶ North American Local Request for Review at 1, 3, 6.

²⁷ North American Local 2014 ETC Order at 1, 3, 7.

²⁸ North American Local 2014 ETC Order at 7. Earlier references in the Order to geographic scope are also consistent with a designation for non-rural areas of Wisconsin. North American Local 2014 ETC Order at 3 ("It is reasonable and in the public interest to designate North American as an ETC for the purpose of receiving Lifeline support in the non-rural areas of Wisconsin, as indicated in its application and consistent with this Decision"), 7 ("Since North American has requested the ETC status for the entirety of the non-rural areas of the state . . .").

²⁹ North American Local 2014 ETC Application at 1.

statement requesting designation for “the nonrural area of Wisconsin . . . including the tribal areas” is best read as a request for designation of Tribal areas in non-rural areas. Even if the term “including” in North American Local’s 2014 ETC application could be read as expanding upon the non-rural areas listed before it,³¹ the Commission does not have discretion to interpret Wisconsin’s ETC designation order because the Wisconsin PSC has jurisdiction in this matter.³² Although we rely on the language in the actual designation order as determinative, to ensure that USAC’s understanding of the designation was consistent with the PSCW’s, USAC confirmed with the PSCW that the 2014 ETC order does not distinguish between Tribal and non-Tribal lands.³³ Therefore, North American Local’s claim that the PSCW specifically included rural Tribal areas in its designated ETC service area is unfounded.

11. Notably, North American Local filed a second Wisconsin ETC application on December 21, 2017 after communicating with the USAC auditor earlier that same month.³⁴ In its 2017 request for ETC designation in Wisconsin, North American Local sought ETC designation throughout the entire state.³⁵ North American Local explicitly states in its ETC application that some of its customers resided outside its ETC designated service area requiring it to request an expanded ETC designation for the entire state.³⁶ This remedial action taken by North American Local is consistent with a finding that the North American Local 2014 ETC Order’s designation was for non-rural areas only without differentiating Tribal from non-Tribal areas, and therefore excluded any rural Tribal areas until the time North American Local received the designation from the PSCW that covered the entire state of Wisconsin on April 16, 2018.

12. We reject North American Local’s contention that USAC was not authorized to recover funding for periods outside of the audit period. Program audits check compliance with the Commission’s rules and can identify areas of non-compliance.³⁷ The program audits can and do uncover rule violations that persisted for periods beyond specified audit periods, as is the case in this matter. The Commission has determined that it should recover funding in instances where there is a violation of program rules that implement the statute or substantive program goal.”³⁸ An ETC receiving Lifeline support outside of its

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³⁰ North American Local 2014 ETC Order at 6.

³¹ See Black’s Law Dictionary 763 (6th ed. 1990) (stating that the term “include” “may, according to context, express an enlargement and have the meaning of *and* or *in addition to*, or merely specify a particular thing already included within general words theretofore used”).

³² 47 U.S.C. § 214(e)(2).

³³ See Harvey Email; see also Email from Peter Jahn, Principal Telecommunications Analyst, Wisconsin Public Service Commission, to Jeff Richter, Director, Universal Service Fund, Wisconsin Public Service Commission and Michael Harvey, USAC Staff Internal Auditor (Nov. 6, 2017 8:44:53 AM) (responding with a list of wire centers that are included in North American Local’s ETC designation order and further explaining that “[t]he PSCW does not differentiate between Tribal and non-Tribal lands. If a company is designated as an ETC for a wire center that includes Tribal lands, then the company is designated for those tribal lands”) (Jahn email).

³⁴ See North American Local 2017 ETC Application at 1–2.

³⁵ *Id.*

³⁶ *Id.* at 2.

³⁷ See Beneficiary and Contributor Audits, USAC, <https://www.usac.org/about/appeals-audits/beneficiary-and-contributor-audit-program-bcap/>.

