

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

AN INQUIRY INTO THE STATE)	CASE NO.
UNIVERSAL SERVICE FUND)	2016-00059

**JOINT TESTIMONY OF Q LINK WIRELESS LLC,
AMERIMEX COMMUNICATIONS CORP., AND
IM TELECOM, LLC D/B/A INFINITI MOBILE**

March 7, 2016

I. INTRODUCTION

1 **Q. Please state your names and positions.**

2 **A.** My name is Issa Asad. I am the Chief Executive Officer for Q LINK WIRELESS
3 LLC (hereinafter referred to as “Q LINK”).

4 My name is Stephen Klein. I am the President of AmeriMex
5 Communications Corp. (hereinafter referred to as “AmeriMex”).

6 My name is Trevan Morrow. I am the Chief Operating Officer for IM
7 Telecom, LLC d/b/a Infiniti Mobile (hereinafter referred to as “IM Telecom,”
8 together with Q LINK and AmeriMex, the “Parties”).

9 **Q. What is the purpose of your testimony?**

10 **A.** The purpose of our joint testimony is to address the issues raised in the Kentucky
11 Public Service Commission’s (“Commission”) February 1, 2016 Order initiating
12 the instant administrative proceeding to investigate the current and future funding,
13 distribution, and administration of the Kentucky Universal Service Fund
14 (“KUSF”) (“Initial Order”).

15

16 II. GENERAL DESCRIPTION OF THE PARTIES AND CASE

17 **Q. Please provide a brief description of the Parties.**

18 **A.** Q LINK is a Delaware Limited Liability Company with its principal offices
19 located at 499 East Sheridan Street, Suite 400, Dania, Florida 33004. Q LINK is
20 a provider of commercial mobile radio service (“CMRS”). Q LINK is currently

1 designated as an Eligible Telecommunications Carrier (“ETC”) in Arizona,
2 Colorado, Georgia, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine,
3 Maryland, Michigan, Minnesota, Missouri, Nevada, Ohio, Oklahoma,
4 Pennsylvania, Puerto Rico, Rhode Island, South Carolina, Texas, Utah, Vermont,
5 Washington, West Virginia, and Wisconsin. Q LINK has been providing wireless
6 Lifeline service in Kentucky since March 2013.

7 AmeriMex is a Georgia corporation with its principal offices located at
8 2323 Curlew Road, Suite 7B, Dunedin, Florida 34698. AmeriMex is a CMRS
9 provider, and has been designated as an ETC in California, Colorado, Georgia,
10 Kentucky, Michigan, Oklahoma, Pennsylvania, and Wisconsin. AmeriMex has
11 been providing wireless Lifeline service in Kentucky since August 2014.

12 IM Telecom is an Oklahoma Limited Liability Company with its principal
13 offices located at 1705 South Baltimore Ave., Tulsa, Oklahoma 74104. IM
14 Telecom is a CMRS provider, and has been designated as an ETC in Oklahoma.
15 IM Telecom does not currently provide service in Kentucky.

16 **Q. Please provide a brief description of the Case and Case history.**

17 **A.** Per the Initial Order, the solvency of the KUSF is in jeopardy, with projected
18 depletion by the end of April 2016. Therefore, one of the first issues to be
19 reviewed will be the necessity for increasing the current funding mechanism or
20 reducing the support paid to carriers, on a temporary basis, to maintain KUSF
21 solvency during the pendency of this investigation. The Commission has
22 calculated that to maintain the existing \$3.50 reimbursement rate, the current
23 monthly per-line surcharge will need to be increased from \$0.08 to \$0.14 as soon

1 as possible, or current support will need to be decreased from \$3.50 per line to
2 approximately \$2.00 per line as soon as possible. Comments were due by
3 February 22, 2016 on this pressing issue. The Parties did not file comments, but
4 concur with the comments filed by other parties in support of increasing the per-
5 line surcharge temporarily in order to maintain the existing reimbursement rate
6 during this investigation.

