

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

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

**TESTIMONY OF W.A. GILLUM ON BEHALF OF EAST KENTUCKY
NETWORK, LLC D/B/A APPALACHIAN WIRELESS**

East Kentucky Network, LLC d/b/a Appalachian Wireless (“Appalachian Wireless”), pursuant to the Commission’s Order entered February 1, 2016 (the “2/1/16 Order”), hereby submits the initial testimony of W.A. Gillum on behalf of Appalachian Wireless:

1 **Q: Please state your name, your business address, and your position with Appalachian**
2 **Wireless.**

3 A. My name is William Allen Gillum. My current business address is 101 Technology Trail,
4 Ivel, Kentucky 41642. I am the Chief Executive Officer and General Manager of East Kentucky
5 Network, LLC d/b/a Appalachian Wireless.

6 **Q: Have you previously testified before the Kentucky Public Service Commission (the**
7 **“Commission”)?**

8 A: No.

9 **Q: Please summarize your educational background and business experience.**

10 A: I attended Mayo State Vocational School in Paintsville, Kentucky for three years. I have
11 worked in the telecommunications industry in Eastern Kentucky since 1975, or over forty (40)
12 years, with companies such as Highland Communications, Inc., Mountain Rural Telephone
13 Cooperative Corporation, Inc., and East Kentucky Network, LLC d/b/a Appalachian Wireless.

14 **Q: What are your general job responsibilities and, more specifically, what are your job**
15 **responsibilities with respect to Appalachian Wireless’s participation in the Kentucky**
16 **Universal Service Fund (“KUSF”) program?**

17 A: As Chief Executive Officer and General Manager, I generally oversee all operations of
18 Appalachian Wireless. Specifically, with regard to KUSF and Lifeline, I ensure that Appalachian
19 Wireless has procedures in place to comply with program requirements.

20 **Q: What is Appalachian Wireless’s position with respect to the need for continuing the**
21 **KUSF?**

22 A: Appalachian Wireless has long been committed to investing in the infrastructure necessary
23 to make modern and reliable telecommunication services available throughout Eastern Kentucky.
24 We take great pride in our efforts to provide cellular coverage to the area because we understand
25 that it is vitally important to the economic development of this region and quality of life of the
26 citizens. Sadly, the rural areas of Eastern Kentucky that we have the privilege of serving have some
27 of the highest poverty rates in the Commonwealth. We are pleased that many in this area have
28 benefitted from the Lifeline program, which has made telephone service accessible to those who
29 would not otherwise be able to afford it.

30 Unfortunately, however, it can no longer be denied that the Lifeline program, which started
31 as an admirable effort to bring potentially life-saving connectivity to the most vulnerable and
32 impoverished citizens, has been significantly affected by some opportunistic providers and/or
33 subscribers who, collectively and with no proper basis, have extracted significant sums of money
34 from the KUSF and, in turn, from the citizens who fund the KUSF by way of a surcharge. There
35 is no question that the integrity and public perception of the program have been greatly demeaned
36 by the fraudulent and abusive practices of some participants, providers and subscribers alike. This
37 is truly unfortunate since there are many legitimate companies who aim to provide service without
38 abusing the system, just as there are many Lifeline subscribers who genuinely need this important
39 service.

40 Appalachian Wireless is appreciative of the Commission's efforts to explore new practices
41 to help root out abuses of the program. Appalachian Wireless is hopeful that stringent reform will
42 restore the viability of the KUSF without imposition of any increase in the surcharge rate and that
43 the KUSF can continue to subsidize services for citizens who are truly in need.

44 **Q: What is Appalachian Wireless's position with respect to the possibility of reducing**
45 **the amount of KUSF support?**

46 A: It is Appalachian Wireless's understanding that the KUSF cannot at the present time
47 continue providing support at the rate of \$3.50 per Lifeline customer without raising the per line
48 surcharge for all other customers. Appalachian Wireless is opposed to raising the per line
49 surcharge, especially until additional anti-fraud practices are put in place, and accordingly,
50 Appalachian Wireless would support the reduction of the amount of KUSF support at this time. It
51 is Appalachian Wireless's hope and belief that funding generated from the current \$.08 per line

52 surcharge will be sufficient to restore the subsidy rate at or near \$3.50 per Lifeline customer *if and*
53 *when* measures are identified that can effectively eliminate fraud and abuse. If not, Appalachian
54 Wireless believes that program caps should be considered in lieu of increasing the surcharge, and
55 distributions should be made proportionately based on availability of funds.

