

**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

Grasshopper Group, LLC :
Application for certificate of :
authority to operate as a reseller of : **Docket No. _____**
interexchange telecommunications :
services throughout the State of :
Illinois :

**DIRECT TESTIMONY OF DOMINIC SCHIAVONE
ON BEHALF OF GRASSHOPPER GROUP, LLC**

Q: PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.

A: Dominic Schiavone, 197 1st Avenue, Suite 200, Needham, Massachusetts 02494.

Q: BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A: I am Vice President of Operations of Grasshopper Group, LLC (“Grasshopper”).

**Q: IS THE ADDRESS OF THE COMPANY THE SAME AS THAT WHICH YOU HAVE
JUST SUPPLIED?**

A: Yes.

Q: PLEASE DESCRIBE YOUR DUTIES FOR THE COMPANY.

A: As Vice President of Operations, I oversee and manage all aspects of the day-to-day operation of the Company, including all operational, administrative, legal and regulatory matters.

**Q: PLEASE PROVIDE A BRIEF BACKGROUND ON YOUR EXPERIENCE IN
TELECOMMUNICATIONS.**

A: I have a 17-year track record of helping businesses of all sizes scale their operational processes. Before joining Grasshopper, I was the Co-Founder and Managing Partner of Sagebridge Consulting, LLC, which develops web solutions for entrepreneurs and small businesses. I have also served as Vice President of Professional Services for Granitar

Inc., a top-tier Internet consulting firm, where I provided technology solutions to Fortune 1000 clients, including State Street Bank, Fidelity, Amtrak, New York Times Digital and Standard & Poors. I have also held leadership positions at firms such as Mitchell Madison Group, Siemens, Westinghouse and IBM. My experience combines technical and operational expertise with a business-driven perspective. I hold a Bachelor of Science degree in Computer and Electrical Engineering from Clarkson University and an MBA from The Wharton School of the University of Pennsylvania.

Q: ARE YOU FAMILIAR WITH THE APPLICATION YOUR COMPANY SUBMITTED TO THIS COMMISSION?

A: Yes.

Q: DO YOU RATIFY AND CONFIRM THE STATEMENTS AND REPRESENTATIONS MADE IN THAT APPLICATION?

A: Yes.

Q: WHAT IS THE OWNERSHIP STRUCTURE OF GRASSHOPPER?

A: Grasshopper is a limited liability company formed under the laws of the Commonwealth of Massachusetts.

Q: WHICH CARRIER OR CARRIERS SERVE AS YOUR UNDERLYING CARRIER?

A: Grasshopper utilizes the services and facilities of several local exchange carriers, interexchange carriers and other telecommunications service providers, including Level 3 Communications, LLC, Zone Telecom, and Network Billing Systems, which is a wholesaler of Verizon Business services.

Q: WHAT SERVICES ARE PROVIDED BY GRASSHOPPER?

A: Grasshopper provides business end-users toll-free and local access numbers to facilitate call

conferencing/bridging and long distance service and to access enhanced features provided through a Virtual Private Branch Exchange System.

Q: HOW WILL GRASSHOPPER BILL ITS CUSTOMERS?

A: Grasshopper invoices customers on a monthly basis for recurring monthly charges for the specific plan purchased by the customer and minutes used above the plan allowance for the previous month. Grasshopper bills any applicable initiation fees and monthly recurring charges in advance of the month of usage. Usage charges are billed in arrears for the previous month. At the time a customer signs up for service via Grasshopper's website, Grasshopper obtains credit or debit card information from the customer and automatically bills the customer's credit/debit card each month for the invoiced charges.

Q: HOW WILL GRASSHOPPER HANDLE CUSTOMER COMPLAINTS?

