

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

GENESEO TELEPHONE COMPANY,	:	
CAMBRIDGE TELEPHONE COMPANY	:	
and HENRY COUNTY TELEPHONE	:	
COMPANY	:	Docket No. 11-210
	:	
Petition for Universal Service Support	:	
	:	(cons.)
ILLINOIS INDEPENDENT TELEPHONE	:	
ASSOCIATION	:	
	:	Docket No. 11-211
Petition to update the Section 13-301(1)(d)	:	
Illinois Universal Service Fund and to	:	
implement Intrastate Switched Access	:	
Charge reform as described herein and for	:	
other relief.	:	

Supplemental Direct and Rebuttal Testimony of

SCOTT RUBINS

President and CEO of Geneseo Telephone Company and
Cambridge Telephone Company, and General Manager of
Henry County Telephone Company

On Behalf of
Geneseo Telephone Company,
Cambridge Telephone Company, and
Henry County Telephone Company

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1 **I. INTRODUCTION AND BACKGROUND**

2 **Q. Please state your name.**

3 A. My name is Scott Rubins.

4 **Q. Are you the same Scott Rubins that filed direct testimony in these**
5 **consolidated dockets on behalf of Geneseo Telephone Company (“Geneseo”),**
6 **Cambridge Telephone Company (“Cambridge”), and Henry County**
7 **Telephone Company (“Henry County”) (together, “GCHC”)?**

8 A. Yes.

9 **B. Purpose of Testimony**

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

11 A. My testimony is threefold. First, I discuss how the action taken by the Federal
12 Communications Commission (“FCC”) in reforming federal universal service
13 funding so that it may be used to support the expansion of broadband through,
14 among other things, the creation of the Connect America Fund, adds further
15 support to GCHC’s request that Access to Broadband Service be added as a
16 supported service eligible for Illinois Universal Service Fun (“IUSF”) funding.
17 Second, my testimony responds to Direct Testimony filed by the Illinois
18 Commerce Commission staff witness Jeffrey H. Hoagg, AT&T Illinois witness
19 James E. Stidham and the Illinois Independent Telecommunications Associations
20 witness Robert Schoonmaker. I will examine the few issues each raises
21 concerning the GCHC proposal. Third, I submit basic, unadjusted Schedule 1.01s
22 for the three GCHC companies in the event that the Commission insists on

23 maintaining the existing structure for Illinois Universal Service funding.

24 **C. Summary of Conclusions**

25 **Q. Please summarize the conclusions of your supplemental direct and rebuttal**
26 **testimony.**

27 A. Based on the telecommunications needs, technologies and available services that
28 have developed since the IUSF was established nearly ten years ago, the list of
29 Illinois supported communications services should be expanded to include Access
30 to Broadband Service. In order to promote this change, the Commission should
31 adopt GCHC's request for funding based upon the methodology shown in GCHC
32 Exhibit 2.1. In the event that Access to Broadband Service is not added as a
33 supported service and the Commission determines that funding should continue
34 using only the Schedule 1.01 methodology, then the GCHC companies should
35 receive funding to the extent appropriate based upon the Schedule 1.01s attached
36 as exhibits to this testimony (GCHC Exhibits 3.3, 3.4 and 3.5).

37 **D. Exhibits**

38 **Q. Are you sponsoring any exhibits?**

39 A. Yes. I am sponsoring the following exhibits:

<u>Exhibit No.</u>	<u>Description</u>
GCHC Ex. 3.1	FCC October 27, 2011 Press Release
GCHC Ex. 3.2	FCC Report & Order (released November 18, 2011)
GCHC Ex. 3.3	Geneseo Telephone Company Schedule 1.01
GCHC Ex. 3.4	Cambridge Telephone Company Schedule 1.01

40 **II. FCC REPORT AND ORDER**41 **Q. Has the FCC taken action since your last testimony?**

42 A. Yes. On October 27, 2011, the FCC voted unanimously to reform universal
43 service and access rates which, in the press release announcing its actions (GCHC
44 Ex 3.1), the FCC described as “the most significant policy step ever taken to
45 connect all Americans to High-Speed Internet” that would “create a new Connect
46 America Fund . . . which will extend broadband infrastructure to the millions of
47 Americans who currently have no access to Broadband.”

