

**EXHIBIT G**



Low Income



Helping Keep Americans Connected

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## Low Income Disbursement Data

(Spin = 143028795 , Study Area Code = ALL , Study Area Name = ALL , Year = ALL , Month = ALL , State = IL )

This disbursement tool contains data from Jan 2004 through Mar 2011.

To view how the disbursement was calculated:

1. Select the company that you would like to review (the selected company will be highlighted blue)
2. Click the left mouse button to display a drop down menu
3. To hide the data, scroll to the company (the selected company will be highlighted blue) and click the left mouse button
4. The tool will display as many or few company data as you wish

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State	SPIN	Study Area	Name	Lifeline	Linkup	TLS	TOTAL	Mo/Year
<b>MIDWESTERN</b>								
<input type="checkbox"/>	IL	143028795349013	TELECOMMUNICATIONS INC.	(\$1,211.00)	(\$4,020.00)	(\$1,265.00)	(\$6,496.00)	Mar/2011
	<b>Entered</b>	<b>Applies</b>	<b>Type</b>	<b>Lifeline</b>	<b>Linkup</b>	<b>TLS</b>	<b>TOTAL</b>	
	02-2011	01-2011	True-Up	(\$3,172.00)	(\$5,100.00)	(\$2,406.00)	(\$10,678.00)	
	02-2011	02-2011	Projection Override	\$1,961.00	\$1,080.00	\$1,141.00	\$4,182.00	
<b>MIDWESTERN</b>								
<input type="checkbox"/>	IL	143028795349013	TELECOMMUNICATIONS INC.	\$2,863.00	(\$2,176.00)	\$1,134.00	\$1,821.00	Feb/2011
	<b>Entered</b>	<b>Applies</b>	<b>Type</b>	<b>Lifeline</b>	<b>Linkup</b>	<b>TLS</b>	<b>TOTAL</b>	
	01-2011	12-2010	True-Up	(\$3,759.00)	(\$8,356.00)	(\$2,522.00)	(\$14,637.00)	
	01-2011	01-2011	Projection Override	\$6,622.00	\$6,180.00	\$3,656.00	\$16,458.00	
<b>MIDWESTERN</b>								
<input type="checkbox"/>	IL	143028795349013	TELECOMMUNICATIONS INC.	\$5,824.00	\$13.00	\$2,973.00	\$8,810.00	Jan/2011
	<b>Entered</b>	<b>Applies</b>	<b>Type</b>	<b>Lifeline</b>	<b>Linkup</b>	<b>TLS</b>	<b>TOTAL</b>	
	12-2010	11-2010	True-Up	(\$6,235.00)	(\$14,523.00)	(\$3,154.00)	(\$23,912.00)	
	12-2010	12-2010	Projection Override	\$12,059.00	\$14,536.00	\$6,127.00	\$32,722.00	
<b>MIDWESTERN</b>								
<input type="checkbox"/>	IL	143028795349013	TELECOMMUNICATIONS INC.	\$15,397.00	\$3,263.00	(\$3,190.00)	\$15,470.00	Dec/2010
	<b>Entered</b>	<b>Applies</b>	<b>Type</b>	<b>Lifeline</b>	<b>Linkup</b>	<b>TLS</b>	<b>TOTAL</b>	
	11-2010	04-2010	True-Up	\$0.00	\$0.00	(\$701.00)	(\$701.00)	
	11-2010	05-2010	True-Up	\$0.00	\$0.00	(\$797.00)	(\$797.00)	
	11-2010	06-2010	True-Up	\$0.00	\$0.00	(\$873.00)	(\$873.00)	
	11-2010	07-2010	True-Up	\$0.00	\$0.00	(\$831.00)	(\$831.00)	
	11-2010	08-2010	True-Up	\$0.00	\$0.00	(\$1,036.00)	(\$1,036.00)	
	11-2010	09-2010	True-Up	\$0.00	\$0.00	(\$1,474.00)	(\$1,474.00)	

11-2010	10-2010	True-Up	(\$6,181.00)	(\$32,770.00)	(\$8,973.00)	(\$47,924.00)
11-2010	11-2010	Projection Override	\$21,578.00	\$36,033.00	\$11,495.00	\$69,106.00

  

MIDWESTERN						
<input type="checkbox"/>	<b>IL 143028795349013TELECOMMUNICATIONS INC. \$30,088.00 \$81,464.00 \$24,247.00 \$135,799.00 Nov/2010</b>					
Entered	Applies	Type	Lifeline	Linkup	TLS	TOTAL
10-2010	03-2010	True-Up	\$0.00	\$0.00	(\$521.00)	(\$521.00)
10-2010	09-2010	True-Up	\$4,385.00	\$16,864.00	\$4,440.00	\$25,689.00
10-2010	10-2010	Projection Override	\$25,703.00	\$64,600.00	\$20,328.00	\$110,631.00

  

MIDWESTERN						
<input type="checkbox"/>	<b>IL 143028795349013TELECOMMUNICATIONS INC. \$21,024.00 \$53,903.00 \$16,805.00 \$91,732.00 Oct/2010</b>					
Entered	Applies	Type	Lifeline	Linkup	TLS	TOTAL
09-2010	08-2010	True-Up	\$1,775.00	\$11,367.00	\$2,553.00	\$15,695.00
09-2010	09-2010	Projection Override	\$19,249.00	\$42,536.00	\$14,252.00	\$76,037.00

  

MIDWESTERN						
<input type="checkbox"/>	<b>IL 143028795349013TELECOMMUNICATIONS INC. \$12,687.00 \$26,435.00 \$9,126.00 \$48,248.00 Sep/2010</b>					
Entered	Applies	Type	Lifeline	Linkup	TLS	TOTAL
08-2010	07-2010	True-Up	(\$2,155.00)	\$1,082.00	(\$624.00)	(\$1,697.00)
08-2010	08-2010	Projection Override	\$14,842.00	\$25,353.00	\$9,750.00	\$49,945.00

  

MIDWESTERN						
<input type="checkbox"/>	<b>IL 143028795349013TELECOMMUNICATIONS INC. \$15,300.00 \$20,194.00 \$9,064.00 \$44,558.00 Aug/2010</b>					
Entered	Applies	Type	Lifeline	Linkup	TLS	TOTAL
07-2010	06-2010	True-Up	(\$185.00)	(\$1,494.00)	(\$317.00)	(\$1,996.00)
07-2010	07-2010	Projection Override	\$15,485.00	\$21,688.00	\$9,381.00	\$46,554.00