A: Customer complaints will be handled entirely in-house by Grasshopper's customer service staff. Customers may reach Grasshopper toll free by calling 800-820-8210 or by opening a support ticket at support.grasshopper.com. In the event of a billing dispute between the customer and Grasshopper, the customer may notify Grasshopper of its disagreement within thirty (30) days of receiving its bill. The customer may request, and Grasshopper will provide, a detailed review of the disputed amount. In this event, the undisputed amount of any subsequent billing must be paid on a timely basis. If, after investigation by a manager-level representative of Grasshopper, there is still a disagreement about the disputed amount, Grasshopper will notify the customer that an appeal to the state public utilities commission may be made. Customers may access Grasshopper's customer service to initiate service complaints or to receive updates on reported problems or pending customer service complaints 24 hours a day, seven days a

week. Customers may also call this number to leave a message. Inquiries regarding service or billing may also be made in writing. The Company's tariff advises customers that they have the right to contact the Illinois Commerce Commission for resolution of customer service and billing issues and provides the address and toll-free telephone number of the Commission.

Q: HOW LONG HAS GRASSHOPPER BEEN IN BUSINESS?

A: Grasshopper has been in business since December 4, 2002. Grasshopper began operating as GotVMail Communications, LLC, providing voicemail processing applications, such as voicemail access via the Internet and email delivery of voicemails, as well as other non-regulated enhanced or information services to business end-users. Because it took six months to design the Company's initial service platform, Grasshopper did not have active subscribers until June 2003.

Q. WHY IS GRASSHOPPER APPLYING FOR AUTHORITY NOW?

A. Several technological and regulatory developments over the last year, culminating in a recent legal opinion that a certain sub-set of Grasshopper's services could be considered to be "telecommunications services," led Grasshopper to seek the approval requested in this application. Until now, Grasshopper considered all of its services to be non-regulated enhanced or information services. Moreover, until recently Grasshopper lacked the ability to jurisdictionalize traffic on its system, *i.e.*, it could not segregate purely intrastate transmissions from interstate or international.

Q. PLEASE DESCRIBE THE TECHNOLOGICAL DEVELOPMENTS YOU MENTIONED?

A. For several years after the Company began providing voicemail services, it performed billing through an internally-designed billing system that generated invoices for each customer. This system was limited to calculating only the following revenue items:

- One-time Setup fee
- Monthly Subscription fee
- Usage Overage Fee (a “per minute” fee for usage above monthly minutes included in subscription)
- Non-core related service charges (*e.g.*, professional services fees for recording greetings in a voice studio, or providing voicemail via email delivery or via online web delivery, etc.)

Later, Grasshopper added to its platform the ability to bridge inbound and outbound legs of a call and to facilitate conference calling; however, due to the way this service was developed off of Grasshopper’s voicemail processing infrastructure, Grasshopper had no technical ability to rate calls based on origination and termination points of the end-to-end call.

Q. DID GRASSHOPPER CHANGE ITS BILLING SYSTEM?

A. Yes. In 2007, Grasshopper determined that there were significant advantages to being able to rate calls on its own without relying on its underlying carriers. Grasshopper initiated internal projects to completely redesign and re-implement its entire infrastructure. The Company selected a billing system (HighDeal) and a regulatory and taxation calculation engine (BillSoft’s EZTax) to completely replace its homegrown billing system. In January 2008, Grasshopper hired an entire team of developers to build

the new system. This team worked full-time over the next eighteen months to design the system and complete the build-out.

Finally, nearly two years and millions of dollars after starting the process, on May 5, 2009, Grasshopper launched the new infrastructure, along with new billing and taxation systems, and rebranded the company as Grasshopper. In the several months since then, the Company has been migrating customers' accounts off of the old infrastructure and onto the new systems. Simultaneously with this migration, Grasshopper sought the advice of legal counsel to help the Company determine the appropriate regulatory classification of its services.

Q. HOW IS THE NEW BILLING SYSTEM RELATED TO THIS APPLICATION?

A. The new billing and taxation systems enables Grasshopper to rate each individual transaction and then sum up these transactions on monthly invoices to customers. This new approach allows the Company to capture origination and termination data for each transaction that can then be used to classify each end-to-end call as interstate, intrastate or international; previously, jurisdictionalization of traffic on an end-to-end basis was technologically infeasible. With this new ability to jurisdictionalize call traffic data, Grasshopper could determine how to allocate revenue derived from these calls and run reports on revenue, tax and regulatory fee liabilities for submission to the appropriate public utility commissions or taxing authority.

