

August 17, 2007

Ms. Darlene Standley
Chief, Utilities Division
Tennessee Regulatory Authority
460 James Robertson parkway
Nashville, TN 37243-0505

Re: TRA Docket No. 07-00177 Self-Certification of Eligibility of Budget Phone To
Receive Federal Universal Service Funds for Study Area Code 299007 in the First
Through Fourth Quarters of 2008

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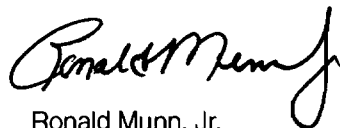
Dear Ms. Standley:

Budget Phone (the "Company"), hereby submits the attached letter certifying continued eligibility by the Company to receive federal high cost universal service support in the first, second, third, and fourth quarters of 2008 ("Letter"). As demonstrated in the Letter, the Company is in compliance with Section 254(e) of the Communications Act of 1934, as amended, and the relevant rules and regulations of the Federal Communications Commission ("FCC").¹ Pursuant to your request, the Letter also contains information regarding the amount and allocation of support received in fiscal year 2006.

Pursuant to TRA Rule 1220-1-1-03, an original and thirteen copies of the Letter are provided. Please indicate the date and time of filing on the enclosed "stamp and return" copy and forward the copy to my attention using the enclosed self addressed stamped envelope.

Please forward any correspondence regarding this matter to the undersigned.

Respectfully,



Ronald Munn, Jr.
Director-Regulatory
Budget Phone

¹ See 47 U.S.C. § 254(e); *In the matter of Federal-State Joint Board on Universal Service*, CC Docket Nos. 96-45, 00-256, Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposed Rulemaking in CC Docket No. 96-45 and Report and Order in CC Docket No. 00-256, FCC 01-157 (released May 23, 2001) and codified at 47 C.F.R. § 54.314.

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Dear Ms. Standley:

Budget Phone ("Company") hereby provides the required certification and requested information regarding the amount and allocation of support received

CERTIFICATION

On behalf of the Company, I, Jody Craft, an officer of the Company with substantial knowledge of the Company's operations, do hereby certify under penalty of perjury that the following is true and accurate to the best of my knowledge and belief:

1. I am the Director of Operations of the Company;
2. The Company is certified as a Competitive Eligible Telecommunications Carrier ("ETC") in the exchanges of ETC certified non-rural Incumbent LEC Bellsouth Telecommunications, Inc, Tennessee;
3. As such, the Company is eligible to receive disbursements from the federal Universal Service Fund in a manner and amount equal to the disbursements received by Bellsouth Telecommunications, Inc, Tennessee as prescribed by the Federal Communications Commission; and
4. The Company will utilize all federal high cost support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended, consistent with 47 U.S.C. § 254(e) of the Telecommunications Act of 1996.

Respectfully,



Jody Craft
Director-Operations
Budget Phone

Enclosure

REQUESTED INFORMATION

1. Amount of Support the Company Received for the Past Fiscal Year

As a competitive ETC, the Company is eligible to receive federal high-cost universal service support ("USF") in a manner and amount equal to the support received by the Incumbent ETC, which in this case is Bellsouth Telecommunications, Inc, Tennessee. This support is divided into seven (7) categories or mechanisms; High Cost Model (HCM) support, High Cost Loop (HCL) support, Safety Net Additive (SNA) support, Safety Valve (SVS) support, Intrastate Access Support (IAS), Local Switching Support (LSS), and Interstate Common Line Support (ICLS). Each of these mechanisms was created by the Federal Communications Commission ("FCC") in conjunction with the Federal-State Joint Board on Universal Service allowing representatives from State Commissions to be involved in the development of these mechanisms through their active participation and representation in the Joint Board process.

All of these mechanisms are administered through the Universal Service Administrative Company ("USAC"). USAC, as a private, not-for-profit corporation, is responsible for providing every state and territory of the United States with access to affordable telecommunications service through the federal USF program. USAC has contracted with the National Exchange Carrier Association, Inc. ("NECA") to assist in the data collection necessary for the remittance of universal service funds. This detailed data, submitted by the Incumbent LEC to NECA and the FCC, is used in the USF calculations and contains regulated financial inputs into the algorithm and includes the number of loops that will potentially receive universal service support.