  

MIDWESTERN						
<input type="checkbox"/>	<b>IL 143028795349013TELECOMMUNICATIONS INC. \$15,202.00 \$22,668.00 \$9,439.00 \$47,309.00 Jul/2010</b>					
Entered	Applies	Type	Lifeline	Linkup	TLS	TOTAL
06-2010	05-2010	True-Up	\$1,030.00	\$1,584.00	\$648.00	\$3,262.00
06-2010	06-2010	Projection Override	\$14,172.00	\$21,084.00	\$8,791.00	\$44,047.00

  

MIDWESTERN						
<input type="checkbox"/>	<b>IL 143028795349013TELECOMMUNICATIONS INC. \$14,593.00 \$25,416.00 \$9,667.00 \$49,676.00 Jun/2010</b>					
Entered	Applies	Type	Lifeline	Linkup	TLS	TOTAL
05-2010	04-2010	True-Up	\$2,838.00	\$7,980.00	\$2,385.00	\$13,203.00
05-2010	05-2010	Projection Override	\$11,755.00	\$17,436.00	\$7,282.00	\$36,473.00

  

MIDWESTERN						
<input type="checkbox"/>	<b>IL 143028795349013TELECOMMUNICATIONS INC. \$9,148.00 \$12,490.00 \$5,487.00 \$27,125.00 May/2010</b>					
Entered	Applies	Type	Lifeline	Linkup	TLS	TOTAL
04-2010	03-2010	True-Up	\$741.00	\$3,790.00	\$906.00	\$5,437.00
04-2010	04-2010	Projection Override	\$8,407.00	\$8,700.00	\$4,581.00	\$21,688.00

  

MIDWESTERN						
<input type="checkbox"/>	<b>IL 143028795349013TELECOMMUNICATIONS INC. \$4,152.00 \$6,355.00 \$3,418.00 \$13,925.00 Apr/2010</b>					
Entered	Applies	Type	Lifeline	Linkup	TLS	TOTAL
03-2010	02-2010	True-Up	(\$3,456.00)	\$1,505.00	(\$226.00)	(\$2,177.00)
03-2010	03-2010	Projection Override	\$7,608.00	\$4,850.00	\$3,644.00	\$16,102.00

<b>MIDWESTERN</b>						
<input type="checkbox"/>	<b>IL 143028795349013TELECOMMUNICATIONS</b>	<b>\$9,049.00</b>	<b>\$3,147.00</b>	<b>\$7,855.00</b>	<b>\$20,051.00</b>	<b>Mar/2010</b>
<b>INC.</b>						
<b>Entered</b>	<b>Applies</b>	<b>Type</b>	<b>Lifeline</b>	<b>Linkup</b>	<b>TLS</b>	<b>TOTAL</b>
02-2010	01-2010	True-Up	(\$1,937.00)	(\$148.00)	\$4,023.00	\$1,938.00
02-2010	02-2010	Projection Override	\$10,986.00	\$3,295.00	\$3,832.00	\$18,113.00

<b>MIDWESTERN</b>						
<input type="checkbox"/>	<b>IL 143028795349013TELECOMMUNICATIONS</b>	<b>\$9,306.00</b>	<b>\$4,987.00</b>	<b>\$0.00</b>	<b>\$14,293.00</b>	<b>Feb/2010</b>
<b>INC.</b>						
<b>Entered</b>	<b>Applies</b>	<b>Type</b>	<b>Lifeline</b>	<b>Linkup</b>	<b>TLS</b>	<b>TOTAL</b>
01-2010	12-2009	True-Up	(\$732.00)	(\$1,191.00)	\$0.00	(\$1,923.00)
01-2010	01-2010	Projection	\$10,038.00	\$6,178.00	\$0.00	\$16,216.00



Low Income



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## Low Income Disbursement Data

(Spin = 143033367 , Study Area Code = ALL , Study Area Name = ALL , Year = ALL , Month = ALL , State = IL )

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State	SPIN	Study Area	Name	Lifeline	Linkup	TLS	TOTAL	Mo/Year
<input type="checkbox"/>	IL	143033367349018	<b>IQ TELECOM INC.</b>	<b>(\$3,970.00)</b>	<b>(\$46,530.00)</b>	<b>\$507.00</b>	<b>(\$49,993.00)</b>	<b>Mar/2011</b>
	<b>Entered</b>	<b>Applies</b>	<b>Type</b>	<b>Lifeline</b>	<b>Linkup</b>	<b>TLS</b>	<b>TOTAL</b>	
	02-2011	01-2011	True-Up	(\$13,861.00)	(\$52,110.00)	(\$439.00)	(\$66,410.00)	
	02-2011	02-2011	Projection Override	\$9,891.00	\$5,580.00	\$946.00	\$16,417.00	
<input type="checkbox"/>	IL	143033367349018	<b>IQ TELECOM INC.</b>	<b>\$18,208.00</b>	<b>\$35,550.00</b>	<b>\$761.00</b>	<b>\$54,519.00</b>	<b>Feb/2011</b>
	<b>Entered</b>	<b>Applies</b>	<b>Type</b>	<b>Lifeline</b>	<b>Linkup</b>	<b>TLS</b>	<b>TOTAL</b>	
	01-2011	12-2010	True-Up	(\$9,159.00)	(\$22,140.00)	(\$624.00)	(\$31,923.00)	
	01-2011	01-2011	Projection Override	\$27,367.00	\$57,690.00	\$1,385.00	\$86,442.00	
<input type="checkbox"/>	IL	143033367349018	<b>IQ TELECOM INC.</b>	<b>\$33,286.00</b>	<b>\$64,980.00</b>	<b>\$597.00</b>	<b>\$98,863.00</b>	<b>Jan/2011</b>
	<b>Entered</b>	<b>Applies</b>	<b>Type</b>	<b>Lifeline</b>	<b>Linkup</b>	<b>TLS</b>	<b>TOTAL</b>	
	12-2010	11-2010	True-Up	(\$5,573.00)	(\$14,850.00)	(\$1,412.00)	(\$21,835.00)	
	12-2010	12-2010	Projection Override	\$38,859.00	\$79,830.00	\$2,009.00	\$120,698.00	
<input type="checkbox"/>	IL	143033367349018	<b>IQ TELECOM INC.</b>	<b>\$87,981.00</b>	<b>\$58,356.00</b>	<b>\$1,622.00</b>	<b>\$147,959.00</b>	<b>Dec/2010</b>
	<b>Entered</b>	<b>Applies</b>	<b>Type</b>	<b>Lifeline</b>	<b>Linkup</b>	<b>TLS</b>	<b>TOTAL</b>	
	11-2010	01-2010	True-Up	\$4,421.00	\$0.00	\$0.00	\$4,421.00	
	11-2010	02-2010	True-Up	\$3,871.00	\$0.00	\$0.00	\$3,871.00	
	11-2010	03-2010	True-Up	\$2,398.00	\$30.00	(\$15.00)	\$2,413.00	
	11-2010	04-2010	True-Up	\$3,203.00	\$30.00	(\$9.00)	\$3,224.00	
	11-2010	05-2010	True-Up	\$4,283.00	\$30.00	(\$9.00)	\$4,304.00	
	11-2010	06-2010	True-Up	\$9,698.00	\$30.00	(\$12.00)	\$9,716.00	