48 The FCC’s actions were set out in full in a Report and Order and Further
49 Notice of Proposed Rulemaking issued on November 18, 2011 (the “FCC Order”)
50 (GCHC Exhibit 3.2). Significantly, with respect to broadband, the FCC Order
51 implemented several reforms so that not only *may* federal universal service funds
52 now be used to support broadband services, but mandates that the federal high
53 cost fund be transformed so that support for broadband services becomes *the*
54 *focus* of federal USF. Among other things, the FCC Order:

- 55 • Adopts “support for advance services” as an express principle
56 requiring that “Universal service support should be directed where
57 possible to networks that provide advanced services, as well as voice
58 services” (GCHC 3.2 at ¶¶ 17, 45);
- 59 • Adopts performance goals that include “ensur[ing] universal
60 availability of voice *and broadband* to homes, business and community

61 anchor institutions” so that Americans in all parts of the nation have
62 access to “modern networks capable of delivering broadband and voice
63 service” (*Id.* at ¶¶ 48, 51, emphasis added);

64 • Clarifies that the federal support received by carriers may be used
65 to enable the deployment of broadband facilities used to provide supported
66 telecommunications services as well as other services (*id.* at ¶ 64),
67 including amending 47 C.F.R. § 54.7 to provide that federal universal
68 support shall include “investments in plant that can, either as built or with
69 the addition of plant elements, when available, provide access to advanced
70 telecommunications and information services” (*Id.* at p. 539);

71 • Establishes as a condition of receiving federal high-cost universal
72 service support that all Eligible Telecommunications Carriers (“ETCs”)
73 will be required to offer broadband service in their supported areas that
74 meet certain performance measures (i.e., 4 Mbps downstream and 1 Mbps
75 upstream) (*Id.* at ¶¶ 86, 94);

76 • Creates a Connect America Fund (“CAF”) to direct universal
77 support funds specifically for use in expanding broadband service as
78 quickly as possible, including incremental funding for deployment to
79 unserved locations, which ultimately will replace all existing high-cost
80 support mechanisms (*Id.* at ¶¶ 20, 137-150);

81 • Requires that rate of return carriers (such as all of the carriers who
82 are parties to these proceedings) “use their support in a manner consistent
83 with achieving universal availability of voice *and broadband*” (*id.* at ¶

84 205, emphasis added), imposing a requirement on such carriers who
85 receive federal USF and/or CAF funding beginning July 1, 2012 to
86 “provide broadband service at speeds of at least 4 Mbps downstream and 1
87 Mbps upstream with latency suitable for real-time applications, such as
88 VoIP, and with usage capacity reasonably comparable to that available in
89 residential terrestrial fixed broadband offerings in urban areas, upon
90 reasonable request.” (*Id.* at ¶¶ 206, 208); and

91 • Replaces the previous list of nine supported services in 47 C.F.R. §
92 54.101 with the classification “voice telephony service,” for purposes of
93 shifting to a “technologically neutral approach,” with a list of certain
94 functionalities that voice telephony service must include (voice grade
95 access to public switched network, minutes of use for local service for no
96 additional charge to end users, toll limitations to qualifying low-income
97 consumers, and emergency services 911 and enhanced 911 services to the
98 extent implemented by local government in carrier’s service area) (*Id.* at ¶
99 78 and p. 539).

100 **Q. How has the FCC described why it took the actions it did in the FCC Order?**

101 A. In the opening paragraphs of the FCC Order, the FCC provided the following
102 statements concerning the reasons for its actions:

103 *“Today the Commission comprehensively reforms and modernizes the universal*
104 *service and intercarrier compensation systems to ensure that robust, affordable*
105 *voice and broadband service, both fixed and mobile, are available to Americans*
106 *throughout the nation.”* (*Id.* at ¶1)

107 *“Fixed and mobile broadband have become crucial to our nation’s economic*
108 *growth, global competitiveness, and civic life. Businesses need broadband to*
109 *attract customers and employees, job-seekers need broadband to find jobs and*
110 *training, and children need broadband to get a world-class education.” (Id. at ¶*
111 *3)*

