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

In the Matter of)	
Universal Service Contribution Methodology)	WC Docket No. 06-122
Petition for Waiver of Universal Service Fund Rules by Outfitter Satellite, Inc.)	

ORDER

Adopted: September 17, 2013 Released: September 17, 2013

By the Deputy Chief, Wireline Competition Bureau:

I. INTRODUCTION

1. In this Order, we deny in part and grant in part a petition filed by Outfitter Satellite, Inc. (Outfitter) seeking waiver of certain Commission rules governing federal universal service fund (USF) contributions.¹ For the reasons discussed below, we conclude that Outfitter has not shown good cause for waiver of the Commission's rules with regard to the true-up balance due on Outfitter's 2005 annual Telecommunications Reporting Worksheet (FCC Form 499-A). We further conclude that good cause exists for waiver of the associated interest and penalties at issue in this appeal.

II. BACKGROUND

2. Section 254(d) of the Communications Act of 1934, as amended, directs that "every telecommunications carrier that provides interstate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, to the specific, predictable, and sufficient mechanisms established by the Commission to preserve and advance universal service." Section 254(d) further provides that "[a]ny other provider of interstate telecommunications may be required to contribute to the preservation and advancement of universal service if the public interest so requires." To this end, the Commission determined that common carriers and private carriage providers that provide interstate telecommunications to others for a fee generally must contribute to the USF based on their interstate and international end-user revenues.⁴

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¹ Outfitter Satellite, Inc., Petition for Limited Waiver of Universal Service Fund Rules, WC Docket No. 06-122 (Aug. 15, 2012) (Petition). Outfitter also requests that the Commission stay application of section 54.713(e) of the Commission's rules, 47 C.F.R. § 54.713(e), pending resolution of the Petition. We find that this request is moot by action taken in this Order. *See infra* note 43.

² 47 U.S.C. § 254(d).

³ *Id*.

⁴ See Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 9183, para. 795 (1997). Although the Commission exercised its permissive authority to assess private carriage providers, it exempted certain government entities, broadcasters, schools, libraries, system integrators, and self-providers from the contribution requirement. 47 C.F.R. § 54.706(d). The Commission also requires certain other providers of interstate telecommunications to contribute to the USF. See, e.g. Universal Service Contribution

- 3. The Commission has designated the Universal Service Administrative Company (USAC) as the entity responsible for administering the universal service support mechanisms.⁵ Pursuant to the Commission's rules, USF contributors report their annual historical revenues for the prior calendar year by filing FCC Form 499-A with USAC, which is generally due on April 1 of each year.⁶ USAC uses FCC Form 499-A to conduct a true-up process through which USAC determines the actual USF contribution owed by each filer for the previous year. USAC then sends each filer either an invoice for underpayment or grants the filer a credit for overpayment.⁷ An executive officer of the reporting entity must certify that historical data are true and accurate.⁸ Contributors must revise their FCC Form 499-A filings within one year if the revision would result in a decrease in the contribution obligation.⁹
- 4. The Commission's rules penalize contributors that fail to comply with their universal service contribution obligations. If a contributor falsely claims exemption from filing, for example, it may be subject to criminal sanctions. ¹⁰ USAC may also assess contributors for the reasonable costs USAC incurs for failure to timely file a Telecommunications Reporting Worksheet. ¹¹ In addition, USAC will impose a late fee on the contributor if the filing becomes more than 30 days overdue, and late payment interest if a contributor's debt is delinquent for more than 30 and 90 days, respectively, as well as penalties and/or administrative charges. ¹² Further, the Commission's rules direct USAC to apply the "American Rule" of accounting whereby any USF payment of less than the total amount due is applied first to the oldest past due debt. ¹³
- 5. Petition for Waiver. Outfitter is a satellite phone service reseller. Outfitter's petition concerns its 2005 FCC Form 499-A, which reported calendar year 2004 (CY 2004) revenues. In its initial 2005 FCC Form 499-A, Outfitter erroneously reported that it had no end-user revenues. As a result, Outfitter received a true-up credit for all of its CY 2004 USF contributions. Then, after a USAC inquiry,

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Methodology et al., WC Docket No. 06-122 et al., Report and Order and Notice of Proposed Rulemaking, 21 FCC Rcd 7518 (2006) (requiring interconnected voice over Internet protocol providers to contribute to the USF).