³⁸ See *Comprehensive Review of the Universal Service Fund Management, Administration, and Oversight*, et al., WC Docket No. 05-195 et al., Report and Order, 22 FCC Rcd 16372, 16386, para. 30 (2007) (*Program Management Report and Order*) (finding that consistent with the Commission’s prior conclusion regarding funding recoveries for the schools and libraries program (or E-Rate program), funds disbursed from the high-cost, low-income, and rural health care support mechanisms in violation of a Commission rule that implements the statute or a substantive program goal should be recovered).

ETC designation area violates the Commission's rules implementing section 214(e)(1) of the Act, which makes universal service support available to an ETC throughout its designated service area.³⁹ It is within the Commission's long-standing authority and precedent to recover funding that Lifeline ETCs obtain in violation of Commission rules.⁴⁰

13. For similar reasons, we disagree with North American Local that USAC acted in an arbitrary and capricious manner. North American Local claims that by recovering outside of the audit period "this audit [] unreasonably breaks with well-established audit procedures limiting findings to the audit period."⁴¹ North American Local offers no evidence of actual USAC or Commission audit procedures limiting the ability of the Commission to recover only for violations occurring during the selected audit period. Its submission of other Lifeline audits, including an admission that there has been at least one Lifeline audit with a recovery outside of the audit period, is not persuasive. Even if one could agree that USAC's actions deviated with established program procedures, we find that there is a "rational connection between the facts found and the choice made."⁴² North American Local's receipt of Lifeline program funds for areas that were not part of its ETC designated service area is a clear violation of a Commission rule that implements the statute.⁴³ In North American Local's case, USAC found that 28% (615 of 2,233) of its subscribers were outside of its designated service area.⁴⁴ We find that for this egregious violation, USAC's decision on recovery was correct.

14. We also reject North American Local's contention that USAC's decision was "unjust, discriminatory and inequitable," which it supports with an analysis showing that the per-subscriber recovery for this Request for Review is significantly higher than the per-subscriber recovery for other audit findings.⁴⁵ We are unpersuaded that we should consider a comparison of this recovery to other audits and fact scenarios that are unrelated to this matter as this is well outside the scope of this review. Furthermore, North American Local's claim fails to consider that the per-subscriber recovery would be significantly higher for this audit because North American Local received a Tribal enhancement of \$25 for nearly every subscriber at issue in this Request for Review.⁴⁶ Finally, North American Local's unsupported assertion that USAC violated its due process rights is unfounded because the Act and

³⁹ See 47 CFR § 54.201(b), (d); 47 USC § 214(e)(1).

⁴⁰ *Program Management Report and Order*, 22 FCC Rcd at 16372, para. 30; see also *Lifeline and Link Up Reform and Modernization et al.*, WC Docket No. 11-42 et al., Report and Order and Further Notice of Proposed Rulemaking, 27 FCC Rcd 6656, 6785, para. 299 (2012) (stating the Commission's intention to recover any Lifeline program funds that ETCs obtain in violation of Commission rules) (*2012 Lifeline Order*).

⁴¹ North American Local Request for Review at 6.

⁴² See, e.g., *Burlington Truck Lines v. United States*, 371 U.S. 156, 168 (1962), *superseded by statute in New York Shipping Ass'n, Inc. v. Federal Maritime Comm'n*, 854 F.2d 1338 (D.C. Cir. 1988).

⁴³ *Program Management Report and Order*, 22 FCC Rcd at 16372, para. 30; see also *2012 Lifeline Order*, 27 FCC Rcd at 6785, para. 299.

⁴⁴ See North American Local Audit Report at 4, 6. In two of the audit examples provided in North American Local's Request for Review, less than one percent of the auditees' Lifeline subscribers were outside of the designated service area. In the third, only five percent of the auditee's Lifeline subscribers, were outside of the designated service area.

⁴⁵ North American Local Supplemental Request for Review at 5.

⁴⁶ 47 CFR § 54.403(a)(3) (allowing up to an additional \$25 in Lifeline support for residents of Tribal lands). See also North American Local Audit Report at 6 (breaking down the total finding of \$169,910 as \$169,161 for Tribal Lifeline support and \$749 for non-Tribal Lifeline support); North American Local Supplemental Request for Review at 5 (providing examples of other audit recoveries with a non-Tribal support amount).

