

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

DIRECT TESTIMONY OF CHUCK CAMPBELL

1 **Q. Please state your name and identify your employer.**

2 A. Charles (“Chuck”) Campbell. I am a partner in CGM, LLC, based in Roswell, Georgia.
3 I have a Bachelor’s degree in Economics from Bethany College of West Virginia. For
4 the past twenty years my work at CGM has included a variety of back office and service
5 bureau functions for competitive telecommunications companies operating in Kentucky
6 and nearly every other state in the country. I have been involved in development of
7 various revenue assurance tools for competitive local exchange carriers. A logical
8 outgrowth of that work is CGM’s extensive involvement in Lifeline-related compliance
9 work for our clients that are eligible telecommunications carriers serving low income
10 customers. We have supported the effort of USAC and the FCC on major Lifeline reform
11 projects, and as founding members of the Lifeline Connects Coalition have been part of
12 over 150 meetings on Capitol Hill to advocate and educate on behalf of the Lifeline
13 Program.

14 **Q. Have you testified at the Kentucky Public Service Commission?**

15 A. No. I have not been asked to testify at any state commission. However, at various times
16 I have participated in oral *ex parte* presentations in FCC matters before the Wireline
17 Competition Bureau related to the Universal Service Fund, typically on behalf of Lifeline
18 providers.

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

2 A. I am testifying for a coalition of wireless resale carriers certified by the Kentucky Public
3 Service Commission as Eligible Telecommunications Carriers (“ETC”). The carriers are
4 Airvoice Wireless, American Broadband and Telecommunications Company, Blue Jay
5 Wireless, LLC, Budget Wireless, i-wireless LLC, Ready Wireless, and Telrite
6 Corporation. These Lifeline providers that use CGM’s services requested my perspective
7 on the Kentucky Lifeline Program, including with respect to the long term issues
8 identified in the Commissions’ February 1, 2016 Order. I am testifying generally about
9 how the Kentucky Universal Service Fund (“KUSF”) helps ensure quality service
10 remains available to all Kentuckians at reasonable rates.

11 **Q. Explain the role of wireless resellers in the provision of service to low income**
12 **customers.**

13 A. Wireless resellers leverage networks of large facilities-based wireless licensees, creating
14 new distribution and marketing channels and stimulating much of the vibrant wireless
15 competition we see today. That competition extends to the highly competitive market for
16 Lifeline supported services. According to Universal Service Administrative Company
17 (“USAC”) monthly subsidy reimbursement data available at www.usac.org, 93% of
18 Kentucky Lifeline adopters have chosen to receive their subsidy on wireless services, and
19 99% of those low income Kentuckians are served by wireless resellers.

20 **Q. Do facilities-based wireless carriers provide Lifeline service?**

21 A. Yes, at least two rural licensees in Kentucky provide Lifeline service. Last year the
22 Commission permitted one of those licensees, Bluegrass Cellular, to withdraw as an ETC
23 in a few of its markets. However, the national wireless carriers have moved away from

1 Lifeline, and some of the largest wireless licensees in Kentucky do not provide Lifeline
2 services. In fact, of the four largest wireless carriers in Kentucky, only Sprint participates
3 directly, through its Assurance Wireless offering. This was not always the case. AT&T
4 Mobility, Verizon Wireless, T-Mobile, Cricket Communications and Cincinnati Bell
5 Wireless provided Lifeline services as ETCs, but each of these companies deemphasized
6 their plans over the past few years. Fortunately, FCC modernization of the Lifeline
7 program in 2012 included steps to support resold wireless services, thereby increasing the
8 number of competitive offerings available to eligible customers. This means smaller
9 providers with access to the national wireless networks can develop competitive Lifeline
10 offerings to address the needs of low income Kentuckians. Without this wireless resale
11 competition, Kentucky might have only a single Lifeline provider in its largest
12 communities.