⁵ 47 C.F.R. § 54.701; Changes to the Board of Directors of the National Exchange Carrier Association, Inc.; Federal-State Joint Board on Universal Service, CC Docket Nos. 96-45, 97-21, Report and Order and Second Order on Reconsideration, 12 FCC Rcd 18400, 18423-24, para. 41 (1997).

⁶ See Universal Service Administrative Company, Schedule of Filings, http://www.usac.org/cont/499/filing-schedule.aspx (last visited May 23, 2013). Contributors project future quarters' revenue on the quarterly Telecommunications Reporting Worksheet (FCC Form 499-Q), which is due on February 1, May 1, August 1, and November 1. *Id.* Contributors may revise quarterly filings within 45 days of the due date. *Id.*

⁷ Federal-State Joint Board on Universal Service et al., CC Docket Nos. 96-45 et al., Report and Order and Second Further Notice of Proposed Rulemaking, 17 FCC Rcd 24952, 24972, para. 36 (2002).

⁸ 47 C.F.R. § 54.711(a).

⁹ See Federal-State Joint Board on Universal Service et al., CC Docket Nos. 96-45 et al., Order, 20 FCC Rcd 1012, 1016, para. 10 (Wireline Comp. Bur. 2004), applications for review pending (One-Year Deadline Order).

¹⁰ 47 C.F.R. § 54.708.

¹¹ 47 C.F.R. § 54.713(a).

¹² 47 C.F.R. § 54.713(b), (c); *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, 16379-80, para. 14 (2007) (2007 Comprehensive Review Order).

¹³ 47 C.F.R. § 54.713(e).

¹⁴ Petition at 3.

Outfitter twice revised its 2005 FCC Form 499-A to include actual end-user revenues – first, on September 15, 2005, then again on February 27, 2006 (the Revised 2005 FCC Form 499-A). USAC then reversed the initial true-up and invoiced Outfitter for the full amount of the refund. Outfitter paid the invoice for the reversed refund on November 20, 2006. 16

- USAC did not, however, enter the Revised 2005 FCC Form 499-A into its billing system until May 2012. At that point USAC determined, based on the Revised 2005 FCC Form 499-A, that Outfitter owed a true-up adjustment on its CY 2004 revenues. On July 20, 2012, USAC invoiced Outfitter for the first of three installment payments for that true-up adjustment. ¹⁷ Outfitter filed the instant appeal on August 15, 2012.
- Outfitter requests waiver of sections 54.706(a) and 54.713(b) of the Commission's rules to "cancel" the true-up adjustment and related interest, administrative charges, and penalties. ¹⁸ Outfitter does not dispute the accuracy of USAC's true-up calculations. Instead, Outfitter argues that the Bureau should cancel the true-up or, in the alternative, allow Outfitter to submit a third revision to its 2005 FCC Form 499-A, because the Revised 2005 FCC Form 499-A significantly overstated its assessable revenues for CY 2004.¹⁹ Outfitter also argues that requiring it to pay the true-up would be inequitable because it would cause the company serious financial hardship, could result in loss of service to the company's emergency responder customers, and is the result of USAC's delay in processing the Revised 2005 FCC Form 499-A.²⁰

III. **DISCUSSION**

- We find that Outfitter has not demonstrated good cause to grant a waiver of section 54.706(a) of the Commission's rules in order to cancel the true-up balance due based on the Revised 2005 FCC Form 499-A. Accordingly, we deny the petition for waiver in part and uphold the true-up assessment. However, we conclude that, in the limited circumstances presented by this appeal, there is good cause to waive section 54.713(b) of the Commission's rules and accordingly waive the related interest and penalties.
- Generally, the Commission's rules may be waived for good cause shown.²¹ The Commission may exercise its discretion to waive a rule where the particular facts make strict compliance inconsistent with the public interest.²² In addition, the Commission may take into account considerations of hardship, equity, or more effective implementation of overall policy on an individual basis.²³ Waiver of the Commission's rules is appropriate only if both (i) special circumstances warrant a deviation from

¹⁵ *Id*.