Commission's rules provide fair notice that its conduct was prohibited and the audit response and appeals process provide an opportunity to be heard.⁴⁷

15. *Telrite Request for Review.* We next deny Telrite's Request for Review and find that USAC properly concluded that Telrite violated the Commission's rules for the Lifeline program by seeking and receiving support for services outside of its designated ETC service area. However, we partially grant Telrite's Request for Review and find that it properly passed through the full amount of Lifeline program support by ensuring that the subscribers at issue had their full allotment of minutes.

16. Like North American Local, Telrite does not dispute that it received Lifeline program support for subscribers outside of its designated ETC service area. It instead contends that the Commission cannot recover because it "reasonably believed" that it could receive support for those areas founded on the Arkansas PSC's non-response to its filing of served ZIP codes, claims that the Commission lacks authority to find that services were provided outside of the service area, and contends that it properly confirmed that the subscribers at issue were eligible for support.

17. We reject Telrite's claim that the Commission cannot recover because the Arkansas PSC has jurisdiction to make designations and because of its allegedly reasonable belief that it could receive Lifeline support in the areas at issue. Telrite contends it could provide service in the areas at issue because it sent the Arkansas PSC a Notification of the ZIP Codes it served in June 2012 that did not address designations, and the Arkansas PSC did not disaffirm that it had designations in these areas.⁴⁸

18. Authority to receive Lifeline support comes from the Act and Commission's rules, and, in Telrite's case, the decision about Telrite's designated ETC service area needed to have come in the form of an affirmative written decision from the Arkansas PSC.⁴⁹ Therefore, Telrite's theory of an expanded ETC designation because the Arkansas PSC did not react to its Notification filing fails on three accounts. First, the Notification could not plausibly be read as a request for a designation for additional areas. Telrite's Notification does not mention that the listed ZIP Codes fell outside of its 2010 service area designation, and it states that the purpose of the Notification is to refresh the record in the proceeding, without mentioning the possibility of expanding its service area.⁵⁰ Second, not disclaiming an ETC's statement about the areas it serves cannot constitute a designation of those areas because designations must be in writing.⁵¹ The Arkansas PSC has a formal process for designating service areas in writing, as evidenced by its initial approval by designation order of Telrite's service areas in 2010.⁵²

⁴⁷ See *FCC v. Fox Television Stations, Inc.*, 567 U.S. 239, 253 (2012) (opining that "[a] fundamental principle in our legal system is that laws which regulate persons or entities must give fair notice of conduct that is forbidden or required"), *distinguished by U.S. v. Facteau*, 89 F.4th 1, 38 (1st Cir. 2023) (stating that "where an agency expands its interpretation of a statute or regulation to cover conduct not previously covered, it may not penalize a regulated party for engaging in the newly covered conduct prior to that change in interpretation"); see also *Blanca Telephone Co. v. FCC*, 991 F.3d 1097, 1119 (10th Cir. 2021) (finding "the FCC's demand letter and subsequent procedure afforded Blanca meaningful notice and an opportunity to be heard").

⁴⁸ Telrite Request for Review at 2, 8; see also Letter from J. Andrew Gipson, Counsel for Telrite, to Office of the Secretary, Arkansas PSC (dated June 8, 2012), https://apps.apsc.arkansas.gov/pdf/10/10-078-u_7_1.pdf (Notification).

⁴⁹ 47 CFR § 54.207(a); see also 47 CFR § 54.201(d); 47 U.S.C. § 214(e).

⁵⁰ Notification.

⁵¹ *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 8887, para. 198 (1997) ("The administrator of the universal service support mechanisms shall not disburse funds to a carrier providing service to customers until the carrier has provided, to the administrator, a true and correct copy of the decision of a state commission designating that carrier as an eligible telecommunications carrier.").

