

TESTIMONY

OF

DANIEL GENTILE

IN RESPONSE TO STAFF TESTIMONY AND IN FURTHER
SUPPORT OF THE APPLICATION OF

IQ TELECOM, INC.

APPLICATION FOR DESIGNATION AS AN ELIGIBLE TELECOMMUNICATIONS
CARRIER FOR PURPOSES OF RECEIVING FEDERAL UNIVERSAL SERVICE
FUNDS PURSUANT TO SECTION 214(E)(2) OF THE TELECOMMUNICATIONS
ACT OF 1996

ICC DOCKET NO. 10-0379

May 16, 2011

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STATE OF ILLINOIS
BEFORE THE ILLINOIS COMMERCE COMMISSION

IQ Telecom, Inc.)
)
Application for Designation as an Eligible) **Docket No. 10-0379**
Telecommunications Carrier for Purposes of)
Receiving Federal Universal Service Support)
Pursuant to Section 214(e)(2) of the)
Telecommunications Act of 1996.)

TESTIMONY OF DANIEL GENTILE
IN RESPONSE TO STAFF TESTIMONY AND IN FURTHER
SUPPORT OF THE APPLICATION OF
IQ TELECOM, INC.

INTRODUCTION

Q: PLEASE STATE YOUR NAME, YOUR POSITION WITH IQ TELECOM, INC. AND YOUR BUSINESS ADDRESS.

A: My name is Daniel Gentile. I am the Vice President of IQ Telecom, Inc. (hereinafter, "IQT" or "IQ Telecom"). My business address is 3221 W. 127th Street, Blue Island, IL 60406, and my business number is (708) 385-8600.

Q: PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR BACKGROUND AND EXPERIENCE.

A: IQ Telecom is a competitive local exchange carrier, interexchange, and wireless service provider, currently providing telecommunications services in the State of Illinois. My

21 responsibilities include compliance with governmental mandates, negotiating resale and
22 UNE agreements with underlying carriers, and overseeing the majority of financial
23 matters. I have over 25 years experience in the telecommunications industry. I am also
24 the co-founder and President of DialCom Systems, Inc., a company authorized to provide
25 public payphone service through the resale of local exchange and interexchange services
26 in the State of Illinois, which operates approximately 2,000 public payphones in Illinois
27 and Indiana. Prior to co-founding DialCom Systems, Inc. I was the founder and
28 President of DialCom Business Telephone Systems, a company that installed and
29 maintained telephone systems throughout Illinois. I am also a Board Member and Vice
30 President of the Illinois Public Telecommunications Association, as well as a member of
31 the Indiana Payphone Association.

32

33 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

34 A: The purpose of my testimony is to respond to Staff Testimony, agree to certain
35 commitments to satisfy some of Staff's concerns, and demonstrate that IQ Telecom meets
36 the state and federal requirements for designation as an Eligible Telecommunications
37 Carrier ("ETC") to offer wireless federal "Lifeline" and "Link-Up" support to its
38 qualifying customers in Illinois areas where Illinois Bell Telephone Company ("AT&T
39 Illinois" or "AT&T") is the incumbent local exchange carrier. I believe IQT addresses
40 issues raised by Staff and that IQT meets the requirements of 47 U.S.C § 214(e)(1) and
41 the Federal Communications Commission ("FCC") *ETC Order*¹ and, therefore, should

¹ Federal Communications Commission, Report and Order ("ETC Order"), CC Docket No. 96-45, FCC 05-46, Released March 17, 2005.

42 be deemed an Eligible Telecommunications Carrier (“ETC”) so it can provide Lifeline
43 and Link-Up services to qualifying wireless customers.

44

45 **BACKGROUND**

46 **Q: DOES IQ TELECOM CURRENTLY PROVIDE TELECOMMUNICATIONS**
47 **SERVICE IN ILLINOIS?**

48 A: Yes. IQT operates as a telecommunications carrier within the meaning of Section 13-202
49 of the Illinois Public Utilities Act (“Act”) (220 ILCS 5/13-202) and has authority to
50 provide telecommunications service in Illinois. The Commission granted IQT a
51 Certificate of Service Authority to provide local exchange, interexchange and resold
52 telecommunications services in Illinois in Docket No. 01-0333 on December 5, 2001.
53 The Commission designated IQT as an ETC for purposes of receiving universal support
54 in Illinois for wireline customers in Docket No. 08-0453 dated October 8, 2008. IQT was
55 certified by this Commission to provide resold commercial mobile radio service in
56 Docket No. 10-0367 on August 18, 2010. IQT now seeks designation as an ETC for
57 eligibility to receive federal Lifeline and Link-Up support for qualifying wireless
58 customers in Illinois areas served by AT&T Illinois.

59

60 **Q: IN WHAT SERVICE AREA IS IQ TELECOM SEEKING DESIGNATION AS AN**
61 **ETC?**

62 A: I understand that Section 54.207 of the FCC’s rules defines a “service area” as a
63 “geographic area established by a state commission for the purpose of determining
64 universal service obligations and support mechanisms.” 47 C.F.R. § 54.207(a). No
65 restrictions exist on how a Commission defines the service area for purposes of

66 designating a competitive ETC in service areas served by non-rural ILECs such as AT&T
67 Illinois. IQT proposes a service area consisting of all the non-rural wire centers in AT&T
68 Illinois service territory. IQT does not request ETC designation in any rural area at this
69 time. IQT agrees and acknowledges that the service area in which it seeks ETC status
70 has not been designated a high cost area. Accordingly, IQT limits requested USF support
71 to the federal USF low income support program. Therefore, the Commission may
72 designate IQT as an ETC for a service area consisting of the non-rural AT&T Illinois
73 wire centers.

74

75 **Q: DOES IQ TELECOM PROVIDE TELECOMMUNICATIONS SERVICE**
76 **THROUGHOUT THE NON-RURAL ILEC SERVICE AREAS FOR WHICH IT**
77 **SEEKS ETC DESIGNATION?**

78 A: Yes.

79

80 **Q: IS IQ TELECOM REQUESTING DESIGNATION IN THIS PROCEEDING FOR**
81 **THE STUDY AREA OF ANY RURAL LEC IN ILLINOIS?**

82 A: No. IQT's Application requests designation only in certain non-rural ILEC wire centers
83 of AT&T Illinois.

84

85 **Q: BRIEFLY PROVIDE YOUR UNDERSTANDING OF WHAT MAKES UP THE**
86 **UNIVERSAL SERVICE FUND ("USF").**

87 A: The USF actually consists of four programs, each administered by the Universal Service
88 Administrative Company ("USAC"). These programs include: (1) the universal service

89 mechanism for high cost areas, providing financial support to carriers serving high cost
90 areas; (2) the universal service mechanism for schools and libraries (also known as the E-
91 rate program), providing for discounted services (local and long distance telephone
92 service, Internet access, and internal connections) to eligible schools and libraries; (3) the
93 universal service mechanism for low income consumers, assisting low income consumers
94 with discounted installation and monthly telephone services; and (4) the universal service
95 mechanism for rural health care, providing discounted services to rural health care
96 providers.

97 IQT acknowledges that the service area for which it seeks ETC status has not been
98 designated as a high cost area. Accordingly, IQT limits its requested USF support to the
99 federal USF low income support program. IQT certifies that all low income USF funding
100 it receives will be used to subsidize rates for its Lifeline and Link-Up customers,
101 consistent with 47 CFR § 54.403.

102

103 **Q: DOES IQ TELECOM CURRENTLY CONTRIBUTE TO THE FUNDING FOR**
104 **UNIVERSAL SERVICE?**

105 **A:** Yes. Federal regulations require carriers such as IQT to contribute a portion of their
106 revenues to the funding of federal universal service.

107

108 **Q: IS THE COMPANY PRESENTLY ABLE TO DRAW FROM FEDERAL**
109 **UNIVERSAL SERVICE FUNDS FOR THE PROVISION OF THE SUPPORTED**
110 **SERVICES IN ILLINOIS?**

111 A: Yes. As a wireline carrier designated as an ETC for those areas it serves in Illinois, IQT
112 is able to receive federal universal service funds to support its provision of universal
113 services to Illinois consumers.

114

115 **Q: DOES IQ TELECOM WISH TO DRAW FUNDS FOR EACH OF THE FOUR**
116 **PARTS OF THE USF?**

117 A: No. IQT only seeks to offer its low income Illinois customers support through the
118 Lifeline and Link-Up programs. IQT commits to limit USF support to only those two
119 programs.

