COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

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

Q LINK WIRELESS LLC'S RESPONSES TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO ALL PARTIES OF RECORD AND SECOND REQUEST FOR INFORMATION TO Q LINK WIRELESS LLC, AMERIMEX COMMUNICATIONS CORP., AND IM TELECOM, LLC D/B/A INFINITI MOBILE

Q LINK WIRELESS LLC ("Q LINK" or the "Company") hereby submits its responses to the Kentucky Public Service Commission ("Commission") Staff's Second Request for Information to All Parties of Record and Second Request for Information to Q LINK WIRELESS LLC, AmeriMex Communications Corp., and IM Telecom, LLC d/b/a Infiniti Mobile dated June 22, 2016.

State of Florida)
)
County of Broward)

CERTIFICATION

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 oath that the foregoing responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Executed on 7/13/2016

Issa Asad, CEO
Q LINK WIRELESS LLC

Subscribed and sworn to before me this 13th day of July 2016.

ACELIA GONZALEZ
MY COMMISSION # FF 66862
EXPIRES October 29, 2017
(407) 398-0153 FloridaNotaryService.com

(Notary Seal)

(Signature of person authorized to administer oath)

My Commission Expires: October 29th, 2017

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that the July 13, 2016 electronic filing of these Data Responses 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 July 13, 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 these Data Responses will be mailed to the Commission by Federal Express on July 13, 2016.

s/ Lance J.M. Steinhart

Lance J.M. Steinhart

Responses to Staff's Second Request for Information to All Parties

REQUEST NO. 1

If not already provided in a previous response to a Commission Staff request for information, respond to the following:

Response: The Company previously provided responses to Request No. 1 (a-d) in its Responses to Staff's First Request for Information to All Parties. Additional or supplemental responses, if any, are provided below.

a) Provide the monthly Kentucky Universal Service Fund ("KUSF") forms[1] ("KUSF form") submitted to the Commission and the Department of Finance and Administration from January 2014 to the present.

b) Explain how the total number of subscriber lines is calculated for the KUSF form when a new customer receives service in the middle of a month.
Response: Each line active during the calendar month is included in the total number of subscribers.

c) Explain how the total number of subscriber lines is calculated for the KUSF form when a customer leaves in the middle of a month.
Response: Each line active during the calendar month is included in the total number of subscribers.

d) Explain how the KUSF surcharge remittance is calculated when you experience a bad debt. Explain whether none of the surcharge amount or the full surcharge amount billed to, but not paid by, the customer is remitted.

e) State whether the KUSF surcharge billed to a customer is prorated if the customer has service for less than a full month.
Response: The Company remits the full KUSF surcharge for each line active during the calendar month.

Responsible Witness: Issa Asad, CEO

[1] Commission Staff's First Request for Information referred to these forms as "reimbursement" forms. In this request, Commission Staff is referring to the forms that the parties are to file monthly pursuant to the Commission's decision in *An Inquiry into Universal Service Funding Issues,* Administrative Case No. 360 (KY. PSC May, 22, 1998) (form last revised March 10, 2016}. These forms are to be filed regardless of whether a party is seeking reimbursement from the KUSF.

<u>Responses to Staff's Second Request for Information to All Parties</u>

REQUEST NO. 2

If no KUSF forms have been submitted to the Commission and the Kentucky Department of Finance and Administration from January 2014, to the present, explain why the KUSF forms have not been submitted.

a) If no KUSF forms have been submitted, state whether you collect the KUSF surcharge from your customers.
b) If you do not collect the KUSF surcharge from your customers, explain why the KUSF surcharge has not been collected.
c) If no KUSF forms have been submitted, state whether you remit the KUSF surcharge to the Kentucky Department of Finance and Administration.
d) If you do not remit the KUSF surcharge to the Kentucky Department of Finance and Administration, explain why the KUSF surcharge has not been remitted.

Response: Not applicable; the Company has been submitting KUSF forms and remitting the KUSF surcharge.

Responsible Witness: Issa Asad, CEO

Responses to Staff's Second Request for Information to All Parties

REQUEST NO. 3

Explain the anticipated impact, if any, that the FCC's recent *Lifeline Reform Order*[2] will have on the provision of Lifeline service in Kentucky, including, but not limited to, verifying eligibility of Lifeline customers; the potential provision of broadband service; and, the impact of the reduction of Federal Universal Service funding for voice service.

Response: Per the 2016 *Lifeline Reform Order,* eligibility for Lifeline will be determined by the National Lifeline Eligibility Verifier ("National Verifier") rather than the ETC—the impact of which is yet to be determined. While the National Verifier has the potential to reduce administrative cost burdens on ETCs, it is unclear whether or not the National Verifier will include an option for real-time verifications, which is an essential business practice for many ETCs, and whether or not ETCs will be given explicit safe harbors from enforcement action for enrollments that are processed through the National Verifier. Because there would be no retention of proof documentation by which the ETC could defend an enrollment, the lack of safe harbor for enrollments approved by the National Verifier would expose ETCs to the risk of undue enforcement action.