⁵² See *In the Matter of the Application of Telrite Corporation for Certification as an Eligible Telecommunications Carrier (Low-Income Only)*, Arkansas Public Service Commission Docket No. 10-078-U, Order No. 3 (Arkansas

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Third, the Arkansas PSC did later disclaim that the ZIP Codes listed in the Notification were designated areas when General Staff of the Arkansas PSC sought to dismiss Telrite's pending 2023 petition to expand its designation, specifying that no action had been taken on the company's petition.⁵³ Moreover, Telrite petitioned the Arkansas PSC in 2024 for ETC designation to serve the entire state of Arkansas, seemingly in recognition of the fact that it did not yet possess the expanded authority it claimed to have.⁵⁴ The Arkansas PSC ultimately granted the company's renewed petition to expand its service area in 2024, well after the time period at issue.⁵⁵

19. Also, while the Arkansas PSC has jurisdiction to *make* the service area designations, the Commission and USAC have responsibility and authority to recover for violations of program rules, including rules limiting support to service areas designated by states.⁵⁶ Contrary to Telrite's position, the Commission's rules implementing the Act and precedent for the Lifeline program permit recovery from Telrite.⁵⁷ USAC's recovery was premised on a violation of section 54.201(b), which Telrite contends it cannot plausibly violate because that section imposes obligations on state commissions, not ETCs. Although the specific subsection cited by USAC does not specifically apply to ETCs, other related provisions do.⁵⁸ Pursuant to the Act, a service area is the geographic area that determines "universal service obligations and support mechanisms."⁵⁹ And under a subsection cited in the one USAC relied on, an ETC's approval to receive universal service support is limited to services provided in its service area.⁶⁰

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Public Service Commission 2010), https://apps.apsc.arkansas.gov/pdf/10/10-078-u_5_1.pdf; see also Arkansas Code § 23-17-405(b).

⁵³ *The Application Of Telrite Corporation For Certification As An Eligible Telecommunications Carrier*, General Staff's Motion to Dismiss, Arkansas Public Service Commission Docket No. 10-078-U (filed May 15, 2023), https://apps.apsc.arkansas.gov/pdf/10/10-078-U_19_1.pdf.

⁵⁴ Renewed Petition of Telrite Corporation For Expanded Service Area As A Wireless ETC in the State of Arkansas (Low Income Only), Arkansas Public Service Commission Docket No. 10-078-U (filed Apr. 24, 2024), https://apps.apsc.arkansas.gov/pdf/10/10-078-U_22_1.pdf; see also Petition of Telrite Corporation for Expanded Service Area as a Wireless ETC in the State of Arkansas (Low Income Only), Arkansas Public Service Commission Docket No. 10-078-U (filed Dec. 8, 2015), https://apps.apsc.arkansas.gov/pdf/10/10-078-U_8_1.pdf.

⁵⁵ The Arkansas PSC ultimately granted the company's renewed petition to expand its service area in 2024, well after the period at issue in the audit. In the Matter of the Application Of Telrite Corporation For Certification As An Eligible Telecommunications Carrier, Arkansas Public Service Commission Docket No. 10-078-U, Order No. 8 (Arkansas Public Service Commission 2024), https://apps.apsc.arkansas.gov/pdf/10/10-078-U_32_1.pdf.

⁵⁶ See *Program Management Report and Order*, 22 FCC Rcd at 16386, para. 30 (requiring recovery for violations of rules that implement the Act or are otherwise substantive); 47 CFR § 54.705(c)(iv) (granting USAC authority to conduct Lifeline program audits).

⁵⁷ *Comprehensive Review of the Universal Service Fund Management, Administration, and Oversight, et al.*, WC Docket No. 05-195 et al., Report and Order, 22 FCC Rcd 16372, 16386, para. 30 (2007); see also *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Fifth Report and Order and Order, 19 FCC Rcd 15808, 15814-18, paras. 18-30 (2004).

⁵⁸ See Telrite Request for Review at 2, 7; see also 47 CFR § 54.201(d) ("A state commission shall upon its own motion or upon request designate a common carrier that meets the requirements of paragraph (d) of this section as an eligible telecommunications carrier for a service area designated by the state commission.").

⁵⁹ 47 U.S.C. § 214(e)(5). See also 47 CFR § 54.207(a) ("The term *service area* means a geographic area established by a state commission for the purpose of determining universal service obligations and support mechanisms. A service area defines the overall area for which the carrier shall receive support from federal universal service support mechanisms.") (emphasis in original).