In order for ETCs to receive high cost support, a State that has jurisdiction over the carriers must certify annually that "all federal high-cost support provided to such carriers within that State will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended".¹ The certification must be filed with the FCC and USAC. Section 54.314 (d)(1) of the FCC's Rules provides that "carriers for which certifications are filed on or before October 1 shall receive [USF]...in the first, second, third, and fourth quarters of the succeeding year."²

For Fiscal 2006, the Company received the following amounts of support from each of the available High Cost mechanisms for Study Area Code 299007; \$0 for High Cost Model Support, \$0 for High Cost Loop Support, \$0 for Safety Net Additive Support, \$0 for Safety Valve Support, \$1806.00 for Intrastate Access Support, \$0 for Local Switching Support, and \$0 for Interstate Common Line Support.³

2. How Those Funds Were Allocated

As previously stated, a competitive ETC is eligible to receive high cost USF, in the study area for which it is certified, in a manner and amount equal to the support received by the Incumbent LEC ("ILEC"). Recovery of these funds is determined through "cost studies" provided by the Incumbent LEC and is based on the financial statements of the ILEC. NECA and its auditors, who must attest to the validity and integrity of the same, review the cost studies. The information provided in response to all of the USF mechanisms

¹ 47 C.F.R. § 54.314 (a).

² 47 C.F.R. § 54.314 (d)(1). In promulgating its certification requirements, the FCC noted that the October 1st deadline was necessary to allow sufficient time for USAC to process the certification and provide the FCC with an estimate of the level of high-cost support that will be required by USAC's November 1st deadline.

³ Source USAC High Cost Disbursement Data report.

utilizes FCC accounts for regulated cost and must be in compliance with FCC rules in Parts 32, 36, 54, and 64.

a. High Cost Model Support (HCM)

High Cost Model (HCM) support, also known as forward-looking support, is available to competitive carriers providing service in the eligible wire centers of non-rural Incumbent carriers and designated as eligible telecommunication carriers (ETCs) by the state commission or the Federal Communication Commission (FCC). Based on a forward-looking economic cost model, High Cost Model support is distributed at the wire center level and keeps the cost for telephone service comparable in all areas of a state. The model generates the statewide average cost per line, which is then compared to the national average cost per line. If the statewide average cost per line exceeds the average cost per line, the carrier qualifies for HCM support. Currently, Bellsouth Telecommunications, Inc, Tennessee does not receive HCM support and projections, located on **USACs** website, do not indicate a change in this trend. As such, Budget is not eligible to receive HCM support.

b. High Cost Loop Support (HCL)

High Cost Loop (HCL) support is available to competitive carriers providing service in the areas of rural price cap and rate-of-return Incumbent carriers and designated as eligible telecommunication carriers by the state commission or the Federal Communications Commission. High Cost Loop (HCL) support provides support for the "last mile" of connection for Exchange Carriers (ILECs) in service areas where the cost to provide this service exceeds 115% of the national average cost per line and is subject to an annual indexed cap. Bellsouth Telecommunications, Inc, Tennessee is not classified as a rural price cap carrier. As such, neither Bellsouth Telecommunications, Inc Tennessee nor Budget is eligible to receive HCL support.

c. Safety Net Additive Support (SNA)

Safety Net Additive (SNA) support is a sub-component of High Cost Loop support and is available to competitive carriers on the same basis as High Cost Loop support. Safety Net Additive was established in the FCC's Rural Task Force Order⁴ and is intended to provide rural Incumbent carriers with additional incentives to invest in their networks. To receive support, a rural carrier must show that growth in telecommunications plant in service (TPIS) per line is at least 14% greater than the study area's TPIS per line for the prior year. Bellsouth Telecommunications, Inc, Tennessee is not classified as a rural price cap carrier. As such, neither Bellsouth Telecommunications, Inc Tennessee nor Budget is eligible to receive SNA support.

d. Safety Valve Support (SVS)

Safety Valve Support (SVS) is also a sub-component of High Cost Loop support and is support "above the cap" that is available to rural Incumbent carriers that acquire high-cost exchanges and make substantial post-transaction investments to enhance these exchanges. Bellsouth Telecommunications, Inc, Tennessee is not classified as a rural price cap carrier. As such, neither Bellsouth Telecommunications, Inc Tennessee nor Budget is eligible to receive SVS support.