11-2010	07-2010	True-Up	\$14,299.00	\$0.00	\$0.00	\$14,299.00
11-2010	08-2010	True-Up	\$12,440.00	\$30.00	\$0.00	\$12,470.00
11-2010	10-2010	True-Up	(\$11,779.00)	(\$36,474.00)	(\$1,754.00)	(\$50,007.00)
11-2010	11-2010	Projection Override	\$45,147.00	\$94,680.00	\$3,421.00	\$143,248.00

**IQ**

**IL 143033367349018 TELECOM INC. \$47,881.00 \$88,213.00(\$25,234.00) \$110,860.00 Nov/2010**

Entered	Applies	Type	Lifeline	Linkup	TLS	TOTAL
10-2010	09-2010	True-Up	(\$7,901.00)	(\$42,941.00)	(\$30,409.00)	(\$81,251.00)
10-2010	10-2010	Projection Override	\$55,782.00	\$131,154.00	\$5,175.00	\$192,111.00

**IQ**

**IL 143033367349018 TELECOM INC. \$24,685.00 \$92,327.00 \$6,723.00 \$123,735.00 Oct/2010**

Entered	Applies	Type	Lifeline	Linkup	TLS	TOTAL
09-2010	08-2010	True-Up	(\$29,954.00)	(\$60,504.00)	(\$28,022.00)	(\$118,480.00)
09-2010	09-2010	Projection	\$54,639.00	\$152,831.00	\$34,745.00	\$242,215.00

**IQ**

**IL 143033367349018 TELECOM INC. \$68,799.00 \$236,316.00 \$49,181.00 \$354,296.00 Sep/2010**

Entered	Applies	Type	Lifeline	Linkup	TLS	TOTAL
08-2010	07-2010	True-Up	(\$5,671.00)	\$41,712.00	\$3,105.00	\$39,146.00
08-2010	08-2010	Projection	\$74,470.00	\$194,604.00	\$46,076.00	\$315,150.00

**IQ**

**IL 143033367349018 TELECOM INC. \$71,458.00 \$222,255.00 \$48,820.00 \$342,533.00 Aug/2010**

Entered	Applies	Type	Lifeline	Linkup	TLS	TOTAL
07-2010	05-2010	True-Up	(\$44.00)	(\$120.00)	(\$3.00)	(\$167.00)
07-2010	06-2010	True-Up	\$14,621.00	\$92,277.00	\$15,588.00	\$122,486.00
07-2010	07-2010	Projection	\$56,881.00	\$130,098.00	\$33,235.00	\$220,214.00

**IQ**

**IL 143033367349018 TELECOM INC. \$21,920.00 \$59,476.00 \$14,188.00 \$95,584.00 Jul/2010**

Entered	Applies	Type	Lifeline	Linkup	TLS	TOTAL
06-2010	05-2010	True-Up	\$1,765.00	\$14,563.00	\$2,483.00	\$18,811.00
06-2010	06-2010	Projection	\$20,155.00	\$44,913.00	\$11,705.00	\$76,773.00

**IQ**

**IL 143033367349018 TELECOM INC. \$16,895.00 \$43,987.00 \$10,888.00 \$71,770.00 Jun/2010**

Entered	Applies	Type	Lifeline	Linkup	TLS	TOTAL
05-2010	04-2010	True-Up	\$3,243.00	\$13,460.00	\$2,831.00	\$19,534.00
05-2010	05-2010	Projection	\$13,652.00	\$30,527.00	\$8,057.00	\$52,236.00

**IQ**

**IL 143033367349018 TELECOM INC. \$4,172.00 \$5,189.00 \$1,320.00 \$10,681.00 May/2010**

Entered	Applies	Type	Lifeline	Linkup	TLS	TOTAL
04-2010	03-2010	True-Up	(\$4,093.00)	(\$13,601.00)	(\$3,653.00)	(\$21,347.00)
04-2010	04-2010	Projection	\$8,265.00	\$18,790.00	\$4,973.00	\$32,028.00

**IQ**

**IL 143033367349018 TELECOM INC. \$8,098.00 \$27,994.00 \$10,975.00 \$47,067.00 Apr/2010**

Entered	Applies	Type	Lifeline	Linkup	TLS	TOTAL
03-2010	12-2009	True-Up	(\$5.00)	\$54.00	(\$6.00)	\$43.00

03-2010	01-2010	True-Up	(\$128.00)	\$2,610.00	\$4,311.00	\$6,793.00
03-2010	02-2010	True-Up	(\$4,487.00)	(\$3,901.00)	(\$1,124.00)	(\$9,512.00)
03-2010	03-2010	Projection	\$12,718.00	\$29,231.00	\$7,794.00	\$49,743.00

<b>IQ</b>						
<input type="checkbox"/>	<b>IL 143033367349018</b>	<b>TELECOM INC.</b>	<b>\$19,290.00</b>	<b>\$17,443.00</b>	<b>(\$1,955.00)</b>	<b>\$34,778.00 Mar/2010</b>
Entered	Applies	Type	Lifeline	Linkup	TLS	TOTAL
02-2010	01-2010	True-Up	\$933.00	(\$9,558.00)	(\$9,203.00)	(\$17,828.00)
02-2010	02-2010	Projection Override	\$18,357.00	\$27,001.00	\$7,248.00	\$52,606.00