120

121 **Q: IS A COMPETITIVE LOCAL EXCHANGE CARRIER LIKE IQ TELECOM**
122 **ELIGIBLE FOR FEDERAL UNIVERSAL SERVICE SUPPORT?**

123 A: Yes. Both the 1996 Telecommunications Act (the “1996 Act”) and the FCC’s rules
124 establish the directives for the Commission to follow in making an ETC designation.
125 Section 214(e) of 1996 Act specifically provides that any common carrier, including a
126 competitive local exchange carrier such as IQT, may be designated as an ETC for federal
127 universal service support purposes, if it meets the specific criteria set forth in Section
128 214(e)(l) of the Act.

129

130 **ISSUES RAISED IN ICC STAFF TESTIMONY**

131 **Q: IS STAFF CORRECT IN INDICATING THAT IQT FAILED TO MAKE A GOOD**
132 **FAITH EFFORT TO SATISFY THE LOCAL PLAN REQUIREMENT IN**
133 **DOCKET NO. 08-0453?**

134 A: No. In fact, IQT has always provided a basic plan satisfying the basic plan requirements
135 for ETC designation. IQT's original petition on Docket 08-0453 stated that IQT offered
136 a basic package to its end users comparable to AT&T at a monthly cost of \$29.99.
137 However, IQT increased the amount for the basic plan to \$59.99 after completing a
138 thorough analysis of the economic impact of the original pricing for the basic plan. The
139 analysis revealed that IQT's cost to provide the basic plan package prohibited IQT from
140 offering the basic plan at the originally designated rate. Accordingly, IQT could not
141 continue the offering as originally intended.

142

143 **Q: IS STAFF CORRECT IN INDICATING THAT IQT FAILED TO COMPLY**
144 **WITH VARIOUS TARIFF FILING REQUIREMENTS OF THE COMMISSION?**

145 A: IQT does not agree that it failed to comply with the Commission's tariffing requirements.
146 However, IQ Telecom may have inadvertently omitted to file with the Commission a list
147 of services that IQT was authorized to provide on terms and rates that differed from the
148 IQT tariffs.

149

150 **Q: PLEASE EXPLAIN YOUR LAST ANSWER.**

151 A: IQT provides local exchange, interexchange and resold services that are classified as
152 competitive. Under the Section 13-509 of the Act (220 ILCS 5/13-509), IQT is
153 authorized to provide these services to customers by agreement on such terms and for
154 such rates and charges as are reasonable without regard to any tariffs it may have filed
155 with the Commission with respect to such services. To the extent the services provided
156 by IQ Telecom to its Lifeline and Linkup customers differed from the IQT tariffs, the

157 rates and terms were agreed in writing between IQT and the customer. IQ Telecom
158 charged its customers according to the agreed terms and rates.

159

160 **Q: DOES SECTION 13-509 OF THE ACT REQUIRE IQ TELECOM'S TARIFF TO**
161 **BE AMENDED TO REFLECT THESE AGREEMENTS?**

162 A: No.

163

164 **Q: DOES SECTION 13-509 HAVE OTHER FILING REQUIREMENTS**
165 **REGARDING THESE AGREEMENTS?**

166 A: Upon request by the Commission, the telecommunications carrier must provide a list of
167 such agreements within the past year with a general description of the nature of the
168 agreements. Should the Commission, a telecommunications carrier or a party to the
169 agreement request a copy of the agreement, a copy of the agreement shall be provided
170 within ten days. However, prior to June 15, 2010 Section 13-509 did require the
171 telecommunications carrier to submit the list of any such agreement within 30 days of its
172 execution.

173

174 **Q: PRIOR TO THE JUNE 15, 2010 CHANGES TO SECTION 13-509, DID IQT**
175 **COMPLY WITH THE REQUIREMENT TO FILE A LIST OF SUCH**
176 **AGREEMENTS WITHIN 30 DAYS OF EXECUTION?**

177 A: Unfortunately, no. But the omission to file a list was inadvertent. I would note that
178 Illinois policy no longer sees a necessity for the automatic filing of such list, recognizing
179 that it is sufficient to respond to requests by the Commission. IQT followed the spirit of

180 the Illinois statute authorizing competitive services to be offered on terms and rates that
181 differed from the tariff by agreement, and has complied with responding to Staff's
182 requests for copies of the agreements, but recognizes that in inadvertently omitted to
183 timely file a list of such agreements when previously required.

184

185 **Q: WHAT STEPS HAS IQT TELECOM TAKEN TO CORRECT THIS?**

186 A: As indicated in Testimony filed by Staff Qin Liu in this matter, IQT has made numerous
187 tariff filings with the Commission since the filing of the Lifeline/Linkup tariff on April 4,
188 2003. Tariff preparation and filing necessitates involving law firms or other companies
189 with such experience. Importantly, IQT tariff filings to date have been prepared and
190 submitted by law firms or other consultants that purported to have such expertise. IQT
191 found it necessary to engage outside consultants to ensure compliance with the
192 Commission's rules. In fact, since receiving certification to operate by the Commission,
193 IQT relied entirely upon such third party consultants, attorneys and experts to handle the
194 tariff filing function. Only during this Docket did IQT become aware of any issues with
195 the IQT tariffs or other filings in Illinois. Recognizing the importance of compliance
196 with the Commission's requirements, in response to the issues raised herein, IQT
197 immediately terminated the previous tariff specialist, engaged new tariff filing specialists
198 to assist in the area of tariff compliance, and increased executive involvement with the
199 entire tariff filing process. As a part of the final due diligence process, the new tariff
200 compliance company will work with IQT to ensure regulatory compliance and that the
201 tariffs on file are updated to reflect current operations.

202

203 **Q: HAVE OTHER ETCS ENCOUNTERED SIMILAR PROBLEMS WITH**
204 **COMPLIANCE?**

205 A: Yes. For example, Midwest Telecommunications, Inc. (“MTI”) also offers services at
206 terms and rates different from that found in its tariff. Although the Commission had
207 previously granted MTI a wireline ETC designation, in Docket 06-0038, MTI had not
208 filed any of the MTI Lifeline/Linkup service offerings in its tariff filed with the
209 Commission. See the attached Exhibit A, the MTI tariffs filed with the Commission.
210 Apparently, this issue was addressed in the recent request by MTI for a wireless ETC
211 designation in Docket 10-0524. Staff Data Request JH1.01 through JH-1.15 in Docket
212 10-0524 specifically requested a “true and correct copy of MTI’s wireline tariff sheet or
213 sheets, in effect as of the date of filing MTI’s instant petition (August 30, 2010).” (See
214 JH-1.03 appearing in MTI Staff Data Requests JH-1.01 through JH-1.15 attached hereto
215 as Exhibit B). Although MTI had not included its wireline Lifeline/Linkup offerings in
216 its tariff, the Commission approved MTI’s request for wireless ETC authority.

217

218 **Q: HAS IQT COMPLIED WITH THE REPORTING REQUIREMENTS OF 83 ILL.**
219 **ADM. CODE 730.115 AND 732.60?**

220 A: Yes, as demonstrated by the responses to Staff Data requests, IQT materially complies
221 with the reporting requirements set forth in 83 Adm. Code 730.115 and 732.60.

222

223 **Q: ARE YOU AWARE OF ANY OTHER ETCS OPERATING IN ILLINOIS WHICH**
224 **APPEAR TO HAVE FAILED TO COMPLY WITH THE REPORTING**
225 **REQUIREMENTS OF 83 ILL. ADM. CODE 730.115 AND 732.60?**

226 A: Yes, it is my understanding that MTI, the above-noted carrier that recently received
227 wireless ETC designation, experienced compliance issues in this area. In fact, I believe
228 Staff reported to the Commission in Docket 10-0229 that MTI ceased filing required
229 quarterly reports as of the fourth quarter of 2008. The Commission initiated Docket 10-
230 0279 to determine investigate MTI's failure to comply with the reporting requirements of
231 83 Ill. Adm. Code 730.115 and 732.60. Once MTI remedied the violations brought to its
232 attention, the Commission dismissed the proceeding without penalties on the
233 recommendation of the Staff and the Administrative Law Judge.

234

235 **Q: DID IQT END USERS AUTHORIZE IQT TO PROVIDE LIFELINE OR LINKUP**
236 **TELEPHONE SERVICE?**

237 A: Yes, every end user accepted by IQT under the Lifeline/Linkup program authorized the
238 company to provide Lifeline or Linkup telephone service.