¹⁶ *Id*.

¹⁷ *Id.* at 4.

¹⁸ Id. at 1; see 47 C.F.R. §§ 54.706(a), 54.713(b). We note that penalties and interest for late payments are typically calculated from the due date on the filer's invoice. 2007 Comprehensive Review Order, 22 FCC Rcd at 16375, para. 11 n. 27.

¹⁹ Petition at 5-6.

²⁰ *Id.* at 7.

²¹ 47 C.F.R. § 1.3.

²² Northeast Cellular Telephone Co. v. FCC, 897 F.2d 1164, 1166 (D.C. Cir. 1990) (Northeast Cellular).

²³ WAIT Radio v. FCC, 418 F.2d 1153, 1159 (D.C. Cir. 1969); Northeast Cellular, 897 F.2d at 1166.

the general rule, and (ii) such deviation will serve the public interest.²⁴ In demonstrating whether a waiver is warranted, the burden of proof rests with the petitioner.²⁵

A. Outfitter's Revised 2005 FCC Form 499-A

1. Cancellation of the True-Up Adjustment

- 10. Outfitter asserts that the Revised 2005 FCC Form 499-A significantly overstated CY 2004 revenues due to errors by Outfitter's internal accounting staff and billing systems as well as errors by Outfitter's accounting firm. Outfitter argues that those errors merit cancellation of the true-up assessment. Outfitter states that although it is unable to provide more accurate revenue data due to "changes to the Company's billing system and the corruption of records," it has concluded that the Revised 2005 FCC Form 499-A overstated revenues "based upon reasonable estimates." Provide more accurate revenues accurate revenue as "changes" of the concluded that the Revised 2005 FCC Form 499-A overstated revenues "based upon reasonable estimates.
- 11. We conclude that Outfitter has not demonstrated good cause for waiver of section 54.706(a) of the Commission's rules to "cancel" the true-up assessment based on alleged inaccuracies on the Revised 2005 FCC Form 499-A. Persons with business before the Commission have a responsibility to familiarize themselves with Commission rules and regulations pertinent to their business. USF contributors have an obligation to file accurate, timely revenue data with USAC. Outfitter had ample opportunity to file an accurate 2005 FCC Form 499-A, and in fact filed three separate versions in March 2005, September 2005, and February 2006. It was Outfitter's responsibility to closely monitor its internal and external accounting practices to ensure that it filed accurate revenue data, particularly after Outfitter's initial 2005 FCC Form 499-A erroneously reported zero end-user revenues. After filing the Revised 2005 FCC Form 499-A in February 2006, Outfitter still had another month to file further revisions before the March 31, 2006 deadline. Outfitter has not demonstrated good cause for waiving the Commission's rules to grant yet another opportunity to revise the 2005 FCC Form 499-A.
- 12. Outfitter also fails to provide any hard evidence to support its claim that it overstated its revenues on the Revised 2005 FCC Form 499-A. Outfitter acknowledges that it is "not possible" to provide a "complete and accurate accounting of revenue...for 2004" and further acknowledges that it was "unable to distinguish the jurisdictional nature" of its 2004 revenues even at the time those revenues were reported. Absent documentation, all that remains are Outfitter's bald assertions regarding billing and accounting errors, and Outfitter's unsubstantiated estimate of its total 2004 USF contribution base. These arguments fail to satisfy the burden of proof for waiver of the Commission's rules. We also note that alleged mistakes by Outfitter's accounting firm and internal accounting staff are not adequate grounds for waiver, as Outfitter ultimately was responsible for accurately reporting its telecommunications revenues and contributing to the USF based on those revenues. The Commission has

²⁸ *Id*. at 6.

²⁴ Northeast Cellular, 897 F.2d at 1166.