7 Remaining issues were to be addressed through the procedural schedule
8 set forth in the Initial Order, and are addressed by this testimony, namely:

- 9 • the need for continuing the KUSF;
- 10 • the possibility of reducing the amount of KUSF support;
- 11 • how to review distributions from the KUSF to determine the accuracy of
12 the distributions;
- 13 • future funding of the KUSF; and
- 14 • future practices for requesting and receiving support from the KUSF,
15 with an emphasis on ensuring the accurate reporting of lines receiving
16 Lifeline support and requested KUSF support.

17

18

III. KUSF SUPPORT

19

Q. Is there a need for continuing KUSF support?

20

A. The Federal Communications Commission (“FCC”) recently said that combined
21 state and federal contributions to Lifeline have long been a critical part of the
22 Lifeline program and expressed interest on ways to further encourage states to
23 provide additional subsidies for Lifeline.¹ The Commission has unwaveringly
24 supported the KUSF ever since its inception, when the Commission determined

¹ *In the Matter of Lifeline and Link Up Reform and Modernization et al.* FCC 15-71, 30 FCC Rcd 7818, Further Notice of Proposed Rulemaking, n. 1 (citation omitted) (June 22, 2015) (“*Lifeline Reform FNPRM*”), ¶ 128.

1 that there was evidence of a need for a Kentucky Lifeline program. Though
2 subscribership has increased, still more than half of eligible Kentuckians have not
3 yet availed themselves of the Lifeline program, and about one in ten Kentuckians
4 with income below \$10,000 do not have household telephone service.² Lifeline
5 service allows those adversely impacted by the economy or job loss to have
6 access to discounted or wholly-supported service to assist in emergency
7 situations, facilitate job search efforts, and to maintain contact with family
8 members and participate in society. Continued state funding is needed to support
9 public awareness efforts.

10 **Q. Please address potential effects of reducing support amount on a permanent**
11 **basis.**

12 **A.** State support directly benefits consumers by providing increased benefits to the
13 consumer not only congruent with the additional funding, but also by helping to
14 offset the costs involved with outreach, particularly to more rural areas, as well as
15 the ever-growing costs to carriers associated with regulatory compliance, thereby
16 allowing the ETC to focus its resources on enhanced outreach and offerings.

17 Lifeline participation has increased the most or is at its greatest in areas of
18 Kentucky where more ETCs with wireless coverage have entered the market and
19 engaged in a variety of promotional and outreach strategies to reach qualified
20 customers otherwise untouched through more traditional marketing channels.

21 The competitive marketplace and availability of state USF support has advanced
22 both outreach as well as the level of benefits offered to Lifeline customers. Such

² See 2015 Universal Service Monitoring Report, Household Voice Penetration by State and Income, 2015, Table 6.8 (available at http://transition.fcc.gov/Daily_Releases/Daily_Business/2016/db0129/DOC-337019A1.pdf).

1 increased benefits range from more minutes to data-capable handsets. Even on
2 plans with no or limited data, customers can use data-capable phones to access
3 the internet through public Wi-Fi, which complements efforts to deploy
4 broadband access to low-income consumers. A reduction in state support would
5 no doubt decrease the incentives for and ability of ETCs to innovatively reach
6 unserved Lifeline customers and adjust service offerings as the basic needs of
7 customers become more and more robust.

8 In the FCC's 2012 *Lifeline Reform Order*,³ the FCC adopted more
9 comprehensive requirements to ensure support is being properly used. While the
10 Parties support the FCC's reforms and agree that the changes have had a positive
11 impact on the program overall, the fact remains that the cost of providing Lifeline
12 service has greatly increased. Any increase in regulation, while many times
13 necessary and helpful, creates a larger cost burden for the carriers – as will be the
14 case if the Commission adopts more stringent requirements related to requesting
15 and receiving KUSF distributions as a result of this proceeding. A reduction in
16 state Lifeline subsidies may make it uneconomical for the remaining ETCs doing
17 business in the state to continue their targeted outreach efforts and could further
18 decrease the number of ETCs willing to serve Lifeline customers in Kentucky.

19
20 **IV. KUSF FUNDING**

21 **Q. Do you support an increase in the Kentucky USF surcharge?**

22 **A.** Since the Commission began the Lifeline program in 1998, it has periodically

³ See *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 (2012).