239

240 **Q: DID IQT CHANGE THE LOCAL OR LONG DISTANCE END USER SERVICE**
241 **UNDER THE IQT LIFELINE OR LINKUP TELEPHONE SERVICE**
242 **PROGRAM?**

243 A: Not usually. Staff incorrectly assumes end users must change local or long distance
244 service in order to join the program. In most instances (99%), IQT customers established
245 new services when participating under the IQT Lifeline or Linkup telephone service
246 program requiring no change in telephone service. Sec. 13-902 of the Act requires
247 authorization and verification of a subscriber when he changes his telecommunications
248 carrier. For the most part, this rule does not apply to the IQT customers under this
249 program.

250

251 **Q: DID IQT CREATE THE LIFELINE OR LINKUP CERTIFICATION FORMS**
252 **USED UNDER THE WIRELINE PROGRAM?**

253 A: No. IQT utilized forms used by MTI, a certified ETC wireline provider operating in
254 Illinois. IQT assumed the Lifeline /Linkup forms had been approved by the Commission
255 during MTI's ETC certification process. In view of Staff's concerns with the
256 Lifeline/Linkup forms, on April 7, 2011, IQT submitted revised forms to the Commission
257 Staff for review and approval. A copy of the revised form appears as Exhibit C to this
258 Testimony.

259

260 **Q: DO YOU AGREE WITH STAFF THAT IQT REQUIRES A NEW FORM FOR**
261 **ANNUAL VERIFICATION OF CONTINUED ELIGIBILITY?**

262 A: Yes. We will follow advice of Staff and use a new form to accomplish the annual
263 verification of continued eligibility. In fact, upon learning of Staff's position, IQT
264 designed a new annual verification form. A copy of the proposed form appears as
265 Exhibit D to this Testimony.

266

267 **Q: DO YOU BELIEVE IQT ACTED PROPERLY IN REQUESTING AND**
268 **RECEIVING LOW INCOME UNIVERSAL SERVICE SUPPORT?**

269 A: Yes. Section 54.201(d) of the Code of Federal Regulations, concerning low income
270 support, permits a common carrier designated as an eligible telecommunications carrier
271 to receive universal service support in accordance with Section 254 of the Act, provided
272 the carrier offers services supported by federal universal service support mechanisms
273 "either using its own facilities or a combination of its own facilities and resale of another

274 carrier's services (including the services offered by another ETC)." As demonstrated by
275 the information provided in response to Staff Data requests, IQT offered services using a
276 combination of resale and owned leased facilities or UNEs. Staff correctly states that
277 IQT serves the majority of the customers through resale of another carrier's services.
278 However, IQT's migration to resale arose primarily as a result of ILEC efforts to force
279 the traffic of CLECs to resale, and not by choice. Moreover, the rules do not require that
280 the eligible telecommunications carrier maintain a certain percentage of resale or UNEs.

281

282 **Q: DO YOU BELIEVE IQT REQUESTED FEDERAL LINKUP SUPPORT WHERE**
283 **IQT IS NOT ELIGIBLE FOR SUCH SUPPORT?**

284 A: No. IQT properly requested Federal Linkup support for customers categorized as
285 conversions. Section 54.411(a)(1) of the CFR provides Federal Linkup support for the
286 "reductions in the carrier's customary charge for commencing telecommunications
287 service for a single telecommunication connection at a customer's principal place of
288 residence." IQT conversions include customers who had service with another provider,
289 or who moved into a location that had a dormant/suspended service from a previous
290 tenant. IQT incurred costs for activating all such lines with the underlying carrier. As
291 such, all such categorized customers pay IQT's customary line connection charge to
292 commence service with IQT. In fact, the 357 customers identified by Staff, transferred
293 from another CLEC and as new customers for IQT, each qualify for Linkup support.
294 Staff incorrectly defines the customer's categorized as conversions in reaching the
295 conclusion that IQT's request for support was inappropriate. IQT's only error in the
296 process involving the conversions at issue remains the failure to request State support for
297 the 357 customers at issue.

298

299 **Q: DO YOU BELIEVE IQT REQUESTED CORRECT AMOUNTS FOR FEDERAL**
300 **LINKUP SUPPORT WHERE ELIGIBLE FOR SUCH SUPPORT?**

301 A: Yes. IQT requested correct amounts for Federal Linkup support. The Direct Testimony
302 of Qin Liu states that IQT received an incorrect amount in Linkup subsidy from USAC.
303 Mrs. Liu states that in order to receive \$30 in Linkup reimbursement, IQT must have a
304 non-lifeline customary charge of commencing service equal to \$59.99. Staff relies upon
305 information contained in IQT tariffs in reaching the conclusion that IQT failed to request
306 correct amounts for Federal Linkup support. As indicated previously, IQT outsourced
307 certain specialty functions under this program to third party experts. In this case, the
308 consultant engaged to ensure tariff filing compliance, failed to perform this function
309 satisfactorily. As such, although IQT's tariff, filed in the applicable time period
310 reviewed, stated an amount at or below \$59.99, in practice, IQT invoiced an effective
311 customary charge of \$59.99. I attach invoices for non-lifeline customers showing a
312 charged connection fee of \$59.99 as Exhibit E. At this rate, IQ Telecom is eligible to
313 receive \$30.00 in Federal Linkup support equal to 50% of its non-lifeline customary
314 charge up to \$30.00. As previously stated, IQT engaged new tariff filing compliance
315 specialists as a direct result of the issues raised in this proceeding and expect complete
316 compliance in this area within the next thirty (30) days.

317

318 **Q: HAS IQT PASSED THROUGH THE FULL AMOUNT OF LIFELINE SUPPORT**
319 **TO QUALIFYING LOW INCOME CUSTOMERS?**

320 A: Yes. IQT passes through the full amount of Lifeline support requested or received from
321 the customers. In addition, customers receive an additional discount on the first month of
322 \$43.49, which provides each customer with the first month at no cost or free. (The IQT
323 rate is 59.99, minus Lifeline support of \$16.50, minus IQT credit of \$43.49= \$0.00).

324 **Q. DID THE “FIRST MONTH FREE” MARKETING INCENTIVE**
325 **ORIGINATE WITH IQT?**

326 A. No, IQT’s competitor MTI previously offered the “First Month Free” marketing
327 incentive. This MTI offering appeared throughout the Chicago area. Attached as
328 Exhibit F please find samples of MTI advertising including the “First Month
329 Free” incentive. Duplicating the MTI “First Month Free” marketing campaign
330 enabled IQT to address competitive pressures of MTI.

331

332 **Q: DO YOU BELIEVE IQT’S LIFELINE/LINKUP PROGRAMS EXPERIENCE**
333 **“EXTRAORDINARY HIGH CHURN RATE”?**

334 A: No. IQT experiences industry standard churn rate for Lifeline/Linkup customers². In
335 fact, IQT and MTI churn rate is nearly identical. We can demonstrate this fact by using
336 the Low Income Disbursement Data obtained from the USAC website (www.usac.gov).
337 This USAC disbursement tool contains data from January 2004 through March 2011. For
338 example, the data indicates that MTI gained 8,657 customers from Dec 2009 to Jan 2011;
339 at the end of January, 2011, 430 such customers appear active with MTI. Significantly,
340 this data means that MTI retained 5% of customers gained from December 2009 to
341 January 2011. During this same time period (Dec 2009 to Jan 2011), IQT gained 32,399
342 customers. At the end of January 2011, 1,682 such customers remain active with IQT.
343 Therefore, USAC data indicates that IQT retained 5.2% of such customers compared to
344 the 5% retained by MTI. I attach USAC Low Income Disbursement Data, along with a
345 chart comparing MTI and IQT, as Exhibit G hereto.

² Specifically excluding direct AT&T customers.