<b>IQ</b>						
<input type="checkbox"/>	<b>IL 143033367349018</b>	<b>TELECOM INC.</b>	<b>\$17,552.00</b>	<b>\$48,714.00</b>	<b>\$13,211.00</b>	<b>\$79,477.00 Feb/2010</b>
Entered	Applies	Type	Lifeline	Linkup	TLS	TOTAL
01-2010	12-2009	True-Up	\$2,522.00	\$17,046.00	\$2,387.00	\$21,955.00
01-2010	01-2010	Projection Override	\$15,030.00	\$31,668.00	\$10,824.00	\$57,522.00

## iq telecom

lifeline cust	
Dec-09	1,733
Jan-10	2,523
Feb-10	2,209
Mar-10	1,373
Apr-10	1,832
May-10	2,448
Jun-10	5,538
Jul-10	8,158
Aug-10	7,093
Sep-10	5,820
Oct-10	5,480
Nov-10	4,928
Dec-10	3,699
Jan-11	1,682

linkup cust	
Dec-09	1,346
Jan-10	824
Feb-10	770
Mar-10	522
Apr-10	1,076
May-10	1,500
Jun-10	4,574
Jul-10	5,727
Aug-10	4,471
Sep-10	3,663
Oct-10	3,156
Nov-10	2,661
Dec-10	1,923
Jan-11	186

active customer as 1/2011

**5.2%**

Number Customer lost 30,717  
Percentage customer lost 94.8%

## mti

lifeline cust	
Dec-09	1,286
Jan-10	1,009
Feb-10	938
Mar-10	1,040
Apr-10	1,400
May-10	1,592
Jun-10	1,742
Jul-10	1,660
Aug-10	2,069
Sep-10	1,943
Oct-10	2,431
Nov-10	1,911
Dec-10	1,034
Jan-11	430

linkup cust	
Dec-09	192
Jan-10	201
Feb-10	160
Mar-10	288
Apr-10	556
May-10	634
Jun-10	653
Jul-10	759
Aug-10	1,224
Sep-10	1,980
Oct-10	1,061
Nov-10	717
Dec-10	206
Jan-11	26

active customer as 1/2011

**5.0%**

Number Customer lost 8,227  
Percentage customer lost 95.0%

Considering all the new customers installed from December 2009 to January 2011, comparing them to the number of customer still active by January 2011, MTI has 5% left, IQT has 5.2% left

**EXHIBIT H**

**Testimony of Allen Cherry on Behalf of  
Universal Telephone Assistance Corporation (“UTAC”)  
filed recently in Docket No. 10-0634**

1 TESTIMONY OF ALLEN W. CHERRY  
2 ON BEHALF OF UNIVERSAL TELEPHONE ASSISTANCE CORPORATION  
3 DOCKET NO. 10-0634

4 Q1. Please state your name and address.

5  
6 A1. My name is Allen W. Cherry. My address is 711 S. River Road #703, Des  
7 Plaines, Illinois 60016.  
8

9 Q2. Please summarize your educational background and professional  
10 experience/duties.  
11

12 A2. I am a 1977 graduate of the Northwestern University School of Law. Since then,  
13 I have practiced as an attorney in public interest and public service assignments. I  
14 have represented low-income individuals and low-income community  
15 organizations before the Commission for more than 30 years. Those proceedings  
16 include energy and telecommunications issues. I represented low-income  
17 community organizations in the proceedings that created telephone lifeline  
18 programs in Illinois. I have worked with the board of the Universal Telephone  
19 Assistance Corporation since its inception, been a board member since 1995 and  
20 have served as President since 1998.  
21

22 Q3. In what capacity are you testifying today?  
23

24 A3. I am testifying on behalf of the Universal Telephone Assistance Corporation  
25 (“UTAC”), a not-for-profit corporation, of which all Illinois local exchange  
26 telecommunications carriers are members. The principal purpose of UTAC is to  
27 carry out the provisions of the Universal Telephone Service Assistance Program  
28 (“UTSAP”), as required by Section 13-301.1 of the Public Utilities Act and 83 Ill.  
29 Adm. Code 757, Subpart C. Part 757 contains the Commission’s rules.  
30

31 The UTAC Board is composed of nine directors, selected by the membership of  
32 UTAC. Under Section 757.215(d) of the Commission’s rules, five of the  
33 directors of UTAC represent local exchange carriers, two represent consumer  
34 interests, and two represent low-income customers. I have served on the UTAC  
35 Board since 1995, and I am currently the President.  
36

37 Q4. What is the purpose of this proceeding?  
38

39 A4. UTAC has filed the present petition pursuant to 83 Ill. Adm. Code § 757.200(e),  
40 requesting that the Commission reduce the amount of supplemental assistance  
41 provided under the UTSAP on an expedited basis. UTAC recommends that the  
42 Commission approve a one-time installation fee benefit of up to \$5, but not to  
43 exceed 50% of the total installation charge. Eligible customers of ETCs would  
44 continue to receive full federal Lifeline and Link-Up benefits.

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Q5. Please provide a summary of your testimony.

A5. I will provide a brief background on the UTSAP and the installation fee benefits it offers for Illinois low-income telephone subscribers. Then I will explain in detail recent dramatic increases in requests for reimbursement of installation waivers by three competitive local exchange carriers in Illinois. I will describe UTAC’s investigation of the reasons for these unanticipated increases in reimbursement requests, and explain how the surge in reimbursement requests from these three carriers threatens to deplete the UTSAP fund for low-income telephone assistance. Finally, I will explain why UTAC believes that an expedited order reducing the UTSAP supplemental installation fee waiver to \$5 is necessary and how that should be implemented.

Q6. Please provide a brief overview of the UTSAP program.

A6. UTAC was formed in 1993 to administer the UTSAP, and its organizational documents were approved by the Commission in Docket No. 93-0067. The UTSAP is funded by voluntary charitable contributions from telephone subscribers in Illinois who choose to support universal telephone service through a donation added to their monthly telephone bills or a one-time donation. Section 757.200 (c) of the Commission’s rules provides that UTSAP funds may be used to provide a waiver of the initial telephone service installation charges for eligible new subscribers and/or to provide a waiver of all or a portion of the monthly local exchange service obligation of eligible subscribers or eligible new subscribers.