The *Lifeline Reform Order's* aim to drive the adoption of broadband among low-income Americans is in itself a positive step forward. It is the correlating reduction in funding for voice service that may likely have a negative effect on Lifeline subscribership. The *Lifeline Reform Order,* in attempts to increase broadband access, seems to underestimate the tremendous value that voice service has for low-income Americans. Likewise, by requiring a minimum service standard equal to the average household usage, the *Lifeline Reform Order* undermines the safety net of affordability, effectively "pricing-out" many Lifeline consumers who simply cannot afford the theoretical average usage of most Americans, even at discounted prices. These customers, who either do not need or cannot afford average-usage rate plans, will lose the freedom to choose a more affordable Lifeline plan tailored to their needs.

Responsible Witness: Issa Asad, CEO

[2] *See Lifeline and Link Up Reform and Modernization,* WC Docket No. 11-42; *Telecommunications Carriers Eligible for Universal Service Support,* WC Docket No 09-197; *Connect America Fund,* WC Docket No. 10-90, *Third Report and Order, Further Report and Order, and Order on Reconsideration* (Rel. April 27, 2016} ("Lifeline Reform Order").

Responses to Staff's Second Request for Information to All Parties

REQUEST NO. 4

In light of the *Lifeline Reform Order*, explain how a reduction in the amount of, or elimination of, KUSF support would impact the provision of Lifeline service in Kentucky.

Response: As explained in the Response to Request No. 3 above and the following Responses to Staff's Second Request for Information to Q LINK WIRELESS LLC, AmeriMex Communications Corp., and IM Telecom, LLC d/b/a Infiniti Mobile, the net costs to the Lifeline customer will increase in light of changes introduced by the *Lifeline Reform Order*, including regulations on minimum service amounts. Many of the Company's Lifeline customers rely on a free service option, with only a small amount of customers, on average, purchasing additional airtime. With an increase in required plan benefits and therefore plan costs, there will be a decrease in the likelihood that certain low-income subscribers will access the essential telecommunications services the Lifeline program and KUSF was intended to provide. Indeed, the subscribers who will not be able to afford the minimum threshold of service will be those the Lifeline program was most intended to protect. The continuation of KUSF support certainly has the potential to impact the continued access to telecommunications—and now broadband—services for these vulnerable consumers.

Responsible Witness: Issa Asad, CEO

<u>Responses to Staff's Second Request for Information to Q LINK WIRELESS LLC, AmeriMex Communications Corp., and IM Telecom, LLC d/b/a Infiniti Mobile</u>

REQUEST NO. 1

Refer to the response of Q Link Wireless, LLC, Amerimex Communications Corp., and IM Telecom, LLC d/b/a lnfiniti Mobile to Commission Staff's First Request for Information, Item 1. Explain how a change in subsidy provided to a Lifeline customer would financially impact an eligible telecommunications carrier.

Response: Q Link Wireless, LLC, Amerimex Communications Corp., and IM Telecom, LLC d/b/a lnfiniti Mobile (the Parties) did not intend to highlight that a change in subsidy provided to a Lifeline customer would financially impact an eligible telecommunications carrier (though this would be the case, if the ETC were to continue to provide service *at the same net costs to the Lifeline customer*); rather, the Parties intended to express that a decrease in subsidy without an increase in rates impacts the level of benefits that an ETC can offer to the consumer. With wireline ETCs, a decrease in subsidy simply results in a parallel increase to the monthly plan cost. However, prepaid wireless ETCs value being able to offer a free plan option, because there is such a large customer base in need of it; it removes barriers to enrollment; it reduces billing-related costs; and most notably, it reduces the number of customers that risk losing their Lifeline service due to nonpayment. The retail price of service is determined based on a myriad of factors, ranging from costs of wholesale minutes and network access to the regulatory and administrative costs of operating in general. Therefore, as costs to provide service increase and/or subsidy amounts decrease, the ETC is forced to either value a no-cost plan option (and offset costs in other ways, such as a decrease in benefits, outreach efforts, etc.) or raise rates.

The Parties also alluded to the 2016 *Lifeline Reform Order* which, as of December 1, 2016 and going forward, gradually increases the minimum amounts of voice and data which must be included in a Lifeline plan in order to qualify for reimbursement from the federal USF. Because the amounts of voice and data included in a Lifeline plan must increase, logically the cost of the plan should increase. The Parties' statement that "maintaining the KUSF support level is more important than ever" is due to the fact that the net costs to the Lifeline customer will soon increase due to regulations on minimum service amounts, and therefore a simultaneous decrease in KUSF support would be more keenly felt - essentially increasing the net costs to the consumer even more.

Responsible Witness: Issa Asad, CEO