²⁵ Tucson Radio, Inc. v. FCC, 452 F.2d 1380, 1382 (D.C. Cir. 1971).

²⁶ Petition at 5-6.

²⁷ *Id*.

²⁹ See 47 C.F.R. § 0.406.

³⁰ See 2007 Comprehensive Review Order, 22 FCC Rcd at 16376, para. 9.

³¹ See 2006 Instructions to the Telecommunications Reporting Worksheet, Form 499-A, at 11-12.

³² Petition at 6.

³³ *Id*. at 5-6.

held that businesses are responsible for the conduct of their employees and third party contractors and the consequences that flow from such conduct; mistakes or negligence by employees or third party contractors are not grounds for waiver of Commission rules.³⁴

2. One-Year Deadline Waiver

- 13. In the alternative, Outfitter requests a limited waiver of the Commission's rules to file a further revision to its 2005 FCC Form 499-A.³⁵ Contributors must revise their FCC Form 499-A filings within one year if the revision would result in a decrease in the contributor's USF contribution obligation.³⁶ USAC processes thousands of forms annually, and it is administratively necessary for filers to meet the filing deadlines absent special circumstances.³⁷ Negligence, error, or lack of familiarity with Commission rules on the part of the filer does not constitute good cause for waiver of the one-year deadline.³⁸ As a threshold matter, Outfitter's request fails on these grounds.
- 14. Outfitter had several opportunities to file further timely revisions to the last Revised 2005 FCC Form 499-A that it filed, the one it now claims overstates CY 2004 revenues, but failed to bring those claims to USAC's attention until USAC invoiced Outfitter for the true-up assessment. Outfitter knew, or should have known, that the contribution base reported on the last Revised 2005 FCC Form 499-A significantly exceeded the aggregate amounts reported on its 2004 FCC Form 499-Q filings. Indeed, given that Outfitter filed three separate versions of its 2005 FCC Form 499-A, it should have had ample opportunity to check the figures and ensure their accuracy. Instead, Outfitter took no action for years. In fact, Outfitter only sought to address the discrepancy by further revising the Revised 2005 FCC Form 499-A after USAC discovered that it had not invoiced Outfitter for the CY 2004 true-up. These facts are distinguishable from circumstances where the Bureau has waived revised filing deadlines after a filer immediately brought an error to the attention of USAC or the Commission after receiving an erroneous invoice, as Outfitter could have done, but did not do, after receiving the invoice in 2006 merely reversing its earlier refund.³⁹

³⁴ CommNet Communications Network, Inc., Order, 22 FCC Rcd 8612, 8621, para. 19 (Wireless Telecomm. Bur. 2007); Advance Acquisition, Inc., Order, 22 FCC Rcd 18846, 18852, para. 11 (Wireless Telecomm. Bur. 2007).

³⁵ Petition at 6 n.19.

³⁶ See One-Year Deadline Order, 20 FCC Rcd at 1016, para. 10.

³⁷ See id.; see also FiberNet, LLC, Petition for Waiver of Section 54.307(c) of the Commission's Rules and Regulations, CC Docket No. 96-45, Order, 19 FCC Rcd 8202, 8204, para. 5 (Wireline Comp. Bur. 2004). Firm deadlines also avoid unexpected increases in contribution amounts resulting from late-filed revenue adjustments. See Universal Service Contribution Methodology; Federal-State Joint Board on Universal Service; Requests for Review of Decisions of Universal Service Administrator by Airband Communications, Inc. et al, WC Docket No. 06-122, CC Docket No. 96-45, Order, 25 FCC Rcd 10861 (Wireline Comp. Bur. 2010) (Airband Order) ("In order for USAC to process the thousands of forms it receives each year and for contributors to know that their contributions will not dramatically change each year on account of late-filed revision, filers must comply with the deadlines we have established for filing and revising FCC Forms 499").