Q: DOES GRASSHOPPER HAVE OFFICES IN ILLINOIS?

A: No. Grasshopper does not intend to have an office physically presence in Illinois at this time. Grasshopper markets and sells its services exclusively through its website.

Accordingly, Grasshopper requests a waiver of Part 258 of 83 Illinois Administrative Code to allow it to maintain its books and records at its principal office located at 197 1st Avenue, Suite 200, Needham, Massachusetts 02494. In the event that the Commission should desire to inspect such books and records, Grasshopper will provide access expeditiously at its own expense.

Q. DOES GRASSHOPPER SEEK ANY ADDITIONAL WAIVERS IN ITS APPLICATION?

A. Yes. Because all of the services Grasshopper proposes to provide are competitive telecommunications services under Section 13-502(b) of the Public Utilities Act, Grasshopper seeks waivers of Part 710 of 83 Illinois Administrative Code concerning Uniform System of Accounts for Telecommunications Carriers and Part 735 of 83 Illinois Administrative Code regarding Procedures Governing the Establishment of Credit, Billing, Deposits, Termination of Service and Issuance of Telephone Directories for Local Exchange Telecommunications Carriers in the State of Illinois. These waivers will reduce the economic burdens of regulation on Grasshopper, which will utilize GAAP and which is not seeking authority to provide local telecommunications services in the State of Illinois.

Q: WHY HAS GRASSHOPPER FILED THIS APPLICATION?

A: Grasshopper's telecommunications offerings will be beneficial to Illinois consumers and, in particular, that segment of the consuming public which seeks another affordable choice when choosing their long distance telecommunications services provider.

Q: DOES GRASSHOPPER PROVIDE CONVENTIONAL OR ALTERNATIVE OPERATOR SERVICES?

A: No.

Q: DOES GRASSHOPPER PROVIDE PAYPHONE SERVICE?

A: No.

Q: WILL GRASSHOPPER SERVE RESIDENTIAL USERS?

A: Grasshopper markets its services primarily to business customers. The flexibility, scalability and functionality of Grasshopper's services provide the greatest advantages for business users. However, Grasshopper will serve residential customers if they request service.

Q: DO YOU BELIEVE THAT YOUR PRINCIPAL MANAGERIAL AND TECHNICAL PERSONNEL HAVE THE QUALIFICATIONS AND TECHNICAL ABILITY NECESSARY TO PROVIDE THE PROPOSED INTEREXCHANGE SERVICES?

A: Yes, I do. Attached to Grasshopper's application for authority as Exhibit 3 is a brief biography which demonstrates Grasshopper has competent and experienced management with ample technical telecommunications experience to provide successful and continuous telecommunications services in Illinois.

Q: DOES GRASSHOPPER HAVE THE FINANCIAL QUALIFICATIONS TO OPERATE AS A CARRIER IN ILLINOIS?

A: Yes. As demonstrated by the financial statements attached as Exhibit 6 to Grasshopper's Application, the Company has the financial resources necessary to provide reliable interexchange telecommunications services to residents of the State of Illinois.

Q: IN YOUR OPINION, WOULD GRANT OF GRASSHOPPER'S APPLICATION BE IN THE PUBLIC INTEREST?

A: Yes. Grasshopper's proposed service will provide alternative services of the highest quality, will provide increased consumer ability to determine the payment options best suited to their situations, and will offer increased diversification and increased reliability of communications services. Grant of the Company's Application will enhance competition for interexchange telecommunications services in this state by providing consumers with an additional service provider choice for the satisfaction of their long distance telecommunications needs.

Q: DOES THIS COMPLETE YOUR PREFILED TESTIMONY IN SUPPORT OF YOUR APPLICATION?

A: Yes, it does.

Q: WILL YOU REMAIN AVAILABLE TO RESPOND TO ANY ADDITIONAL QUESTIONS FROM THE COMMISSION OR ITS STAFF ABOUT YOUR APPLICATION OR COMPANY IF NECESSARY?

A: Yes.