56 **Q: What is Appalachian Wireless’s position with respect to the future funding of the**
57 **KUSF?**

58 A: Appalachian Wireless does not believe that an increase in the surcharge is appropriate at
59 this time. It would be easy to adopt the logic that the current surcharge of \$.08 per line is a meager
60 amount and that an additional \$.06 increase would be inconsequential. However, if one applies
61 this logic, at what point does the surcharge amount become “consequential.” At \$.25? At \$.50? At
62 \$1.00? Appalachian Wireless believes that the appropriateness of the surcharge cannot be
63 measured by the monetary burden imposed upon each individual customer from whom the
64 surcharge is collected, but instead must be judged by the legitimacy and efficacy of the program
65 that it funds. *Any* amount of surcharge, no matter how modest it may be, cannot be justified if the
66 subsidy funds are being claimed by companies who are defrauding the Commission by soliciting
67 subscribers without adequate procedures for certifying eligibility and without ensuring that there
68 is no duplication within households.

69 **Q: What is Appalachian Wireless’s position with respect to the procedure for reviewing**
70 **distributions from the KUSF to determine the accuracy of distributions?**

71 A: Appalachian Wireless believes that each and every Lifeline provider should be audited *at*
72 *least* once every five (5) years.

73 **Q: What is Appalachian Wireless’s position regarding the future practices that should**
74 **be employed for requesting and receiving support from the KUSF?**

75 A: Every provider should be required to retain for a sufficient amount of time legitimate proof
76 of customer identity, address, and eligibility, ensuring that Lifeline payments are limited to one
77 per household. In addition, one prevalent practice among providers is placing tents in parking lots
78 of popular discount stores to coincide with the distribution of government benefit payments.
79 Routine, random, surprise inspections of such tent operations should be undertaken to ensure that
80 effective procedures are being used to make eligibility determinations, that customer addresses
81 and other information are being verified in a database, and that other sufficient measures are being
82 taken to ensure that there is no duplication of service in the same household. An inspector acting
83 “undercover” as a potential customer may be most effective in ensuring that appropriate practices
84 are being followed in the normal course of business.

85 **Q: How will these practices for requesting and receiving support from KUSF ensure the**
86 **accurate reporting of lines receiving Lifeline support and requested KUSF support?**

87 A: Presumably, random, surprise inspections combined with audits to ensure the proper
88 reporting of customer lines would provide a good check against fraud and abuse. However, if
89 practice proves that these or other measures are not effective, then even more stringent measures
90 may be necessary such as third-party eligibility determinations or requiring both referral and
91 eligibility determinations from agencies administering other federal and state benefit programs.

92 Appalachian Wireless understands that a balance must be reached between the additional
93 costs of enforcement and program administration as weighed against the savings that such

94 measures might be expected to achieve. Appalachian Wireless acknowledges that, of course, the
95 Commission's experience, knowledge, and data may cause the Commission to come to a different
96 conclusion than that of Appalachian Wireless. Nonetheless, Appalachian Wireless appreciates the
97 opportunity to provide its perspective on these issues and is grateful to the Commission for
98 undertaking this investigation.

99 **Q: Does this conclude your testimony?**

100 A: Yes

VERIFICATION

The undersigned W.A Gillum, being duly sworn, deposes and says that he is the Chief Executive Officer and General Manager of East Kentucky Network, LLC d/b/a Appalachian Wireless, that he has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of his knowledge, information, and belief formed after a reasonable inquiry.

W A Gillum

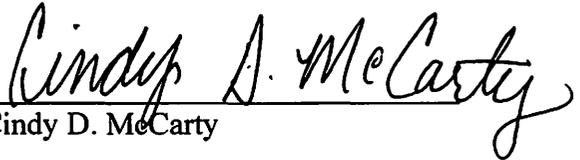
COMMONWEALTH OF KENTUCKY
COUNTY OF FLOYD

The foregoing Verification was acknowledged before me on this 7th day of March, 2016, by W.A. Gillum, Chief Executive Officer and General Manager of East Kentucky Network, LLC d/b/a Appalachian Wireless.

Ranna J. Hester
Notary Public

CERTIFICATE OF SERVICE

This is to certify that the foregoing electronic filing, *Testimony of W.A. Gillum on behalf of East Kentucky Network, LLC d/b/a Appalachian Wireless*, is a true and accurate copy of the document being filed in paper medium; that the electronic filing was transmitted to the Commission on March 7, 2016; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that a copy of the filing in paper medium is being mailed to the Commission via United States Certified Mail on this 7th day of March, 2016.


Cindy D. McCarty