The Commission’s rules refer to the UTSAP assistance as “supplemental assistance” because it is supplemental to the federal low-income telephone assistance programs, known as Link-Up and Lifeline. UTSAP assistance is available to qualified low-income telephone subscribers of all Illinois local exchange telecommunications carriers, while the federal Link-Up and Lifeline programs are only offered to customers of “eligible telecommunications carriers” (“ETCs”) as defined in 47 C.F.R. § 54.5.

Q7. How is the level of UTSAP assistance for low-income telephone subscribers established?

A7. On or before July 1 of each year, UTAC files a petition with the Commission pursuant to 83 Ill. Adm. Code § 757.200(b), recommending the form and amount of supplemental assistance to eligible low-income telephone subscribers from the UTSAP fund. The Commission then establishes by order the supplemental assistance benefit for the subsequent 12 months.

Q8. Could you please summarize the financial assistance that is currently offered to qualified Illinois telephone subscribers?

1  
2 A8. Pursuant to the Commission’s Order in Docket No. 10-0417 issued on August 18,  
3 2010, the UTSAP currently provides for connection assistance to cover \$12 of a  
4 telecommunications carrier’s connection fee, up to a maximum of 50% of the  
5 carrier’s total connection fee. For customers of eligible telecommunications  
6 carriers, the federal Link-Up Program also provides connection assistance to  
7 cover 50% of the carrier’s total connection charge up to \$30.  
8

9 In addition, qualified subscribers of ETCs receive a monthly credit under the  
10 federal Lifeline program equal to \$1.75 plus their carrier’s subscriber line charge  
11 (end user common line charge), which varies from carrier to carrier. By federal  
12 regulation, subscriber line charges cannot exceed \$6.50. Currently, most Illinois  
13 subscribers have subscriber line charges of \$4.95 to \$6.50.  
14

15 Q9. Do the Illinois supplemental assistance benefits and the federal Link-Up and  
16 Lifeline assistance benefits go directly to the low-income telephone customer?  
17

18 A9. No. The telecommunications carrier waives the applicable charges to the  
19 customer, and is reimbursed by UTAC from the UTSAP fund and by the  
20 Universal Service Assistance Corporation (“USAC”) from federal funds. An  
21 ETC can receive up to \$42 for each eligible new subscriber it connects: \$12 from  
22 UTAC and \$30 from USAC.  
23

24 Q10. Why is UTAC requesting a change in the amount of supplemental assistance  
25 outside of the annual filing made in July of each year?  
26

27 A10. Since UTAC’s most recent filing in Docket No. 10-0417, unforeseen and  
28 dramatic increases in the reimbursement claims of certain competitive ETCs  
29 threaten to deplete the UTSAP fund. UTAC’s monthly expenses now  
30 substantially exceed its income, creating an urgent need for expedited relief.  
31

32 The rules governing the UTSAP contemplate that the Commission may reduce the  
33 UTSAP benefit in circumstances such as this. 83 Ill. Adm. Code § 757.200(e)  
34 provides that the Commission may temporarily reduce the amount of the  
35 supplemental assistance if total program costs exceed or will exceed funds  
36 available from contributions that fund the UTSAP.  
37

38 Q11. Why didn’t UTAC take the dramatic increases in claims into account in its most  
39 recent supplemental assistance petition in Docket No. 10-0417?  
40

41 A11. When UTAC prepared its annual petition in Docket No. 10-0417, its financial  
42 outlook for the next twelve months appeared to be stable. The UTSAP fund  
43 balance had decreased by only \$10,000 in the previous twelve months. As of  
44 May 31, 2010, the UTSAP had a fund balance of approximately \$1,019,000 as  
45 compared to approximately \$1,029,000, on May 31, 2009. Also as of May 31,

1 2010, UTSAP average monthly installation waiver expenses had decreased by  
2 \$8800 as compared to May 31, 2009. Since voluntary contributions had decreased  
3 by approximately the same amount as the waiver expense, the UTAC Board  
4 prudently concluded, in late May of 2010, that its expenses, income, and fund  
5 balance were relatively stable.  
6

7 At that time, UTAC had could not have known that vastly increased  
8 reimbursement requests from several competitive telecommunications carriers  
9 were on the horizon. Based on then-current expense and income data, UTAC  
10 estimated a remaining UTSAP fund life of approximately 15 years. UTAC  
11 therefore recommended that the installation fee benefit remain at \$12 for another  
12 year. Based on the information that was then available, maintaining the \$12  
13 installation fee waiver prudently and appropriately balanced UTAC's duty to  
14 safeguard the UTSAP fund with its mandate to provide benefits intended to  
15 increase telephone subscribership in Illinois.  
16

17 Q12. Please explain what you mean in your Answer 10 by "dramatic increases in  
18 reimbursement claims of certain competitive ETCs".  
19

20 A12. Beginning in June, 2010, requests for reimbursement from the UTSAP fund for  
21 the \$12 connection fee waiver from several competitive, landline ETCs began to  
22 increase dramatically and without any forewarning to UTAC.  
23

24 For example, IQ Telecom, Inc. ("IQ Telecom") had averaged just under \$11,000  
25 per month in waiver expenses for the first 5 months of 2010. However, IQ  
26 Telecom's reimbursement requests skyrocketed to \$54,300, \$68,700, \$53,600,  
27 and \$44,000 in June, July, August and September, 2010, respectively.  
28

29 Similarly, Midwestern Telecom, Inc. ("MTI") had averaged \$4,400 per month in  
30 reimbursement requests for the first 5 months of 2010. MTI requested \$9,100,  
31 \$14,700, and almost \$23,800 in July, August and September, 2010, respectively.  
32

33 SOS Telecom, Inc. ("SOS Telecom"), which had averaged approximately \$2,300  
34 in waiver reimbursement requests for the first 5 months of 2010, requested  
35 \$5,800, \$5,950, \$4,900, and \$6,000 in June, July, August and September, 2010,  
36 respectively.  
37

38 As a group, these three competitive ETCs' requests for reimbursement increased  
39 517% from the first quarter to the third quarter of 2010.  
40

41 Schedule 4 to my testimony presents this data in graphic form.  
42

43 Q13. What is the source of UTAC's data on the reimbursement requests of IQ Telecom,  
44 MTI, and SOS Telecom?  
45

1 A13. This data comes from the Quarterly Reports to the Commission that each local  
2 exchange carrier submits to UTAC and is required to file with the Commission  
3 pursuant to 83 Ill. Adm. Code § 757.245(b) and § 757.Exhibit A. Copies of the  
4 Quarterly Reports submitted by these three carriers to UTAC are attached as  
5 Schedule 1 (IQ Telecom), Schedule 2 (MTI) and Schedule 3 (SOS Telecom) to  
6 my testimony.  
7