³⁸ See, e.g., Request for Review of a Decision of Universal Service Administrator by IP Telcom Group, Inc., WC Docket No. 06-122, Order, 26 FCC Rcd 11213 (Wireline Comp. Bur. 2011) (carrier's lack of familiarity with filing procedures and instructions does not amount to good cause for waiver of the FCC Form 499-A revision deadline);. Airband Order, 25 FCC Rcd at 10863-64, paras. 5-8 (denying waivers because petitioners' claims of good cause for waiver of the FCC Form 499 revision deadline amounted to negligence, petitioner error, or circumstances within the petitioners' control).

³⁹ See, e.g., Universal Service Contribution Methodology; Petition for Reconsideration by Ascent Media Group, Inc., WC Docket No. 06-122, Order on Reconsideration, 28 FCC Rcd 6150, 6154-55, paras. 10-11 (Wireline Comp. Bur. 2012). See also supra para. 5.

15. In addition, Outfitter has not shown special circumstances constituting good cause for a waiver of the one-year deadline. First, as discussed above, Outfitter acknowledges that it would not be able to provide any documentation to support another revision, and that any revision it might submit would be an estimate. Thus, any revised 2005 FCC Form 499-A would not be supported by revenue data and could not be substantiated by USAC. In light of Outfitter's previous multiple conflicting revisions, we doubt the utility of allowing it to revise its 2005 FCC Form 499-A yet again, particularly when it acknowledges it has no supporting evidence of the reasonableness of its estimate of revenues.

B. Public Interest and Equity Arguments

1. Economic Hardship

- 16. Outfitter argues that waiver of the true-up, and related interest, administrative expenses, and penalties assessed pursuant to section 54.713(b), is in the public interest because paying the amounts owed will cause Outfitter serious financial hardship. We find that this claim, in itself, is not a unique circumstance sufficient to warrant a waiver. We have consistently held that "[u]niversal service contributions, once assessed, are a financial obligation and this obligation shall not be waived because of potential financial problems that may be created by the financial obligation." Filers facing financial difficulties may set up a payment plan with USAC to satisfy their USF obligations.
- 17. Outfitter also maintains that cancellation of the true-up is in the public interest because the resulting financial hardships could cause Outfitter to lower inventories, raise rates, or enter into bankruptcy. Outfitter argues that these outcomes could harm the public interest because Outfitter's emergency responder customers provide important public services. Because there are multiple resellers of mobile satellite services nationwide, and Outfitter fails to prove that its customers would not be able to secure service from another provider, we are not persuaded that the potential loss of service for Outfitter's customers is good cause for waiver in this case.

2. Delayed Billing of the 2005 FCC Form 499-A True-Up

18. Outfitter further argues that waiver of the true-up, and related interest, administrative expenses, and penalties, is warranted on account of USAC's delay in billing for the true-up balance due for the Revised 2005 FCC Form 499-A.⁴⁶ Outfitter claims that requiring it to pay the true-up amounts to an inequitable hardship because, though Outfitter would have been able to pay the true up in 2006, its revenues have since declined. Outfitter also contends that waiving the true-up will not harm the USF

⁴² Federal-State Joint Board on Universal Service et al., CC Docket No. 96-45 et al., Order, 12 FCC Rcd 15235 (Common Carr. Bur. 1997).

⁴⁰ Petition at 6; see supra paras. 10, 12.

⁴¹ Petition at 7.

⁴³ See http://www.usac.org/cont/making-payments/payment-plans.aspx. We also note that Outfitter fully paid its outstanding balance with USAC as of April 2013. See e-mail from Fred Theobald, Senior Manager of Contributions, USAC, to Charles Eberle, Attorney Advisor, FCC, dated April 24, 2013 (confidential) (on file with Wireline Competition Bureau, Telecommunications Access Policy Division staff). Outfitter's request to stay application of section 54.713(e) of the Commission's rules pending resolution of the Petition, so that Outfitter's ongoing USF payments could be applied to amounts due for current contributions rather than past-due balances, is therefore rendered moot.

⁴⁴ Petition at 9-10.

⁴⁵ *Id*.