112 *“The universal service challenge of our time is to ensure that all Americans are*
113 *served by networks that support high-speed broadband access—in addition to*
114 *basic voice service—where they live, work, and travel” (Id. at ¶ 5)*

115 *“We create the Connect America Fund, which will ultimately replace all existing*
116 *high-cost support mechanisms. The CAF will help make broadband available to*
117 *homes, businesses, and community anchor institutions in areas that do not, or*
118 *would not otherwise, have broadband, including mobile voice and broadband*
119 *networks in areas that do not, or would not otherwise, have mobile service, and*
120 *broadband in the most remote areas of the nation.” (Id. at ¶ 20)*

121 **Q. In light of the FCC Order, do you still request that the Commission update**
122 **the list of Illinois supported services to add “Access to Broadband Service” as**
123 **a supported service as you proposed in your Direct Testimony?**

124 A. Yes, I still propose adding Access to Broadband Service as a supported service for
125 all the reasons stated in my direct and rebuttal testimony. Under the Illinois
126 Public Utilities Act, 220 ILCS 5/13-301(2)(a), the only “supported
127 telecommunications services” for which Illinois Universal Service funding is
128 automatically required are those services defined by the FCC in 47 C.F.R. §

129 54.101 (previously the nine supported services discussed in my direct testimony,
130 now classified as “voice telephony” service). The FCC Order expressly stated
131 that broadband was not added to the list of supported services, but rather, as
132 discussed above, the FCC now requires recipients of USF to provide broadband at
133 speeds of at least 4 Mbps downstream and 1 Mbps upstream and amended 47
134 C.F.R. § 54.7 so that federal universal service funding may be used for
135 investments in plant that can provide access to advanced telecommunications and
136 information services. (*Id.* at ¶ 65 and p. 539) Accordingly, in order for Illinois
137 Universal Service funding to be used to support the ability of rural Illinois
138 residents to receive broadband services at the speeds found to be necessary by the
139 FCC, the list of Illinois supported services must first be amended.

140 As previously discussed in my direct and rebuttal testimony, 220 ILCS
141 5/13-301(2)(a) *requires* that the Commission review and revise the list of Illinois
142 supported telecommunications services and the terms of the IUSF “to reflect
143 changes or enhancements in telecommunications needs, technologies, and
144 available services.” The findings and conclusions of the FCC in the FCC Order
145 discussed above support and amplify GCHC’s position that the
146 telecommunications needs and demands of Illinois customers have shifted away
147 from traditional land line voice grade access to the technological advances offered
148 by Access to Broadband Service, and that universal service funding should be
149 modified to account for this change. The thrust of the FCC Order is aligned with
150 and supports GCHC’s position that increased funding of traditional land line
151 services is senseless. Rather, any incremental funding should be devoted to

152 supporting the development of telecommunications networks that can provide
153 “advanced services” as well as voice services.

154 **Q. Does the FCC Order shed further light on how “Access to Broadband**
155 **Service” should be defined?**

156 A. Yes. While some particular critiques of other parties on this issue are addressed
157 in the next section of my testimony, I believe that a refined workable definition
158 for what “Access to Broadband Service” should be is found in the FCC’s
159 amendment to 47 C.F.R. § 54.7: “plant that can, either as built or with the
160 addition of plant elements, when available, provide access to advanced
161 telecommunications and information services.” (*Id.* at p. 539). Further, as
162 GCHC has maintained throughout these proceedings, it welcomes the opportunity
163 to work with the parties in this case in order to determine a definitive definition
164 what specific costs would fall under IUSF support. If the Commission has the
165 same concern that Staff and the other parties have in this regard, the Commission
166 could, as part of a final Order in these proceedings that adopts Access to
167 Broadband Service as a supported service, direct that workshops be conducted for
168 the purpose of drafting rules to define more specifically what costs may be
169 included in “Access to Broadband Service” and how those costs should be
170 documented.