13 **Q. What about Lifeline services from wireline competitors?**

14 A. These services still exist, but they have diminished in importance. The reason is simple.
15 Ubiquitous mobile services transformed the communications industry. The benefits of
16 mobility certainly extend to low income individuals, especially those looking for better
17 employment. And some low income customers have no other option than wireless
18 service. Many poor people are homeless. They do not have a fixed address where they
19 could obtain wireline services. Also, the FCC rules allow only one Lifeline account per
20 household. Even if they have a home, given the choice, qualified low income customers
21 increasingly choose mobile services over a landline. Also, the initial costs of establishing
22 wireless service compare favorably to the costs and potential delays of installing fixed
23 service. CGM estimates 11.4 million of the 12.8 million (89%) U.S., low-income

1 households served by the Lifeline Program have chosen wireless service versus landline
2 service.

3 **Q. Is there a need to continue the Kentucky Universal Service Fund?**

4 A. Yes. As the coalition explained in its initial comments, at pp. 3-4, recent statistics
5 suggest Kentucky's state support is having a positive impact on universal service without
6 distorting incentives for low income customers. According to a recent USAC report to
7 the FCC, 269,941 Kentucky subscribers are shown in the National Lifeline
8 Accountability Database, out of 705,000 Kentucky households eligible for support, a
9 participation rate of 38%. The same report says the average participation rate is 26%
10 nationwide.

11 **Q. Does a 38% participation rate suggest Kentucky is providing an overly generous
12 Lifeline benefit?**

13 A. I do not believe so. As the coalition explained in its comments, the FCC's most recent
14 Universal Service Monitoring Report shows half of Kentuckians eligible for Lifeline are
15 not getting service under the current program, and about one in ten Kentuckians with
16 income below \$10,000 does not have household telephone service.

17 **Q. Should the Commission reduce the amount of support provided by the state fund?**

18 A. No. The Commission's goal should continue to be making available telephone service to
19 consumers who remain disconnected from the voice networks of the twentieth century.
20 Universal connectivity for all Kentuckians in all areas of the Commonwealth provides
21 substantial benefits, including increased opportunities to find work, learn, access
22 emergency services, interact with others, and participate in society in ways only possible
23 through telecommunications. The KUSF contributes to the goal.

1 **Q. Should the current funding mechanism be used for future funding of the KUSF?**

2 A. I am not aware of any problems with the mechanism itself. The modest end user charge
3 seems transparent and easy to administer.

4 **Q. Do you have suggestions on how the Commission should review distributions from
5 the KUSF to determine accuracy?**

6 A. The Commission requires Kentucky ETCs to comply with the FCC's annual certification
7 process for Lifeline customers. The Commission's February 1, 2016 Order does not
8 mention any claimed inaccuracies in distribution from the KUSF, and does not discuss
9 current procedures, but if there are questions of accuracy, the Federal Lifeline Program
10 oversees reimbursement distributions for Kentucky Lifeline subscribers. The federal
11 program experienced a highly commendable rate of improper payments (.44%) and cost
12 of administration (1.52%) in 2015. The statistics, reported in the FCC's Fiscal Year 2015
13 Agency Financial Report, are evidence of a program with proper oversight and
14 responsible management.

15 **Q. Are the current practices for requesting and receiving support from the KUSF
16 adequate?**

17 A. The Commission's February 1, 2016 does not identify any inadequacies, and I am not
18 aware of any.

19 **Q. Does that conclude your initial testimony?**

20 A. Yes.

**CERTIFICATE OF SERVICE AND
ACKNOWLEDGMENT OF ELECTRONIC FILING PROCEDURES**

In accordance with 807 KAR 5:001, Section 8, I certify that the March 7, 2016 electronic filing of this Testimony is a true and accurate copy of the same 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 an original paper medium of this Motion will be mailed to the Commission by first class United States mail, postage prepaid, on March 7, 2016.

I further certify that I am the authorized agent for the entity filing this Testimony and possess the facilities to receive electronic transmissions.



Douglas F. Brent