346

347 The failure to retain such customers remains an issue inherent in the Lifeline/Linkup
348 program in general, and not a result of how IQT manages the Lifeline/Linkup programs
349 as suggested by Staff. Indeed, the Testimony of Allen Cherry on Behalf of Universal
350 Telephone Assistance Corporation (“UTAC”) filed recently in Docket No. 10-0634 states
351 that UTAC informed IQT, MTI and SOS Telecom by letter that UTAC has “concerns and
352 questions regarding their rapid increases in claims for reimbursement of installation
353 waivers and apparent low rate of retention of recently-connected low-income customers.”
354 See Answer 16, Line 18 of Testimony of Allen Cherry attached hereto as Exhibit H. Mr.
355 Cherry recognizes that even MTI admits to having customer retention issues in Line 7 of
356 the Answer to Question 18, stating, “MTI noted that this marketing campaign was very
357 successful in recruiting new subscribers, but not retaining them.” Customer retention
358 appears most impacted by this segment’s inability to make payment or payment timely.
359 Although the customer retention rate under the carriers’ new marketing programs raised
360 some concern, UTAC also noted that it is pleased that such carriers have shown a special
361 interest in the low-income, credit-impaired market sufficient to experiment with outreach
362 efforts to connect new subscribers. These carriers may prove to be more effective than
363 traditional local exchange carriers in promoting universal services in Illinois. Exhibit G,
364 pp. 10 – 11.

365

366 In an effort to address the retention issue, IQT offered the \$43.49 credit the first month,
367 \$25.00 credit the second month. Further, IQT provides late notice letters and uses an IVR
368 system ensure payment of bills. Finally, IQT provides hundreds of customers with
369 payment grace periods to accommodate the customers which require more time to make

370 payment. No other carrier offered the combination of solutions and effort to tackle the
371 Lifeline/Linkup retention issue.

372

373 **Q: DOES IQT MAKE REASONABLE EFFORTS TO MAKE CERTAIN ALL**
374 **CUSTOMERS UNDERSTAND THAT THEY MAY NOT RECEIVE MORE**
375 **THAN ONE FEDERAL LINKUP SUBSIDY?**

376 A: Yes. IQT's disclosure and Linkup verification process screens out or rejects thousands of
377 potential customers. First, the customer reads the form which includes language
378 disclosing the Federal Linkup subsidy limitation. Second, IQT verbally asks each
379 customer whether they enrolled in the Linkup program previously. Third, IQT checks the
380 IQT customer database to find record of any previous enrollments. Of significance,
381 during this verification process, IQT always asks each customer if they received Linkup
382 before and explain that once they receive Linkup they will not receive it again. I find this
383 a reasonable process to follow to ascertain whether the prospective customer previously
384 obtained Linkup benefits. However, Staff concludes that the IQT process was
385 unreasonable and therefore misleading, and that the process in some way contributed to
386 "IQT's success with getting customers connected." (Line 1809, Testimony Qin Liu). I
387 do not agree. In fact, as stated above, IQT's process rejected thousands of prospective
388 customers. If anything, this verification process inhibited IQT's ability to acquire new
389 customers.

390

391 **Q: CAN YOU PLEASE FURTHER CLARIFICATION FOR THE CATEGORIES**
392 **APPEARING IN TABLE 9 OF THE DIRECT TESTIMONY OF QIN LIU?**

393 A: Yes. IQT placed customers calling and requesting immediate disconnection because they
394 could not afford the service in the category “Customers Couldn’t Afford Service.”
395 Customers that did not make payment for service, even after IQT tried contact through
396 the mail and IVR system as a reminder of the payment due, fall into the category of
397 “Customers Didn’t Make Payment.” Staff concludes that the customers “do not find
398 IQT’s desirable unless free or offered at a substantially reduced rate.” (Line 1888,
399 Testimony Quin Liu). Further, Staff attributes IQT’s retention failure to its “failure to
400 make its service affordable or competitive.” (Line 1906, Testimony Quin Liu). This is
401 untrue. As previously stated, IQT’s customer retention rate mirrors that of other ETCs,
402 including without limitation, MTI. The retention issue is pervasive in the Lifeline/Linkup
403 customer segment, and is not a problem unique to IQT. IQT’s efforts to address this
404 issue equal or exceed comparable service providers.

405

406 **Q: DO YOU BELIEVE IQT’S LIFELINE/LINKUP PROGRAMS HARMED**
407 **CUSTOMERS OR PUBLIC INTEREST?**

408 A: No. As Staff indicates, “Federal Linkup support is intended to assist low income
409 customers with the cost of commencing phone services and help the customers get
410 connected to the PSTN. The Federal Lifeline subsidy is intended to assist low income
411 customers with their monthly recurring charges and help the customer stay connected to
412 the PSTN.” (Line 1960, Testimony Quin Liu). Separately Staff indicates, “IQT has made
413 great effort, and been quite successful, to get customers connected.” (Line 1932,
414 Testimony Quin Liu).

415

416 In successfully penetrating this market, IQT's program improved many lives by allowing
417 Americans with limited means to have access to basic communications, and helped save
418 lives by allowing consumers to place emergency calls. In some instances, the customers
419 denied service by AT&T sought refuge with IQT. IQT invested considerable resources in
420 securing and retaining the customers. Efforts to install the service often required a visit
421 by an IQT technician to provide inside wiring and the NID. IQT provided customers
422 with such technical support to ensure activation of the service, at no cost to the customer.

423

424 Staff fails to realize that both customers and IQT benefit when customers remain on the
425 IQT program. Further, Staff fails to recognize the fact that difficulty for non-ILEC ETCs
426 to retain customers remains an issue in the Lifeline/Linkup customer segment. Contrary
427 to Staff's contention, the ETC customer retention issue pervades the Lifeline/Linkup
428 customer segment, and is not a problem unique to IQT. In fact, as demonstrated by
429 information obtained directly from USAC, and attached hereto as Exhibit G, and further
430 supported by the Testimony of Allen Cherry attached hereto as Exhibit H, IQT's
431 customer retention rate mirrors that of other ETCs operating in Illinois.

432

433 Staff suggests that the "single most important reason" impacting IQT's retention rate is
434 that customers do not consider IQT's service affordable or desirable (Line 1866,
435 Testimony Quin Liu). Further, Staff avers that IQT "hasn't made much effort to improve
436 its customer retention rates by making its service more affordable, more desirable or
437 more competitive. "(Line 1866, Testimony Quin Liu). Staff is incorrect. Firstly, IQT's
438 service package is competitive with other ETCs operating in Illinois, including MTI. For
439 example, IQT Deluxe Package rate is \$45.97, while a comparable MTI Supreme Package
440 \$44.97. Secondly, IQT's efforts to address customer retention equal or exceed

441 comparable service providers. IQT offered a \$43.49 credit on the first month and a \$25
442 courtesy credit for the second month in an effort to increase retention. Staff criticizes
443 IQT's front-end discounts, including the \$25 credit on the second month, claiming a
444 sinister purpose behind such discounts. However, numerous carriers use such
445 introductory period discounts for a variety of products, services and campaigns.
446 Although unsuccessful, the special discounts illustrate genuine efforts by IQT to increase
447 customer retention.

448

449 **Q: DID IQT ESTABLISH LIFELINE/LINKUP PROGRAMS PRIMARILY TO**
450 **OBTAIN THE FEDERAL LINKUP SUBSIDY?**

451 A: No. IQT's customer acquisition goal extends beyond the initial Linkup subsidy. As
452 stated before, both the customer and IQT benefit when the customer remains on the
453 network. Had IQT pursued such a business model, and intend for the customers to
454 disconnect quickly, IQT would never had offered either the \$43.49 credit on the first
455 month, or \$25 credit on the second month. Staff's implications of such a sinister plan do
456 not comport with actions taken by IQT to encourage customer retention, and certainly
457 appear inconsistent with any successful business model. IQT fully passed through
458 federal Linkup subsidies to the end user; as such, IQT could not remain in business
459 relying only upon obtaining federal Linkup subsidies for customers at issue.

460

461 IQT's business plan relied upon the retention of non-Lifeline customers and Lifeline
462 customers to succeed. In fact, the majority of IQT business during the 10/2008-12/2010
463 time period relates to non-Lifeline customers. For example, IQT collected \$1.8 million
464 payments from non-Lifeline customers from 10/2008 to 12/2010. During this same

465 period, IQT received under \$1,000,000 in lifeline customer payments. If other ETCs
466 participating in federal and state Lifeline/Linkup programs found the “profit center”
467 identified by Staff, IQT did not.

468

469 **FEDERAL REQUIREMENTS**

470 **Q: IS IT YOUR UNDERSTANDING THAT IQ TELECOM IS ENTITLED TO BE**
471 **DESIGNATED AS AN ETC IF IT DEMONSTRATES THAT IT IS CAPABLE OF**
472 **MEETING ALL OF THE OBLIGATIONS IMPOSED BY SECTION 214(c) OF**
473 **THE 1996 ACT AS WELL AS THE REQUIREMENTS ESTABLISHED BY THE**
474 **FCC’S MARCH, 9 2005 ORDER?**

475 A: Yes. IQT fulfills all the obligations of 214(e) of the 1996 Act. In addition, pursuant to
476 Staff’s request, IQT also meets the suggested requirements of the FCC’s *ETC Order*.