171 **Q. Does Section 13-804 of the Public Utilities Act prohibit the Commission from**
172 **adopting “Access to Broadband Service” as a supported telecommunications**
173 **service eligible for IUSF?**

174 A. No. By adding “Access to Broadband Service” as a supported

175 telecommunications service eligible for IUSF, the Commission would *not* be
176 regulating the rates, terms, conditions, quality of service, availability,
177 classification or any other aspect of service regarding broadband services,
178 interconnected VoIP or information services. IUSF funding for Access to
179 Broadband Services would merely allow for investment in plant that could be
180 used to provide access to broadband and information services. Moreover, even if
181 such funding would in some way act as such regulation, it would be doing so only
182 to an “extent expressly permitted by and consistent with federal law [and] the
183 regulations of the Federal Communications Commission” in light of the FCC
184 Order. Such funding also would be to the extent allowed by Article XIII of the
185 Illinois Public Utilities Act, namely 220 ILCS 5/13-301. If such regulation
186 existed, therefore, it would fall within Section 13-804’s exceptions. Accordingly,
187 Section 13-804 does not act as an obstacle to adding Access to Broadband
188 Services to the list of Illinois supported services eligible for IUSF funding.

189 **III. RESPONSES TO TESTIMONY OF STAFF AND OTHER PARTIES**

190 **Q. Could you clarify your position on a definition of Access to Broadband**
191 **Service?**

192 A. Yes, AT&T Illinois (“AT&T”) Witness Jim E. Stidham and IITA witness Robert
193 Schoonmaker spend a majority of their rebuttal testimony trying to find
194 inconsistencies with GCHC’s definition of Access to Broadband Service. Mr.
195 Stidham’s and Mr. Schoonmaker’s attempt to confuse the Commission by trying
196 to dissect the definition of broadband lacks merit. To the best I can recall, never
197 in the original IUSF docket did the parties question the definition of the original

198 nine supported services. The FCC’s own FCC Order uses the terms “broadband”
199 over 1,400 times. In only the first 7 paragraphs of the 1430 paragraph FCC
200 Order, the FCC uses the term “broadband service”, (GCHC Ex. 3.2 at ¶ 1),
201 “broadband (*id.* at ¶ 3), “high speed internet access” (*id.* at ¶ 5), and “broadband
202 access” (*id.* at ¶ 7) without providing a definition of those terms such as that
203 sought by Mr. Stidham and Mr. Schoonmaker.

204 One of the major thrusts in their rebuttal testimonies is that the
205 Commission should wait until the FCC acted and that GCHC’s proposal was thus
206 premature. Now that the FCC has acted, as indicated above, an appropriate
207 definition of “Access to Broadband Service” would be that used in the FCC’s
208 amendment to 47 C.F.R. § 54.7: “plant that can, either as built or with the
209 addition of plant elements, when available, provide access to advanced
210 telecommunications and information services.” Further, “broadband” should be
211 defined consistent with what is required by the FCC – speeds of 4 Mbps
212 downstream and 1 Mbps upstream, to be modified as amended in the future by the
213 FCC.

214 As stated in my rebuttal testimony, GCHC would welcome the
215 opportunity to work with the parties in this case in order to determine a definitive
216 definition what specific costs would fall under IUSF support. Further, if Staff
217 and the parties believe that there is further need for definitional clarity or have
218 concerns over the administration of funding for Access to Broadband Service, the
219 answer is not to deny the addition of Access to Broadband Service as a supported
220 telecommunications service. Rather, if it has similar concerns, the Commission

221 should direct workshops to develop rules that further define the terms involved
222 and outline procedures for the administration of funding.

223 **Q. Mr. Hoagg mentions that GCHC plan “jumps the gun,” and both Mr.**
224 **Stidham and Mr. Schoonmaker call it premature. Do you agree?**

225 A. No. If anything, under GCHC’s plan the Commission will now be able to
226 implement the changes in the federal plan on an expedited basis. Thirteen months
227 has passed since GCHC request and all the parties have placed testimony on the
228 record. The FCC plan implemented changes starting January 1, 2012. The new
229 Connect America Fund is scheduled to begin July 1, 2012.