1 seen the need to adjust the monthly end user charge to meet the changing needs of
2 the fund. The KUSF's only income is from an eight cent end user charge that has
3 been constant for more than eleven years. The Commission is now considering a
4 modest six cent increase, one that would not drastically change overall monthly
5 telecommunications expenses for consumers and would be comparable to other
6 increases the Commission has directed in the past eighteen years, none of which
7 drew objection. The surcharge increased by five cents in five years from 1999 to
8 2004, but did so more gradually, with a \$0.02 increase in 2000 followed by a
9 \$0.03 increase in 2004. It is not surprising that a six cent increase is needed after
10 almost twelve years (an increase of only one cent for every two years). For an
11 average wireless customer, a six cent increase in the monthly bill would be
12 nominal; further, given that the price of wireless service has declined in the past
13 ten years, such increase would also effectively be inconsequential. Therefore, the
14 proposed increase needed to preserve the current levels of the KUSF is reasonable
15 considering the Commission's past increases to the surcharge, the minimal effect
16 to average wireless customers, and the resulting preservation of affordable
17 telecommunications services for Kentucky's most economically vulnerable
18 consumers.

19 **Q. Should the Commission re-evaluate the surcharge on a more frequent or**
20 **consistent basis?**

21 **A.** The Parties would support an annual or biennial review of KUSF support amount
22 by the Commission based upon requiring KUSF recipients to submit annual
23 projections of anticipated disbursements from the KUSF. While projections are

1 only best estimations, the practice would enable to Commission to anticipate
2 funding changes on a more gradual basis. The ability for the Commission to
3 collect information on a consistent, informal reporting basis, rather than through a
4 formal proceeding, would also lower the associated cost to carriers for legal fees.

5
6 **V. KUSF DISTRIBUTIONS**

7 **Q. Please address past distributions of the KUSF.**

8 **A.** The Initial Order stated that the KUSF had its highest surplus in May 2012, and
9 has since declined. Based upon the numbers cited in the Initial Order, the average
10 monthly distribution prior to April 2012 compared to the remainder of 2012
11 increased more than sixty per cent. Average monthly distributions continued to
12 increase into 2013, but have since gradually declined to the general level of
13 distributions in 2012 after April.

14 Although a significant correlation is unknown, the majority of new
15 recipients of the KUSF after May 2012 were Mobile Virtual Network Operators
16 (“MVNOs”) like Q LINK, AmeriMex, and IM Telecom. It is important to note
17 that the Lifeline participation rate in Kentucky prior to 2012 was estimated to be
18 only between ten to twenty per cent (10-20%).⁴ However, according to recent
19 data, that number has increased to thirty-eight per cent (38%).⁵ The entrance of
20 wireless ETCs has undoubtedly had a positive effect on increasing the Lifeline

⁴ According to the 2011 map of Lifeline Participation Rates by State, which was obtained from USAC, an independent not-for-profit corporation designated as the administrator of the federal Universal Service Fund by the FCC.

⁵ See USAC Data on the federal Universal Service Lifeline Program, Docket No. 11-42 (February 12, 2016) (available at <http://apps.fcc.gov/ecfs/comment/view?id=60001396146>) (“February 12 USAC USF Report”).

1 penetration rate (the goal of universal service), as increasingly more consumers,
2 including qualified Lifeline customers, view the portability and convenience of
3 wireless service not as a luxury, but as a necessity.

4 **Q. Please address projected distributions of the KUSF.**

5 **A.** With the implementations of Lifeline reform and added federal oversight,
6 including the National Lifeline Accountability Database (“NLAD”), the chances
7 of duplicate or ineligible subscribers have been drastically reduced. The amount
8 of Lifeline-eligible customers is finite, thus KUSF distributions should increase
9 only to the extent that previously unreached Lifeline customers are enrolled in the
10 program. The Commission would need to seek projections from all Kentucky
11 ETCs in order to best prepare for an increase in distributions, which would be
12 expected (and should be celebrated) as more Lifeline-eligible customers are made
13 aware of the service that was created for and is still intended for their benefit. As
14 long as the economy remains stagnant or in decline, distributions should continue
15 to increase at some level, as new Lifeline customers are enrolled and as existing
16 subscribers remain eligible. However, at some point distributions will at least
17 stabilize, as Kentucky reaches a higher Lifeline penetration rate and/or when the
18 economy improves and results in fewer consumers in need of assistance.