⁴ FCC 01-157 released May 23, 2001.

e. Interstate Access Support (IAS)

Interstate Access Support (IAS) is available to competitive carriers operating in the service areas of price-cap Incumbent carriers and designated as ETCs by the state commission or the FCC. Interstate Access Support helps to offset interstate access charges in order to reduce the cost of long distance charges incurred by end users and is targeted to zones with low customer density. The FCC removed implicit support for interstate access charges and established an explicit IAS component for price-cap carriers to replace the implicit support previously collected through interstate access charges. Both Bellsouth Telecommunications Inc, Tennessee and Budget are eligible to receive Interstate Access Support on serving lines in areas where the companies are unable to recover permitted revenues from the newly revised subscriber line charges.

f. Local Switching Support (LSS)

Local Switching Support (LSS) is available to competitive carriers providing service in the areas of rural incumbent carriers serving 50,000 lines or fewer and designated as eligible telecommunications carriers ("ETCs") by the state commission of the FCC. Local Switching Support is designed to help carriers to recoup some of the high fixed switching cost of providing service to fewer customers, thereby keeping rates comparable to the rates charged in the more densely populated urban areas. Bellsouth Telecommunications, Inc, Tennessee is not classified as a rural Incumbent carrier and serves in excess of 50,00 lines through out the state of Tennessee. As such, neither Bellsouth Telecommunications, Inc Tennessee nor Budget is eligible to receive LSS support.

g. Interstate Common Line Support (ICLS)

Interstate Common Line Support (ICLS) is available to competitive carriers providing service in the area of rate-of-return Incumbent carriers and designated as eligible telecommunications carriers ("ETCs") by the state commission or the FCC. Based on annual projected data, ICLS helps to offset interstate access charges and is designed to permit a rate-of-return carrier to recover its common line revenue while ensuring that its subscriber line charges ("SLCs") remain affordable to its end users. Bellsouth Telecommunications, Inc, Tennessee is not classified as a rate-of-return carrier. As such, neither Bellsouth Telecommunications, Inc Tennessee nor Budget is eligible to receive ICLS support.

**THE COMPANY RESPECTFULLY SUBMITS THAT IT MEETS THE QUALIFICATIONS
FOR CONTINUED CERTIFICATION FOR STUDY AREA CODE 299007**

The Company respectfully submits that, given the number and nature of the requirements for support already in place, the Commission may lawfully and appropriately rely upon this self-certification by the Company. The requirements, procedures, and processes to which the Company adheres, as set forth above, provide the necessary and sufficient basis for the Commission to provide its certification to USAC and the FCC, and to thereby ensure that the Company and its customers will not be deprived of the USF funding to which the Company and its customers are lawfully entitled to possess. Essentially, under the existing rules and process discussed above, the federal support funds received by the Company and other ETCs are, in fact, an integral part of the recovery of expenditures incurred in the provision, maintenance, and upgrading of its provision of universal service. The processes described above constitute the Company's plan with respect to the receipt and utilization of federal universal support, upon which the Company depends

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to provide its customers with quality telephone service at competitive prices. Furthermore, the Company attests, per the above certification, that it is using federal universal support for its intended purpose.

In many respects, the certification process is similar to the certification process, which the Commission uses in its initial designation of eligible telecommunication carriers, thereby fulfilling its right, as established by the Telecommunications Act of 1996, to designate a carrier as an ETC.

Accordingly, the grant of this request for certification is consistent with past practice and procedure. The very same procedure and process undertaken by the Commission that is valid for designation of eligibility to receive funds is also rationally valid as the basis for the necessary certification that the Company will use those funds, once received, for the purposes for which they are intended.

The Company, as discussed above and pursuant to the above certification, represents to the Commission that it adheres to and complies with all required processes, and that its expenditures of USF funds will be consistent with the applicable rules and foster the provision of facilities and services for which the funding is intended.

Please contact the undersigned with any questions of if further information is required.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Jody Craft", is written over a horizontal line.

Jody Craft
Director of Operations