230 **Q. Mr. Hoagg mentions that Section 13-517(a) as another reason why the**
231 **Commission should not act on GCHC proposal. Can you clarify 13-517(a)?**

232 A. Mr. Hoagg properly cites the rule, but has omitted that the Illinois Commerce
233 Commission (“ICC”) defined advanced services as speeds at a minimum of 200kb
234 in one direction¹. This means early Broadband was developed, in GCHC
235 circumstances, to deliver at only 200kb. The new FCC definition of Broadband is
236 at 20 times that rate, or 4 Mbps downstream and 1 Mbps upstream. Mr. Hoagg’s
237 statistics are correct as GCHC’s advanced services can meet the ICC definition of
238 200kb to at least 80% of its customers. However, with only 200kb delivery,
239 Broadband experience is not much better than traditional dial-up (56kb). Netflix,
240 Google Maps, iTunes downloads or even sending and receiving large email
241 attachments are almost impossible at 200kb speeds. Furthermore GCHC

¹ Section 13-517(c) states: “As used in this Section, “advanced telecommunications services” means services capable of supporting, in at least one direction, a speed in excess of 200 kilobits per second (kbps) to the network demarcation point at the subscriber’s premises.”

242 technology to deliver the 200kb is 10 years old and is completely different than
243 that used by GCHC to deliver 4Mb speeds today.

244 **Q. Mr. Hoagg concludes that actual invoice cost does not meet the definition of**
245 **economic costs. Do you agree?**

246 A. No, as I cannot image any other type of cost method that would more closely
247 align that actual invoice costs. Economic costs in its purest form are the eventual
248 actual invoice costs. All forward looking models, including those used in
249 development of the IITA request, involve some form of variable inputs that may
250 or may not match up with actual invoiced results. Under GCHC plan, the
251 Commission will be able to identify, locate and specifically justify each and every
252 dollar spent in IUSF funding, unlike today's process whereby the Commission has
253 no information on how funds are spent.

254 In GCHC Ex 3.1, page 2, the FCC states:

255 **“DEMAND ACCOUNTABILITY:** In order to receive Connect America
256 Fund support, carriers must demonstrate that they are deploying
257 broadband to their customers. These networks must meet performance
258 criteria that enable the use of common applications such as distance
259 learning, remote health monitoring, VOIP, two way high quality video
260 conferencing, Web Browsing, and email”

261 GCHC's approach to determining economic costs would work towards meeting
262 this goal. Further, by using actual costs, the GCHC proposal meets the
263 Commission's direction in its September 29, 2009 Second Interim Order on

264 Remand in I.C.C. Docket Nos. 00-0233 and 00-0335 consolidated (at p. 13) that
265 further modification of IUSF funding be based on an examination of an individual
266 company's "actual costs of providing supported services and whether those costs
267 are reasonable." Further, GCHC's proposal to use actual costs for investment in
268 plant for Access to Broadband Service is consistent with the approach being
269 proposed by the FCC in its Notice of Proposed Rulemaking for CAF funding of
270 rate of return carriers. (See FCC Order, GCHC Ex. 3.2 at ¶ 1033)

271 **Q. Mr. Schoonmaker testified that the GCHC plan would improperly force**
272 **companies to choose whether to use IUSF for the current nine supported**
273 **voice services or Access to Broadband Service (see IITA Exhibit 2.0 at 3-5).**
274 **Do you agree?**

275 A. No. Although GCHC has stated it would prefer to see all IUSF funding go to
276 Broadband deployment, it cannot support or propose such a limitation on the use
277 of IUSF funding because of statutory requirements. What the GCHC plan offered
278 was an alternative method to calculate levels of IUSF support; any IUSF funding
279 received could be used to support any or all of the nine existing supported
280 services plus Access to Broadband Service.