⁶⁰ 47 CFR § 54.201(d) ("A common carrier designated as an eligible telecommunications carrier under this section shall be eligible to receive universal service support in accordance with section 254 of the Act and . . . shall throughout the service area for which the designation is received . . ."); see also 47 CFR § 54.201(b) ("A state

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Therefore, an ETC such as Telrite commits a violation of Lifeline program rules when it seeks and receives support for subscribers outside of its designated service area.

20. Furthermore, Telrite is incorrect that there can be no recovery on the ground that the subscribers met the eligibility requirements for the Lifeline program because complying with the eligibility requirements is merely compliance with one provision of the Lifeline program rules. The fact that the subscribers at issue may have been qualifying low-income households under the Commission's Lifeline eligibility rules does not entitle Telrite to receive USF support for them without regard to other program requirements.⁶¹ Even if those consumers meet the eligibility requirements for Lifeline, ETCs may not claim Lifeline support for subscribers residing outside of their designated service areas.⁶² Telrite must comply with all applicable rules for the Lifeline program, including the rules regarding an ETC's designated service area, which were implemented pursuant to statutory obligations.⁶³ For these reasons, we deny Telrite's Request for Review of USAC's audit finding regarding Telrite's provisioning of Lifeline service to households outside its designated service area.

21. Finally, we grant Telrite's Request for Review in part because it complied with the requirement to "pass through the full amount of support" to the subscribers when it provided the full monthly level of minutes for households to access at the beginning of the month.⁶⁴ USAC determined that Telrite violated the rule for households who did not receive a new allotment of minutes for the audited month⁶⁵ after they did not use any of their allotted minutes in the previous month. Rather than wiping-out existing service quantities at the end of the month and then restoring the same quantities, Telrite instead allowed the full allotment to remain in place.⁶⁶ As monthly allotments do not roll over to the next month, a full allotment of minutes was made available to each at-issue subscriber during the audited period.⁶⁷ The fact that Telrite did not perform a superfluous administrative step of zeroing out unused minutes at the end of the month and adding new minutes at the beginning did not impact the services available to subscribers. For this reason, we grant Telrite's Request for Review and vacate USAC's recovery for failure to pass through Lifeline program support for the at-issue subscribers included on the company's reimbursement request for the audited period.

IV. ORDERING CLAUSES

22. ACCORDINGLY, IT IS ORDERED, pursuant to the authority contained in sections 1-4 and 254 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151-154 and 254, and section 54.403(a)(1) of the Commission's rules, 47 CFR § 54.403(a)(1), that the Request for Review filed by Telrite Corporation IS GRANTED to the extent described herein.

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commission shall upon its own motion or upon request *designate a common carrier that meets the requirements of paragraph (d) of this section as an eligible telecommunications carrier for a service area designated by the state commission.*) (emphasis added).

⁶¹ 47 CFR § 54.409.

⁶² 47 CFR § 54.207(a); *see also* 47 CFR § 54.201(d); 47 U.S.C. § 214(e).

⁶³ *See* 47 U.S.C. § 214(e); *see also* 47 CFR § 54.201.

⁶⁴ 47 CFR § 54.403(a)(1).

⁶⁵ Telrite Request for Review at 10; Telrite Audit Report at 11.

⁶⁶ Telrite Audit Report at 11.

⁶⁷ *Id.*

23. IT IS FURTHER ORDERED, pursuant to the authority contained in sections 1-4, 214 and 254 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151-154, 214(e) and 254, and sections 0.91, 0.291, 54.201(a)(1), 54.201(b), 54.201(d), 54.207(a) and 54.722(a) of the Commission's rules, 47 CFR §§ 0.91, 0.291, 54.201(a)(1), 54.201(b), 54.201(d), 54.207(a) and 54.722(a), that the Requests for Review filed by North American Local and Telrite Corporation ARE DENIED to the extent described herein.

FEDERAL COMMUNICATIONS COMMISSION

Joseph S. Calascione
Chief
Wireline Competition Bureau