477

478 **Q: WHAT ARE THE FEDERAL REQUIREMENTS FOR OBTAINING ETC**
479 **DESIGNATION AS SET FORTH IN THE 1996 ACT?**

480 A: In addition to being in the “public interest,” the initial requirements established by
481 §214(e)(1) of the 1996 Act state:

482 A common carrier designated as an eligible telecommunications carrier under
483 paragraph (2) or (3) shall be eligible to receive universal service support in
484 accordance with section 254 and shall, throughout the service area for which the
485 designation is received:

486

487 (A) Offer the services that are supported by Federal universal service
488 support mechanisms under Section 254(c), either using its own facilities
489 or a combination of its own facilities and resale of another carrier’s

490 services (including the services offered by another eligible
491 telecommunications carrier); and

492

493 (B) Advertise the availability of such services and the charges therefore
494 using media of general distribution.

495

496 **Q: HOW WILL IQT TELECOM'S PRESENCE AS AN ETC IN ILLINOIS AFFECT**
497 **THE MARKET AS A WHOLE AND THE PUBLIC INTEREST GENERALLY?**

498 A: A grant of IQT's application will serve the public interest and the market as a whole by
499 promoting additional deployment of IQT's wireless service offering. IQT offers quality
500 service at affordable prices. The designation of IQT as an ETC for the limited purposes of
501 offering Lifeline and Link-up service will increase customer choice for low income
502 consumers eligible for Lifeline and Link-up support in the areas requested. IQT's service
503 offering will provide additional options for low income customers and increased access to
504 emergency services for the public overall, to the extent that it enables low income
505 customers to obtain service.

506 IQT acknowledges that 47 CFR § 54.405 requires all ETCs to make Lifeline services
507 available to qualifying consumers and this service is available in IQT's service area.
508 Designation of IQT as an ETC would make Lifeline and Link-up available to customers,
509 thereby offering telecommunications to a market that is often limited in service and
510 selection.

511 An additional part of the FCC's public interest assessment includes a "cream skimming"
512 analysis if the ETC applicant is seeking designation below the study area level of a rural

513 telephone company.³ IQT does not seek designation below the study area level of a rural
514 telephone company, and therefore, no “cream skimming” analysis is required.

515

516 **Q: THE FIRST CRITERION FOR ETC DESIGNATION UNDER SECTION 214(e)(1)**
517 **IS COMMON CARRIER STATUS. IS IQT A COMMON CARRIER?**

518 A: Yes. IQT is a common carrier for purposes of obtaining ETC designation under 47 U.S.C.
519 § 214(e)(1). I understand a common carrier is generally defined in 47 U.S.C. § 153(10) as
520 “any person engaged as a common carrier for-hire” in interstate or foreign
521 communications utilizing either wire or radio technology, except for radio broadcasters.
522 IQT meets this definition.

523

524 **Q: THE SECOND REQUIREMENT IS THAT IQ TELECOM OFFER THE**
525 **“SUPPORTED SERVICES.” WHAT ARE THE SUPPORTED SERVICES THAT**
526 **MUST BE OFFERED?**

527 A: The FCC has identified (at 47 C.F.R. §54.101(a)) the following services and
528 functionalities as the core services to be offered by an ETC and supported by federal
529 universal service support mechanisms:

530 a) **Voice grade access to the public switched network.** “Voice grade access” is
531 defined as a functionality that enables a user of telecommunications services to
532 transmit voice communications, including signaling the network that the caller
533 wishes to place a call, and to receive voice communications, including receiving

³ ETC Order at ¶41.

534 a signal indicating there is an incoming call. For the purposes of this part,
535 bandwidth for voice grade access should be, at a minimum, 300 to 3,000 Hertz;

536

537 b) **Local usage.** “Local usage” means an amount of minutes of use of exchange
538 service, prescribed by the FCC, provided free of charge to end users;

539

540 c) **Dual tone multi-frequency signaling** or its functional equivalent. “Dual tone
541 multi-frequency” (DTMF) is a method of signaling that facilitates the
542 transportation of signaling through the network, shortening call set-up time;

543

544 d) **Single-party service** or its functional equivalent. "Single-party service" is
545 telecommunications service that permits users to have exclusive use of a wireline
546 subscriber loop or access line for each call placed, or, in the case of wireless
547 telecommunications carriers, which use spectrum shared among users to provide
548 service, a dedicated message path for the length of a user's particular
549 transmission;

550

551 e) **Access to emergency services.** "Access to emergency services" includes access
552 to services, such as 9 11 and enhanced 911, provided by local governments or
553 other public safety organizations. 911 is defined as a service that permits a
554 telecommunications user, by dialing the three-digit code "911" to call emergency
555 services through a Public Service Access Point (PSAP) operated by the local
556 government. "Enhanced 911" is defined as 911 service that includes the ability to
557 provide automatic numbering information (ANI), which enables the PSAP to call

558 back if the call is disconnected, and automatic location information (AH), which
559 permits emergency service providers to identify the geographic location of the
560 calling party. "Access to emergency services" includes access to 911 and
561 enhanced 911 services to the extent the local government in an eligible carrier's
562 service area has implemented 911 or enhanced 911 systems;

563

564 f) **Access to operator services.** "Access to operator services" is defined as access
565 to any automatic or live assistance to a consumer to arrange for billing or
566 completion, or both, of a telephone call;

567

568 g) **Access to interexchange service.** "Access to interexchange service" is defined as
569 the use of the loop, as well as that portion of the switch that is paid for by the end
570 user, or the functional equivalent of these network elements in the case of a
571 wireless carrier, necessary to access an interexchange carrier's network;

572

573 h) **Access to directory assistance.** "Access to directory assistance" is defined as
574 access to a service that includes, but is not limited to, making available to
575 customers, upon request, information contained in directory listings; and

576

577 i) **Toll limitation for qualifying low-income consumers.** "Toll limitation" is
578 defined to include either "Toll Blocking" or "Toll Control" offered to qualifying
579 Lifeline and Link-Up customers at no charge.

580

581 Q: CAN IQ TELECOM CURRENTLY PROVIDE THE SUPPORTED SERVICES
582 SET FORTH ABOVE USING ITS EXISTING IN NETWORK?

583 A: Yes. IQT can provide all of these supported services to consumers in Illinois. I will
584 provide separate assurances for each service below.

585 Voice grade access to the public switched network. IQT has demonstrated it
586 meets this requirement. IQT is able to originate and terminate telephone service for all of
587 its subscribers. All customers are able to place and receive calls on the public switched
588 network within the specified bandwidth.

589 Local usage. The FCC has not quantified any minimum amount of local usage
590 required to be included in a universal service offering. IQ Telecom will provide a
591 wireless service plan which provided 100 free minutes per month for lifeline customers
592 consistent with the requirements of 47 CFR § 54.101(a)(2).

593 DTMF. For wireless communications, DTMF signaling is the technology that
594 shortens call set-up time and makes “touchtone” dialing possible by facilitating the
595 transportation of signaling throughout IQT’s network. Such signaling is included in
596 IQT’s service offerings.

597 Single-party service or its functional equivalent. IQT provides single party
598 service as the term is defined in 47 CFR § 54.101

599 Access to emergency services. IQT certifies that through its wholesale
600 provider(s) it satisfies all 9-1-1 conditions. All 9-1-1 traffic will be handled in
601 accordance with 83 Ill. Adm. Code 725 and the Emergency Telephone Act. 50 ILCS
602 750/0.01 et seq.

603 Access to operator services. IQT meets this requirement by providing access to
604 operator services to customers dialing “611” and access to directory services to customers
605 dialing “411.”

606 Access to interexchange service. IQT ‘s wireless service will provide all its
607 customers the ability to make and receive interexchange or toll calls.

608 Access to directory assistance. IQT will provide all wireless customers with
609 access to information contained in directory listings by dialing “411.”

610 Toll limitation for qualifying low-income consumers. IQT will provide all its
611 wireless customers with access to toll limitation.