8 Q14. How do the reimbursement requests from these three competitive ETCs compare  
9 with other Illinois ETCs?  
10

11 A14. To put these dramatically increased reimbursement claims by competitive ETCs  
12 into perspective, AT&T's requests for reimbursement have remained consistent  
13 throughout 2010, ranging from a low of \$9,120 in January to a high of \$11,316 in  
14 March, 2010. AT&T requested an average of \$10,340 per month in connection  
15 fee reimbursement between June and September, 2010, compared to a monthly  
16 average of \$55,140 in claims by IQ Telecom, \$16,120 in claims by MTI, and  
17 \$5,660 by SOS Telecom for that same period.  
18

19 For the last three months in which statewide data on LEC reimbursement requests  
20 are available, these three CLECs together have requested 88% (July, 2010), 86%  
21 (August, 2010) and 86% (September) of all funds claimed by Illinois carriers for  
22 reimbursement of installation waivers. AT&T requested 11% (July), 12%  
23 (August), and 12% (September) of all funds, and all other local exchange carriers  
24 together account for 1.5% (July), 2% (August), and 2% (September) of all claims  
25 submitted.  
26

27 Q15. Aren't these three competitive ETCs highly successful in promoting UTAC's  
28 mission to increase universal telephone service?  
29

30 A15. Unfortunately, UTAC has concerns about whether the unprecedented sums of  
31 UTSAP funds paid to these competitive ETCs, and IQ Telecom in particular, are  
32 furthering the universal service goals of the program. The intent of the Illinois  
33 UTSAP fund (like the intent of the federal Link-Up program) is to promote  
34 universal service by increasing telephone subscribership among low-income  
35 customers. Subsidizing the installation fee for low-income telephone subscribers  
36 was intended to reduce barriers to connection so that low-income customers could  
37 obtain telephone service. Once they are connected to the telephone network, the  
38 federal Lifeline program provides discounted monthly service.  
39

40 Although IQ Telecom seeks reimbursement for connecting record numbers of  
41 new low-income subscribers to the telephone network, its Lifeline subscribership  
42 is not increasing commensurately. Rather, it appears that these low-income new  
43 telephone subscribers disconnect quickly, often without making a single payment.  
44 IQ Telecom connected 23,000 customers to their telephone network in the first 9  
45 months of 2010 alone, yet reported only 5,038 Lifeline customers as of  
46 September, 2010. (Schedule 1.) In response to UTAC's questions, IQ Telecom

1 provided data that indicate that in July, August, September and October, 2010,  
2 over 90% of the Lifeline customers who were disconnected received only a free  
3 month of service and never made any payments to IQ Telecom. As of September  
4 30, 2010, only 7% of IQ Telecom's Lifeline customers had been on the telephone  
5 network for more than three months.  
6

7 MTI and SOS Telecom likewise do not show gains in Lifeline customers at a rate  
8 that parallel their increases in Link-Up and UTSAP enrollments. (Schedules 2 and  
9 3.)  
10

11 Q16. What accounts for the recent and rapid increase in reimbursement claims from  
12 these competitive ETCs?  
13

14 A16. Initially, UTAC did not have any explanation for the sudden increase in claims for  
15 UTSAP connection fee reimbursement from these three competitive ETCs in the  
16 third quarter of 2010. At its meeting on October 27, 2010, UTAC's board of  
17 directors authorized me to inform the management of IQ Telecom, MTI, and SOS  
18 Telecom by letter that UTAC has concerns and questions regarding their rapid  
19 increases in claims for reimbursement of installation waivers and the apparent low  
20 rate of retention of these recently-connected low-income customers. The letter  
21 included specific questions that the companies were requested to address to help  
22 UTAC better understand the causes and effects of the recent increase in  
23 installation waivers.  
24

25 Q17. Have the three companies responded?  
26

27 A17. Yes, all three competitive ETCs responded to the questions.  
28

29 Q18. What did UTAC learn from the responses regarding the reasons for the rapid  
30 increase in connection fee waivers during the third quarter of 2010, and the low  
31 rate of retention of these low-income customers?  
32

33 A18. It appears that the companies engaged in very aggressive marketing by agents.  
34 For some or all of these companies, the agents approached potential customers  
35 outside public aid offices and/or went door-to-door in communities where the  
36 companies expected large concentrations of households eligible for connection  
37 benefits. The solicitation by these agents typically included an offer to connect  
38 service without any money from the participant and an initial month of free  
39 telephone service.  
40

41 IQ Telecom responded that it had established a new marketing campaign in May  
42 2010 for lifeline-eligible customers that offered free installation and the first  
43 month free. IQ stated that this campaign significantly increased new subscribers,  
44 but the customers who paid nothing tended to be terminated for nonpayment after  
45 the first free month.

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MTI responded that during the past several months, it had augmented its traditional marketing with individual contact, including door-to-door marketing and solicitation outside of offices of public assistance that qualify customers for the Lifeline and Link-Up programs. It also appears that MTI waives all first month charges. Like IQ Telecom, MTI noted that this marketing campaign was very successful in recruiting new subscribers, but not in retaining them.

SOS Telecom responded that its present owners purchased the company in April, 2010 and significantly increased marketing efforts in order to revitalize the company. In addition, SOS Telecom also had a “free first month” promotion during the third quarter of 2010.

Q19. Please explain how the increase in reimbursement claims from these competitive ETCs threatens to deplete the UTSAP fund.

A19. Total UTSAP reimbursement claims for the first quarter of 2010 averaged less than \$25,000 per month. In comparison, reimbursement claims for July 2010 are \$94,120, for August are \$84,980, and for September are \$85,550. Virtually all of this increase comes from the same three competitive ETCs: IQ Telecom, MTI and SOS Telecom. The UTSAP fund cannot continue to support this unprecedented level of claims for reimbursement of installation fee waivers. If claims remain at the September 2010 level without increasing further, and the benefit level remains at \$12, the UTSAP fund has a remaining life of only 14 months. If claims increase by 10% over the next months, the fund life decreases to 12 months. If claims increase by 25%, the fund life is only 10 months.