⁴⁶ *Id*. at 10.

because, since the true-up was not conducted until 2012, the balance due has not been "factored-in" to any USF accounting for any USF funding period. 47

- 19. We reject Outfitter's argument that it is inequitable to assess the true-up payment due to the time that passed between the filing of the Revised 2005 FCC Form 499-A and USAC's invoicing of Outfitter for the true-up balance due. The Commission has consistently held that carriers must pay their USF obligations even if they do not receive a USAC invoice. Outfitter should have known, based on its own books of account, that the corrected end-user revenues reported on the Revised 2005 FCC Form 499-A would result in a true-up assessment for underpayment separate from the repayment of the original USAC credit. Moreover, the delayed billing of the true-up has no impact on its substantive accuracy or the balance due. USAC properly relied on the revenue data submitted by Outfitter.
- 20. In the limited circumstance presented by this appeal, however, we find that there is good cause to waive the interest and penalties associated with the true-up adjustment for the Revised 2005 FCC Form 499-A, which otherwise would be assessed to Outfitter pursuant to section 54.713(b). Given that USAC did not bill Outfitter for the true-up for over six years, we conclude there are special circumstances and find that, in this limited instance, strict enforcement of our rules regarding assessment of interest and penalties would not be consistent with the public interest in effective and efficient administration of Fund contributions. We therefore direct USAC to credit Outfitter for the amounts remitted by Outfitter attributable to interest and penalties associated with the true-up adjustment for the Revised 2005 FCC Form 499-A.

IV. ORDERING CLAUSES

- 21. ACCORDINGLY, IT IS ORDERED that, pursuant to the authority contained in sections 1-4 and 254 of the Communications Act, as amended, 47 U.S.C. §§ 151-154 and 254, and sections 0.91, 0.291, 1.3 and 54.722 of the Commission's rules, 47 C.F.R. §§ 0.91, 0.291, 1.3 and 54.722, the request for waiver of section 54.706(a) of the Commission's rules, 47 C.F.R. § 54.706(a), by Outfitter Satellite, Inc. IS DENIED.
- 22. IT IS FURTHER ORDERED that Outfitter Satellite, Inc.'s request for a stay of application of section 54.713(e) of the Commission's rules, 47 C.F.R. § 54.713(e), is DISMISSED AS MOOT.
- 23. IT IS FURTHER ORDERED that Outfitter Satellite, Inc.'s request for waiver of section 54.713(b) of the Commission's rules, 47 C.F.R. 54.713(b), is GRANTED and REMANDED to the Universal Service Administrative Company for further action in accordance with the terms of this Order.

⁴⁷ *Id.* at 10-11.

⁴⁸ Telseven, LLC, Notice of Apparent Liability for Forfeiture, 27 FCC Rcd 6636, 6644, para. 15 (2012) (citing Telrite Corp., Notice of Apparent Liability for Forfeiture, 23 FCC Rcd 7231, 7239 n. 53 (2008); Globcom, Inc. d/b/a Globcom Global Communications, Order of Forfeiture, 21 FCC Rcd 4710, 4712, para. 5 (2006); BCE Nexxia Corp., Notice of Apparent Liability for Forfeiture, 20 FCC Rcd 15121, 15124, 15126, paras. 10, 15 (2005)).

⁴⁹ The Commission and USAC rely on filers to submit accurate revenue information in order to accurately project the contribution base and contribution factor. *2007 Comprehensive Review Order*, 22 FCC Rcd at 16378, para. 12. Each version of the 2005 FCC Form 499-A submitted by Outfitter was certified under penalty of perjury and, as discussed above, Outfitter had ample opportunity to review and revise all revenue data.

⁵⁰ See, e.g., id. at 16372, para. 4 ("our goal ... is to make the [universal service] programs more effective and efficient").

- 24. IT IS FURTHER ORDERED that this Order SHALL BE TRANSMITTED to the Universal Service Administrative Company.
- 25. IT IS FURTHER ORDERED that, pursuant to section 1.102(b)(1) of the Commission's rules, 47 C.F.R. § 1.102(b)(1), this Order SHALL BE EFFECTIVE upon release.

FEDERAL COMMUNICATIONS COMMISSION

Carol E. Mattey Deputy Chief Wireline Competition Bureau