612

613 **Q: DOES IQ TELECOM OFFER THE ABOVE-REFERENCED SUPPORTED**
614 **SERVICES VIA ITS OWN FACILITIES OR A COMBINATION OF ITS OWN**
615 **FACILITIES AND RESALE OF ANOTHER CARRIER’S SERVICES?**

616 A: IQT’S wireless offerings will comply with the eligibility requirements for universal
617 service support mechanisms. In its provision of wireless service in the State of Illinois,
618 IQT will rely on a combination of resold services, which IQT will obtain from its
619 underlying wireless network provider (Sprint) that currently operates its own networks,
620 and IQT owned facilities, thus allowing IQT to meet the FCC’s requirement that an ETC
621 provide services, at least in part, through a “combination of its own facilities and resale of
622 another carrier’s services.” IQT maintains its own facilities which are co-located with
623 other carriers’ facilities. This enables IQT with the ability to provide one or more of the
624 supported services required by the FCC to be considered a facility based provider.

625

626 **Q: WILL IQ TELECOM PARTICIPATE IN THE LIFELINE AND LINK UP**
627 **PROGRAMS IF IT IS DESIGNATED AS AN ETC?**

628 A: Yes. Upon designation as an ETC, IQT will participate in, and offer, Lifeline and Link-
629 Up programs to qualifying low-income consumers and publicize the availability of
630 Lifeline and Link-Up services in a manner reasonably designed to reach those likely to
631 qualify for those services, as required by 47 C.F.R. § 54.401-54.417; 54.405(b).

632 As emphasized above, at this time, IQT seeks only to provide assistance to low-income
633 customers through the Lifeline and Link-Up programs. The Company does not seek any
634 high cost funding since the area in which is seeking ETC status has not been designated a
635 high cost area.

636

637 **Q: A THIRD REQUIREMENT FOR DESIGNATION AS AN ETC IS TO**
638 **ADVERTISE THE AVAILABILITY OF THE SUPPORTED SERVICES. HOW**
639 **DOES IQ TELECOM INTEND TO ADVERTISE THE AVAILABILITY OF THE**
640 **SUPPORTED SERVICES?**

641 A: IQT's advertising will comply fully with all provisions contained in 47 CFR §§ 54.405;
642 54.411, as well as other applicable requirements contained in 47 CFR Part 54.
643 Specifically, IQT will advertise the supported services on a quarterly basis and will place
644 those advertisements in a media of general distribution that targets the residential
645 customer including newspapers, mail advertisements and radio. In addition, IQT is
646 willing to provide written notification of universal service programs to the directors of
647 municipal, State and federal governmental agencies within IQT's service territory whose
648 clientele is likely to benefit from the program. As noted in the UTAC testimony of Mr.

649 Cherry, IQT goes beyond this requirement in promoting the availability of these universal
650 service options. (Exhibit H, pp. 10-11.)

651

652 **Q: ARE THERE ANY ADDITIONAL MANDATORY FEDERAL REQUIREMENTS**
653 **THAT MUST BE MET IN ORDER TO BE DESIGNATED AN ELIGIBLE**
654 **TELECOMMUNICATIONS CARRIER?**

655 A: No, there are no additional *mandatory* federal requirements. However, IQT will adhere
656 to the requirements contained in the FCC's *ETC Order*.

657

658 **Q: BRIEFLY EXPLAIN WHY YOU DO NOT BELIEVE THESE ADDITIONAL**
659 **REQUIREMENTS ARE MANDATORY IN THIS FILING.**

660 A: In the FCC's *ETC Order*, it states, in relevant part, that:

661 **we encourage states** that exercise jurisdiction over ETC designations pursuant to
662 section 214(e)(2) of the Act, **to adopt** these requirements when deciding whether
663 a common carrier should be designated as an ETC.⁴ (emphasis added)

664

665 Illinois exercises jurisdiction over the ETC designations. The FCC's language does not
666 mandate the new rules. Instead, it "encourages" states to adopt them. The Illinois
667 Commerce Commission has no rules adopting these new requirements.

668

669 **Q: PLEASE OUTLINE THE NEW REQUIREMENTS FOUND IN THE FCC'S ETC**
670 **ORDER.**

⁴ *ETC Order* at ¶1.

671 A: The FCC's *ETC Order* asks the states to consider adopting the following requirements:

672 (1) a commitment and ability to provide services, including providing service to
673 all customers within its proposed service area; (2) how it will remain functional
674 in emergency situations; (3) that it will satisfy consumer protection and service
675 quality standards; (4) that it offers local usage comparable to that offered by the
676 incumbent LEC; and (5) an understanding that it may be required to provide
677 equal access if all other ETCs in the designated service area relinquish their
678 designations pursuant to section 214(e)(4) of the Act.⁵

679

680 **Q: IS IQ TELECOM ABLE TO SATISFY EACH OF THE ADDITIONAL**
681 **REQUIREMENTS ESTABLISHED IN THE FCC'S MARCH 17, 2005 ORDER?**

682 A: Yes. As the following testimony will show, IQT meets all applicable requirements. I will
683 outline each requirement separately and demonstrate IQT's ability to meet each one.

684

685 **Q: WILL IQ TELECOM MEET THE FIRST REQUIREMENT – “A**
686 **COMMITMENT AND ABILITY TO PROVIDE SERVICES, INCLUDING**
687 **PROVIDING SERVICE TO ALL CUSTOMERS WITHIN ITS PROPOSED**
688 **SERVICE AREA”?**

689 A: Yes. The FCC's *ETC Order* suggests the following commitments be met in order to
690 fulfill the first requirement:

691 (1) by providing services to all requesting customers within its designated service
692 area; and (2) by submitting a formal network improvement plan that
693 demonstrates how universal service funds will be used to improve coverage,

⁵ *ETC Order* at ¶20.

694 signal strength, or capacity that would not otherwise occur absent the receipt of
695 high-cost support.⁶

696

697 IQT commits to providing service throughout its proposed ETC-designated service area
698 to all consumers making a reasonable request for service.

699 With respect to the network improvement plan, the FCC suggests an ETC applicant
700 submit a five-year plan describing its proposed improvements or upgrades to the
701 applicant's network on a wire center-by-wire center basis throughout its designated
702 service area.⁷ IQT submits that this requirement is not applicable. IQT provides service
703 using a combination of resale and its own facilities. IQT limits its ETC status to only
704 receiving USF support for Lifeline and Link-Up services for its low income customers. A
705 strict application of this requirement would leave IQT's low income customers at a
706 disadvantage since the Company would not be able to fulfill such a task. This fact should
707 not limit the availability to become an ETC.

708

709 **Q: WILL IQ TELECOM MEET THE SECOND REQUIREMENT – “HOW IT WILL**
710 **REMAIN FUNCTIONAL IN EMERGENCY SITUATIONS”?**

711 A: Yes. IQT's underlying facilities-based carriers allows IQT to provide to its customers the
712 same ability to remain functional in emergency situations as currently provided by the
713 underlying network provider to their own customers (including access to a reasonable
714 amount of back-up power to ensure functionality without an external power source,

⁶ *ETC Order* at ¶21.

⁷ *Id.* at ¶23.

715 rerouting of traffic around damaged facilities, and the capability of managing traffic
716 spikes resulting from emergency situations).

717

718 **Q: WILL IQ TELECOM MEET THE THIRD REQUIREMENT – “THAT IT WILL**
719 **SATISFY CONSUMER PROTECTION AND SERVICE QUALITY**
720 **STANDARDS”?**

721 A: Yes. The FCC’s *ETC Order* suggests the following commitments be met in order to
722 fulfill the third requirement:

723 [M]ake a specific commitment to objective measures to protect consumers...In
724 addition, an ETC applicant, as described *infra*, must report information on
725 consumer complaints per 1,000 handsets or lines on an annual basis.⁸

726

727 IQT will satisfy applicable consumer protection and service quality standards. As part of
728 the certification requirements for exchange and interexchange services, IQT must, and
729 indeed does, abide by the service quality and consumer protection rules set forth in Ill. 83
730 Adm. Code 730, 731, 732, 735 and 736. IQT requests a waiver of Code Part 736.610, the
731 requirement that customers receive monthly bills. IQT commits to comply with Illinois
732 consumer protection and service quality standards as set forth in the Commission
733 regulations cited above. In addition, IQT commits to reporting information on consumer
734 complaints per 1,000 handsets on an annual basis consistent with the FCC’s *ETC Order*.
735 IQT generally commits to satisfying all applicable state and federal requirements related
736 to consumer protection and service quality standards.