Q20. Do UTSAP costs exceed funds available from contributions, as required for temporary relief under 83 Ill. Adm. Code § 757.200(e)?

A20. Yes, UTSAP costs currently exceed funds available from contributions and interest income by a substantial amount. In September 2010 (from UTAC’s October 2010 financial report), total contributions plus interest income were approximately \$35,640. The cost of installation waivers alone was \$85,550 and UTAC’s total monthly expenses were \$92,180.

The UTSAP fund had a net loss of \$69,600 in July 2010, a net loss of \$62,300 in August, 2010, a net loss of \$56,200 in September, and a net loss of \$56,500 in October, 2010.

Q21. Does UTAC anticipate that these competitive ETCs will continue to enroll customers in Link-Up and the UTSAP supplemental assistance program at a similar rate in the future?

1 A21. UTAC has no direct access to the marketing and promotion plans of local  
2 exchange carriers, including those whose business plans target the low-income  
3 market. This makes it difficult or impossible for UTAC to project future trends.  
4 For this reason, UTAC asked each of these three competitive ETCs for their  
5 projections of installation waivers during the next three quarters.  
6

7 Overall, their responses indicate that UTAC should expect installation waivers to  
8 remain at or near current levels through the end of 2010, and decrease in the first  
9 two quarters of 2011.  
10

11 IQ Telecom stated that it will terminate the free installation/free first month  
12 promotion on January 1, 2011. After that date, new low-income customers will  
13 be charged 50% of the installation fee (\$30) and will have to prepay the first  
14 month of service. IQ projects that its installation waivers will decrease slightly in  
15 the 4<sup>th</sup> quarter of 2011, and then decrease more dramatically in the first and  
16 second quarters of 2011.  
17

18 MTI responded that it projects 4<sup>th</sup> quarter reimbursements requests to remain at  
19 current levels (\$45,600), then drop significantly during the first quarter of 2011  
20 and rise again to about half the current level in the second quarter of 2011.  
21

22 SOS Telecom responded that it anticipates a 14% increase in reimbursement  
23 claims in the fourth quarter of 2010, followed by significant decreases in the first  
24 and second quarters of 2011.  
25

26 Q22. What level of supplemental assistance does UTAC recommend until its next  
27 annual filing?  
28

29 A22. UTAC recommends that the supplemental connection fee waiver be set at \$5 but  
30 not to exceed 50% of the carrier's total installation charge until its next routine  
31 filing in July, 2011. Eligible customers of ETCs would continue to receive full  
32 federal Lifeline and Link-Up benefits.  
33

34 Q23. Why does UTAC recommend a temporary supplemental connection fee waiver of  
35 up to \$5?  
36

37 A23. UTAC considers the \$5 benefit level to be low enough to preserve the fund until  
38 UTAC's next annual filing in July, 2011. At the same time, \$5 still provides a  
39 meaningful benefit above the \$30 Link-Up waiver, as an incentive to connect to  
40 the telephone network. If the supplemental assistance benefit is set at \$5, and if  
41 reimbursement claims remain constant, the UTSAP fund would have a remaining  
42 life of more than 6 years. At the \$5 benefit level, if reimbursement claims  
43 increase by 50%, the fund would still have a remaining life of almost 2.5 years.  
44 If these competitive ETCs are correct in their projections, their UTSAP  
45 reimbursement claims should be substantially lower by the time UTAC prepares

1 its next annual filing, to be made in July of 2011. At that time, UTAC can  
2 consider whether to recommend an increase in the supplemental assistance level.

3  
4 Establishing a \$5 UTSAP installation waiver will also ensure that Illinois is not  
5 considered a federal default state under the Federal Communication  
6 Commission's ("FCC's") regulations.

7  
8 Q24. Please explain how a \$5 installation waiver will ensure that Illinois is not a federal  
9 default state.

10  
11 A24. Under the FCC's rules, a state must have a telephone assistance program and  
12 provide state support for the Lifeline/ Link-Up program in order not to be a  
13 federal default state. If the Commission were to terminate all UTSAP support for  
14 low-income connection assistance temporarily, Illinois would no longer be  
15 providing state support for the Lifeline/Link-Up program. Consequently, the FCC  
16 may consider Illinois to be a default state. Maintaining state supplemental  
17 assistance, even at the lower \$5 level, constitutes state support for the  
18 Lifeline/Link-Up program and should prevent Illinois from being considered a  
19 default state.

20  
21 Q25. Why is it important that Illinois not become a federal default state?

22  
23 A25. The FCC's regulations provide that any state that has a telephone assistance  
24 program and provides state support for the Lifeline/ Link-Up program may  
25 establish eligibility and verification criteria for the federal Lifeline and Link-Up  
26 programs that differ from the FCC's "default" criteria. The federal default criteria  
27 currently include income-based eligibility (income below 135% of the federal  
28 poverty guideline) and certain verification requirements that the Illinois rules do  
29 not include.

30  
31 Federal "default status" would severely limit the Commission's flexibility and  
32 remove its discretion to establish Lifeline and Link-Up eligibility and verification  
33 policies for Illinois. Only two years ago, UTAC, its member local exchange  
34 carriers, and the Commission concluded a rulemaking proceeding (Docket No.  
35 07-0476) that successfully established to the FCC that Illinois is not a default  
36 state.

37  
38 Termination all UTSAP benefits, even temporarily, could reverse this result. This  
39 would be very unfortunate, because the Commission would be required to adopt  
40 the federal Lifeline and Link-Up default rules. Such a rulemaking process, and the  
41 accompanying Lifeline and Link-Up eligibility changes, would be burdensome  
42 and time-consuming for the Commission, UTAC, and the carriers. Moreover, it  
43 would be wasteful and counterproductive, as UTAC hopes that the UTSAP fund  
44 can be sustained longer-term at an appropriate benefit level, so that Illinois can  
45 avoid becoming a federal default state.