19 **Q. How can the Commission review distributions to determine accuracy?**

20 **A.** In order to determine accuracy of federal USF distributions, the Universal Service
21 Administrative Company (“USAC”) engages in periodic reviews such as
22 Payment Quality Assurance (PQA) assessments⁶ and the Beneficiary and

⁶ See <http://www.usac.org/about/about/program-integrity/pqa.aspx>

1 Contributor Audit Program (BCAP)⁷. The Commission certainly has the
2 authority to engage in similar periodic audits of KUSF recipients. At a minimum,
3 the Commission could obtain BCAP audit results for ETCs that are audited in
4 regards to Kentucky customers.

5 **Q. Please provide suggestions for how the Commission can ensure accurate**
6 **reporting of lines receiving Lifeline support and requested KUSF support.**

7 **A.** Currently, carriers include the number of access lines receiving Lifeline support
8 and the requested monthly payment from the KUSF on the monthly KUSF
9 remittance form. In order to ensure accurate reporting of lines, the Commission
10 could require ETCs requesting KUSF support to also submit a copy of the
11 corresponding Form 497 filed with USAC, and any revisions thereto, by which
12 the carriers report Lifeline lines and request reimbursement from the federal USF.

13 **Q. Do you have any other suggestions regarding future practices for requesting**
14 **and receiving KUSF support?**

15 **A.** The Parties assert that the current practice, with the addition of using carriers'
16 Form 497 as a line count accuracy check as mentioned above, is sufficient for
17 requesting and receiving KUSF support.

18

19 **VI. CONCLUSION**

20 **Q. Please summarize your positions stated herein.**

21 **A.** As noted herein, there has been a significant increase in the Lifeline participation
22 rate in Kentucky since 2012; nevertheless, current estimates reveal that still over
23 half of Lifeline-eligible Kentuckians have yet to benefit from the program, and

⁷ See <http://www.usac.org/about/about/program-integrity/bcap.aspx>

1 approximately ten per cent of Kentucky households with income below \$10,000
2 do not have telephone service. Given such vivid statistical evidence, there is
3 clearly more that needs to be done, and the KUSF is a key component of
4 supporting more extensive outreach and increasing the benefits available to
5 Lifeline-eligible consumers. Increasing participation in the Lifeline program by
6 qualified low-income individuals furthers the goal of Congress to provide all
7 individuals with affordable access to telecommunications service, and thus any
8 incremental increases in Lifeline expenditures, including by the KUSF, are far
9 outweighed by the significant public interest benefits of expanding the availability
10 of affordable wireless services to low-income consumers.

11 **Q. Does this conclude your joint testimony?**

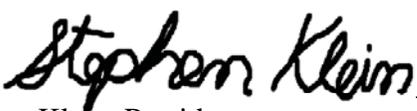
12 **A.** Yes.

VERIFICATIONS

VERIFICATION

I, Stephen Klein, first being duly sworn, depose and state that I am the President of AmeriMex Communications Corp., and do hereby declare under penalty of perjury that the foregoing testimony is true and correct to the best of my knowledge and belief.

Executed on March, 4, 2016

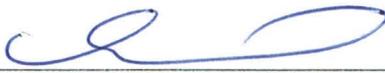
by 
Stephen Klein, President
AmeriMex Communications Corp.

State of Florida)
)
County of Broward)

VERIFICATION

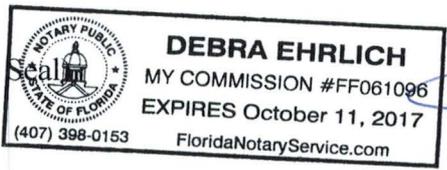
Personally appeared before the undersigned, an officer duly authorized to administer oaths, I, Issa Asad, first being duly sworn, depose and state that I am the CEO of Q LINK WIRELESS LLC, and do hereby declare under penalty of perjury that the foregoing testimony is true and correct to the best of my knowledge and belief.

Executed on 3/3/16



Issa Asad
CEO of Q LINK WIRELESS LLC

Subscribed and sworn to before me, a Notary Public, this 3 day of March, 2016.

(Notary Seal)  

Notary Public

My Commission Expires: October 11, 2017