737

⁸ *ETC Order* at ¶28.

738 **Q: WILL IQ TELECOM MEET THE FOURTH REQUIREMENT – “THAT IT**
739 **OFFERS LOCAL USAGE COMPARABLE TO THAT OFFERED BY THE**
740 **INCUMBENT LEC”?**

741 A: Yes. The FCC’s *ETC Order* suggests the following commitments be met in order to
742 fulfill the fourth requirement:

743 [D]emonstrate that it offers a local usage plan comparable to the one offered by
744 the incumbent LEC in the service areas for which the applicant seeks
745 designation.⁹

746

747 The FCC requires that an ETC’s local usage plan should be reviewed on a case-by-case
748 basis to ensure that each ETC provides a local usage component in its universal service
749 offering that is comparable to the plan offered by the ILEC. The plans need not be
750 identical and the FCC has not adopted any minimum local usage requirements.¹⁰ As a
751 designated ETC, IQT is required to comply with applicable minimum local usage
752 requirements. IQT will utilize competitive, reasonable rates and IQT’s usage plan(s) and
753 its Illinois rates will be capped at the levels set for in its tariff for one year.

754 IQT commits that all rates (non-recurring and recurring) will be identical for subsidized
755 and non-subsidized customers (before application of the subsidy) and this equality will
756 specifically be set forth in IQT’s tariff. IQT will notify the Staff and the Office of the
757 Attorney General 30 days prior to any reductions in rates, (including promotions and
758 discounts) and after 1 year capped rates period, IQT will provide Staff and the Office of
759 the Attorney General with a minimum of 30 days notice prior to any rate increase.

⁹ *ETC Order* at ¶32.

¹⁰ *Ibid*

760 IQT will provide Lifeline wireless customers 100 free usage minutes per month. In the
761 event that a Lifeline customer does not use all free minutes provided in a give month,
762 those minutes will roll over to the next month. IQT will offer 30 minutes of wireless
763 customer service calls per Lifeline end user, per month, at no charge. After 30 minutes,
764 regular per minute charges will apply. Notice will be given to Lifeline customers via a
765 free text message when they have used 20 minutes of their customer service allowance,
766 and 10 minutes remain.

767

768 **Q: WILL IQ TELECOM MEET THE FIFTH REQUIREMENT – “AN**
769 **UNDERSTANDING THAT IT MAY BE REQUIRED TO PROVIDE EQUAL**
770 **ACCESS IF ALL OTHER ETCs IN THE DESIGNATED SERVICE AREA**
771 **RELINQUISH THEIR DESIGNATIONS PURSUANT TO SECTION 214(e)(4) OF**
772 **THE ACT”?**

773 A: Yes. The FCC’s *ETC Order* suggests the following commitments be met in order to
774 fulfill the fifth requirement:

775 [T]o provide equal access to long distance carriers in their designated service
776 area in the event that no other ETC is providing equal access within the service
777 area.¹¹

778

779 The FCC’s *ETC Order* does not impose a general equal access requirement on ETC
780 applicants at this time, but instead suggests the applicants acknowledge that an ETC
781 applicant may be required to provide equal access to long distance carriers in their
782 designated service area in the event that no other ETC is providing equal access within

¹¹ *ETC Order* at ¶35.

783 the service area.¹² IQT acknowledges that it may be required to provide equal access to
784 long distance carriers in the event that no other eligible telecommunications carrier is
785 providing equal access within the service area.

786

787 **Q: ARE THERE ANY OTHER REQUIREMENTS FROM THE FCC'S *ETC ORDER***
788 **FOR WHICH STAFF SEEKS FURTHER EVIDENCE? PLEASE EXPLAIN.**

789 A: Yes. Also included in the FCC's *ETC Order* were reporting requirements that must be
790 met annually. The annual reporting requirements include the following:

791 (1) progress reports on the ETC's five-year service quality improvement plan,
792 including maps detailing progress towards meeting its plan targets, an
793 explanation of how much universal service support was received and how the
794 support was used to improve signal quality, coverage, or capacity; and an
795 explanation regarding any network improvement targets that have not been
796 fulfilled. The information should be submitted at the wire center level;

797

798 (2) detailed information on any outage lasting at least 30 minutes, for any service
799 area in which an ETC is designated for any facilities it owns, operates, leases, or
800 otherwise utilizes that potentially affect at least ten percent of the end users
801 served in a designated service area, or that potentially affect a 911 special facility
802 (as defined in subsection (e) of section 4.5 of the *Outage Reporting Order*). An
803 outage is defined as a significant degradation in the ability of an end user to
804 establish and maintain a channel of communications as a result of failure or
805 degradation in the performance of a communications provider's network.
806 Specifically, the ETC's annual report must include:

807

808 (1) the date and time of onset of the outage;

¹² *Id.*

- 809 (2) a brief description of the outage and its resolution;
- 810 (3) the particular services affected;
- 811 (4) the geographic areas affected by the outage;
- 812 (5) steps taken to prevent a similar situation in the future; and
- 813 (6) the number of customers affected;
- 814
- 815 (3) the number of requests for service from potential customers within its service
- 816 areas that were unfulfilled for the past year. The ETC must also detail how it
- 817 attempted to provide service to those potential customers;
- 818
- 819 (4) the number of complaints per 1,000 handsets or lines;
- 820 (5) certification that the ETC is complying with applicable service quality standards
- 821 and consumer protection rules,
- 822
- 823 (6) certification that the ETC is able to function in emergency situations;
- 824 (7) certification that the ETC is offering a local usage plan comparable to that
- 825 offered by the incumbent LEC in the relevant service areas; and
- 826
- 827 (8) certification that the carrier acknowledges that the Commission may require it to
- 828 provide equal access to long distance carriers in the event that no other eligible
- 829 telecommunications carrier is providing equal access within the service area.

830

831 **Q: WILL IQ TELECOM ABIDE BY THOSE ANNUAL REPORTING**

832 **REQUIREMENTS ENUMERATED IN THE PREVIOUS QUESTION AND**

833 **ANSWER?**

834 A: IQT commits to comply with all annual reporting requirements required of it as a
835 recipient of low-cost support to the extent applicable. IQT also agrees to provide detailed
836 quarterly reporting to the Commission and UTAC for both wireline and wireless
837 operations separately as specified in 83 Ill. Adm. Code 757.

838

839 **Q: PLEASE EXPLAIN WHAT YOU MEAN WHEN YOU SAY IQ TELECOM WILL**
840 **ABIDE BY THE ANNUAL REPORTING REQUIREMENTS “TO THE EXTENT**
841 **APPLICABLE.”**

842 A: Under FCC guidelines, an ETC Applicant must submit a five-year plan that describes
843 with specificity proposed improvement or upgrades to the applicant’s network or wire
844 center-by-wire center basis throughout its proposed designated service area. The
845 Commission determined that the only circumstance warranting deviation from this
846 requirement is where an applicant’s requested ETC serving territory would qualify it to
847 receive no “high cost” USF support, but only “low income” USF support. IQT is not
848 seeking high cost support in this proceeding and will seek additional ETC certification
849 from this Commission before it accepts any such support. Should circumstances change
850 such that IQT becomes eligible to receive high cost support, it will fully comply with the
851 multi-year network improvement plan requirement to the extent required by the
852 Commission. Because IQT is not requesting a designated service area in which high cost
853 support is currently available, it is clear that it seeks ETC designation solely for the
854 purposes of reimbursement for provision of subsidized Lifeline services to eligible
855 customers.

856

857 **Q. WHAT LIFELINE AND LINK-UP DISCOUNTS WILL CONSUMERS RECEIVE**
858 **IN ILLINOIS?**

859 A. IQT will offer consumers the full measure of discounts. For Link-Up, that means 50% off
860 the activation fee, up to a maximum \$30 discount. On Lifeline, we will offer the full Tier
861 1 discount, the amount of which depends on the end user common line charge. We will
862 offer the full Tier 2 discount of \$1.75. We will offer any available state Tier 3 discount.