1 Q26. Why does UTAC request that this case be handled on an expedited basis?  
2

3 A26. As noted in Question and Answer 19, the present level of claims for  
4 reimbursement will deplete the UTSAP fund rapidly if the benefit level remains at  
5 \$12. In order to preserve the fund, urgent action is needed to reduce the UTSAP  
6 expenses. UTAC has no employees and very modest administrative expenses.  
7 Consequently, the only meaningful way to reduce UTSAP expenses is to reduce  
8 the level of the benefit at least temporarily.  
9

10 Q27. Could UTAC increase its income rather than reducing the level of UTSAP  
11 benefits?  
12

13 A27. This would be very difficult and costly. Income to the UTSAP fund comes only  
14 from voluntary contributions and interest income. Unfortunately, despite  
15 UTAC's ongoing publicity efforts, UTSAP contributions have been decreasing  
16 steadily since 2000. For the first 8 months of 2010, contributions averaged almost  
17 \$33,000 per month. Interest income has averaged \$1656 monthly, for an average  
18 total income of \$34,656 monthly. This income was more than sufficient when  
19 reimbursement claims averaged \$25,000 per month. However, with  
20 reimbursement claims in excess of \$80,000 since June, 2010, it is clear that  
21 UTSAP program costs significantly exceed the funds available from contributions  
22 and interest. UTAC and its public relations consultant, Filson-Gordon, do not see  
23 any realistic possibility of increasing contributions to UTAC sufficiently to cover  
24 the increased claims by these competitive ETCs without diverting an  
25 unacceptably large portion of the UTSAP funds to fund-raising efforts.  
26

27 Q28. Could UTAC lower the UTSAP expenses by investigating and potentially deny  
28 some of the claims of these three competitive ETCs rather than reducing the  
29 benefit level for all carriers and all new subscribers?  
30

31 A28. UTAC does not have the authority, resources or expertise to perform case-by-case  
32 audits or comprehensive investigations of these competitive ETCs. However, the  
33 Commission or its Staff may consider initiating an investigation of any or all of  
34 these companies, if it has concerns regarding the lawfulness of the companies'  
35 enrollment of record numbers of low-income subscribers or of their UTSAP  
36 installation waiver reimbursement requests.  
37

38 As noted above, UTAC has sent these three competitive ETCs general questions  
39 and has received their responses. Taking these responses at face value, it appears  
40 that the companies were coincidentally pursuing aggressive marketing strategies,  
41 including door-to-door and in-person solicitation and offers of free first-month  
42 service during the same time period of July through December, 2010.  
43

44 On one hand, UTAC is pleased that there are carriers with a special interest in the  
45 low-income, credit-impaired market that are willing to experiment with outreach  
46 efforts to connect new telephone subscribers. These kinds of carriers may be

1 more effective than traditional local exchange carriers in reaching low-income  
2 telephone subscribers and, thus, in promoting universal telephone service in  
3 Illinois.

4  
5 On the other hand, in their responses to UTAC's questions, even IQ Telecom and  
6 MTI recognized that their recent aggressive marketing approaches enrolled many  
7 new telephone subscribers but did not retain them on the telephone network  
8 beyond the initial free month of service. When the rules governing the UTSAP  
9 (83 Ill. Adm. Code Part 757) were drafted, there was no competition in the low-  
10 income local exchange telephone market and customers could not leave one  
11 company for another. This revolving door of telephone service for low income  
12 customers was not contemplated. Consequently, the rules did not address the  
13 problem of customers receiving connection fee waivers from different carriers at  
14 the same address, or the problem of carriers receiving reimbursement from the  
15 UTSAP for customers who are disconnected after only a month of service.

16  
17 In short, taking the information that UTAC received from the competitive ETCs  
18 at face value, they may be entitled to reimbursement from the UTSAP fund under  
19 Part 757. At the same time, Part 757 may not reflect the current  
20 telecommunications industry, and may not sufficiently safeguard UTSAP funds to  
21 ensure that they are only expended in a manner that promotes universal telephone  
22 service. In the next several months, UTAC will consider whether there are  
23 amendments to Part 757 that could address these concerns.  
24

25 Q29. If the Commission reduces the UTSAP supplemental assistance level, will carriers  
26 need to file new tariffs?  
27

28 A29. Yes. Any change in the UTSAP supplemental assistance will require carriers to  
29 file new tariffs. Attachment 1 to UTAC's Petition in this proceeding is the form  
30 of tariff for ETCs, reflecting UTSAP supplemental assistance of \$5. Attachment  
31 2 to UTAC's Petition is the form of tariff for local exchange carriers that are not  
32 ETCs, reflecting UTSAP supplemental assistance of \$5.  
33

34 Q30. Why does UTAC request that the Commission's order find that Illinois has a  
35 statutorily-mandated telephone assistance program, the UTSAP, which provides  
36 state support to the federal Lifeline/Link-Up programs?  
37

38 A30. As noted above, under the FCC's rules, any state that has a state telephone  
39 assistance program and provides state support for the Lifeline/ Link-Up program  
40 is permitted to establish eligibility criteria that differ from the FCC's "default"  
41 eligibility criteria. Illinois meets these criteria because it provides state support to  
42 the Link-Up program, and has established its own eligibility criteria by rule. See  
43 Docket No. 06-0312. On May 21, 2008, the Commission entered a final order in  
44 its rulemaking proceeding in Docket No. 07-0476, expanding the procedures for  
45 eligible telecommunications carriers to verify continuing eligibility for Lifeline.  
46 These rules ensure that Illinois conforms fully to the FCC's requirements for non-

1 default states, as set forth in *Report and Order and Further Notice of Proposed*  
2 *Rulemaking, In the Matter of Lifeline and Link-up*, FCC No. 04-087, WC Docket  
3 No. 03-109 (April 29, 2004), and thereby confirm Illinois' status as a non-default  
4 state. An express finding on this issue by the Commission in this proceeding will  
5 provide further confirmation to the FCC and its Universal Service Administration  
6 Company that Illinois is not a federal default state.  
7

8 Q31. Why does UTAC request that the Commission's order authorize ETCs to continue  
9 to pass through to their qualified low-income customers the full amount of federal  
10 "Tier Two" support?  
11

12 A31. Under 47 C.F.R. §54.403(a)(2), the "Tier Two" federal Lifeline support of \$1.75  
13 per month is available if the ETC certifies to the Universal Service Administration  
14 Company that it will pass through the full amount of Tier-Two support to its  
15 qualifying, low-income consumers and that it has received any non-federal  
16 regulatory approvals necessary to implement the required rate reduction. The  
17 Commission's authorization to pass through this "Tier Two" amount provides  
18 ETCs with the "non-federal regulatory approvals" necessary to implement the  
19 pass-through and to provide the required certification to USAC.  
20

21 Q32. Does this conclude your direct testimony?  
22

23 A32. Yes, it does.  
24