863

864 **COMMITMENTS**

865 **Q: PLEASE EXPLAIN THE COMMITMENTS THAT IQ TELECOM WILL MAKE**
866 **IF GRANTED ETC STATUS.**

867 A: IQ Telecom agrees to the following commitments:

868 The Staff has expressed concern that reliance upon the applicant's simple attestation of
869 Lifeline/Link-up eligibility, absent official supporting documentation of the type noted
870 herein, may be insufficient to safeguard against program waste, fraud or abuse. IQT will
871 require applicant documentation of Lifeline/Link-up eligibility at the time of initial
872 customer enrollment, and in all verification of ongoing eligibility for Lifeline
873 participation. This will consist of documentation verifying current participation in one of
874 the qualifying proxy programs listed in Section 757.10 of the Act. Acceptable
875 documentation will include a valid, dated copy of a document issued by a qualifying
876 agency, such as the Department of Human Services, establishing proof of participation in
877 the claimed proxy program. This condition is intended to address Staff's concern.

878

879 IQT requests waiver of the Commission Code Part 736 requirement that customers
880 receive monthly bills (Section 736.610 Customer Billing). The parties have stipulated

881 that they do not object to this waiver provided the waiver applies only to pre-paid
882 wireless telecommunications services.

883

884 IQT will provide to the Commission and UTAC separate wireline and wireless detailed
885 quarterly reporting as specified in 83 Ill. Adm. Code 757.

886

887 IQT certifies that it satisfies, and will continue to satisfy, through its wholesale
888 provider(s) all 9-1-1 related conditions for the purpose of receiving Lifeline funding.

889

890 IQT will utilize competitive, reasonable rates and IQT's usage plan(s) and rates will be
891 capped at the levels set forth in the tariff, for one year.

892

893 All non-recurring and recurring rates will be identical for subsidized and non-subsidized
894 customers before application of the subsidy. In addition, each Lifeline and Linkup
895 subsidy will be specifically set forth in the tariff. A copy of the tariff will be provided to
896 Staff prior to entry of the ICC ETC Order.

897

898 IQT agrees to notify the Staff and the Office of the Attorney General 30 days prior to any
899 reductions in rates, including promotions and/or discounts. After the 1 year capped rates
900 period, IQT agrees to provide Staff and the Office of the Attorney General with a
901 minimum of 30 days notice prior to any rate increase that exceeds the initial year's cap.

902

903 IQT will offer 30 minutes of wireless customer service calls per Lifeline end user, per
904 month, at no charge. After 30 minutes, regular per minute charges will apply. Notice
905 will be given to Lifeline customers via a free text message when they have used 20
906 minutes of their customer service allowance, and 10 minutes remain.

907

908 IQT will provide Lifeline wireless customers 100 free usage minutes per month. In the
909 event that a Lifeline customer does not use all free minutes provided in a given month,
910 those minutes will roll over to the next month.

911

912 IQT agrees to identify inactive handsets, remove them from the Lifeline roll, and
913 discontinue receiving USAC support for those customers. The Staff has expressed
914 concern that the absence of this or a similar requirement may be insufficient to safeguard
915 against program waste, fraud or abuse. IQT has agreed that the following procedure will
916 be utilized:

917

918 In the event that an IQT wireless customer goes 60 days without any usage, independent
919 of the service end date, IQT will attempt to contact that customer. IQT will first attempt
920 to text message the customer asking them to call customer service. In the event that this is
921 unsuccessful IQT will then attempt to contact the customer via a telephone call to the
922 handset and/or an alternative number.

923

924 If the customer wishes to discontinue service or if IQT is still unable to contact the
925 customer after 75 days without any usage, the customer will be immediately de-enrolled
926 from IQT's Lifeline program, their IQT Lifeline benefits will be discontinued, and IQT

927 will not seek further USF reimbursements for that customer, unless within 30 days from
928 de-enrollment, the customer uses the phone or contacts customer service to request re-
929 enrollment in the Lifeline program. Lifeline benefits will not be applied retroactively.

930

931 If the customer does not use the phone or request re-enrollment within 30 days of the de-
932 enrollment, the customer's phone will be de-activated and they will no longer be able to
933 make or receive calls, other than 9-1-1 calls. Customers will be able to make 9-1-1 calls
934 even after they are de-enrolled and de-activated.

935

936 In accordance with Commission rules set forth in Code Part 757, Subpart C, IQT
937 acknowledges that it will not seek Illinois UTSAP supplemental connection fee
938 assistance, and that such assistance.

939

940 IQT will comply fully with all provisions contained in 47 CFR Part 54.411, as well as
941 other applicable requirements contained in 47 CFR Part 54.

942

943 IQT will cooperate fully with any formal or informal Commission or Staff investigation
944 or audit.

945

946 IQT will annually report the amount of USF funding received and the amount of
947 subsidization to Lifeline and Link-up customers. (Application at 12.) This is intended to
948 provide the Commission with an accurate accounting of the receipts and disbursements of
949 federal USF support by IQT.

950

951 IQT will make all necessary tariff filings in accordance with Part 757. Further, IQT will
952 review tariff filing requirements for the wireless service offering the subject of this
953 Docket, on an ongoing basis, with consultants and attorneys specializing in such area,
954 quarterly at the least.

955

956 IQT will use only Staff approved Lifeline or Linkup Certification Forms and procedures
957 to accomplish verification of continued eligibility under the Lifeline/Linkup program.

958

959 IQT will verify all orders to change long local and long distance wireline service for
960 Illinois Lifeline/Linkup customers using a letter of agency consistent with 13-902 and in
961 form and substance as approved by Commission Staff.

962

963 **SUMMARY**

964 **Q: PLEASE SUMMARIZE YOUR TESTIMONY AND IQ TELECOM'S**
965 **COMMITMENTS WITH RESPECT TO BECOMING AN ETC?**

966 A: I believe Staff fails to recognize problems inherent with the segment of the customer base
967 receiving Lifeline and Linkup benefits. In doing so, Staff concludes that such problems
968 must relate to the method in which IQT manages the Lifeline/Linkup program. In fact,
969 the issue of concerning the difficulty of customer retention pervades the Lifeline/Linkup
970 program as a whole. In particular, USAC information relating to the churn rate of non-
971 ILEC ETCs directly competing with IQT in the Illinois market during all relevant periods
972 at issue demonstrates that low customer retention rate under this program is not unique to
973 IQT.

974 Separately, IQT addressed Staff's concerns regarding the company's prior tariff
975 maintenance issues. In doing so, IQT acted swiftly in replacing the prior tariff specialists
976 with new more capable hands, and implementing internal procedures to avoid such issues
977 in the future.

978 At the end of the day, I believe IQT has shown that it fulfills the state and federal
979 requirements for designation as an Eligible Telecommunications Carrier in the designated
980 areas of AT&T Illinois. IQT meets the requirements of 47 U.S.C § 214(e)(1) and the
981 FCC's *ETC Order* and, therefore, should be deemed an Eligible Telecommunications
982 Carrier so it can provide Lifeline and Link-Up services to its qualifying Illinois
983 customers. Finally, in addition to the standard ETC requirements, IQT agrees to
984 additional commitments in order to address some of Staff's concerns. Those
985 commitments are the following:

- 986 1. IQT certifies that all "low income" USF funding received will be used to support
987 subsidized rates for its Lifeline and Link-Up customers.
988
- 989 2. IQT certifies that it will timely notify the ICC of any future change that would
990 render it eligible to receive USF "high cost" support. IQT will notify the
991 Commission within three weeks of learning of any potential change in USF
992 support.
993
- 994 3. IQT certifies that in the event of any such future change in USF support, it will
995 timely file a revised five-year spending plan to account for appropriate use of all
996 "high cost" USF support received. IQT commits to filing this plan within six
997 weeks after notifying the Commission of any change in USF support.

998

999

4. Should IQT fail to abide by these commitments, it understands that the Commission could, upon proper notice and hearing, revoke IQT's designation as an ETC. Specific language regarding these commitments will be offered during the briefing stage of the case.

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5. IQT will make all necessary tariff filings in accordance with Part 757. Further, IQT will review tariff filing requirements for the wireless service offering the subject of this Docket, on an ongoing basis, with consultants and attorneys specializing in such area, quarterly at the least.

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6. IQT will use only Staff approved Lifeline or Linkup Certification Forms and procedures to accomplish verification of continued eligibility under the Lifeline/Linkup program.

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7. IQT will verify all orders to change long local and long distance wireline service for Illinois Lifeline/Linkup customers using a letter of agency consistent with 13-902 and in form and substance as approved by Commission Staff.

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8. IQT is willing to discuss taking other steps to address Staff concerns as may reasonably be requested by Staff.

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1019

1020

Q: DOES THIS CONCLUDE YOUR TESTIMONY?

1021 A: Yes.