281 **Q. In Mr. Hoagg's testimony he mentions in several places (Hoagg Dir., ICC**
282 **STAFF Ex. 1.0, 6:119, 9:191, 9:195 and 17:441) about these funds being**
283 **"public funding"? Do you wish to add anything to this?**

284 A. Yes, I agree with Mr. Hoagg that this is public funding, which since inception,
285 totals over \$100 million. Under GCHC's proposal, much like the FCC's, future

286 funds can be targeted to Broadband deployment, and not simply to subsidize the
287 public switched telecommunications network. Although GCHC has stated it
288 would prefer to see all IUSF funding go to Broadband deployment, it cannot
289 support or proposed such a requirement that this be done because of statutory
290 requirements. Therefore, as Mr. Hoagg testifies, the Commission is charged with
291 making sure “that public monies (in this instance monies collected from telephone
292 subscribers around the entire state) are not used to subsidize any service for which
293 a subsidy is not appropriate”. (Hoagg Dir., ICC Staff Ex. 1.0, 9:191-193). This is
294 the reason why GCHC has requested that the Commission add it to the list of
295 supported services and definitively put in place a method whereby the
296 Commission can ensure that these funds are being used for their intended purpose.
297 In ICC staff witness Mary Emerson testimony, Viola Home was attempting to put
298 items such as flowers, floral arrangements, advertisement for wireless, croissants
299 for Christmas, and Christmas party expenses into its Schedule 1.01, and thus,
300 receiving dollar for dollar IUSF support. Under GCHC proposal this could never
301 happen as actual invoice costs could easily identify these types of items, and
302 accordingly, deny such request prior to being granted regardless of whether it was
303 broadband or public switched network. Furthermore, under an invoice based
304 system, items could be added or subtracted from the approved list of costs as the
305 Commission deems appropriate or FCC action requires a change in the list of
306 supported services. In order to ensure compliance, GCHC would not object that
307 the IUSF plan undergo an audit ever year. This additional step would ensure
308 public moneys are being spent consistent with the Commission’s charge, and not

309 “Croissants for Christmas”. An audit would also deter companies from “gold-
310 plating” as outlined in Mr. Hoagg’s testimony.

311 **Q. Did any other FCC action on October 27, 2011 align with GCHC’s plan?**

312 A. Yes, the FCC plan will limit any one carrier’s Connect America Funds to \$250
313 per line per month. The GCHC plan similarly calls for a per line per month limit,
314 albeit an amount considerably less than allowed for by the FCC – i.e., \$15.46 per
315 line per month.

316 **Q. In Mr. Hoagg testimony he states “If the Commission accepts the GCHC
317 proposal for the three GCHC companies, what action, if any, should the
318 Commission take concerning their access rates?”**

319 A. The FCC plan calls for a transitioning of intrastate access rates to interstate access
320 rates, and rates will need to be in parity on July 1, 2013. Therefore, GCHC will
321 abide by the FCC action and make its first rate reduction July 1, 2012. Should the
322 Commission act on GCH request prior to July 1, 2012, GCHC would be happy to
323 file the rate reduction effective on the date GCHC is eligible to receive the new
324 IUSF funding.

325 **Q. Do you have a response to Mr. Schoonmaker’s testimony concerning “actual
326 need for support” (IITA Exhibit 2.0 at 7:122-8:148)?**

327 A. Yes. First, nowhere in Section 13-301(d) is there a requirement for establishing
328 an “actual need for support.” Second, the discussion at issue in the Second
329 Interim Order was directed to the Commission’s investigation and determination
330 of whether it would be appropriate to establish a universal service fund *in the first*
331 *instance*. That analysis is not applicable here. Moreover, Mr. Schoonmaker’s

332 reference to this portion of the Second Interim Order is misleading in this context
333 because the Commission’s concerns about “actual need” were in relation to the
334 IITA’s use of the rate of return (i.e., Schedule 1.01) approach to determine
335 funding levels, because rate of return results “do not reveal information specific to
336 the costs and revenues of the set of services” eligible for IUSF support. (Second
337 Interim Order at 37-38) As addressed in my direct and rebuttal testimonies, and
338 elsewhere in this testimony, such concerns are remedied by the use of actual costs
339 in GCHC’s proposal. Under the GCHC plan, actual costs for investments in
340 Access to Broadband Service will be used to show how, without support, such
341 investments would be in excess of an affordable rate. Third, the evidence
342 discussed in my direct and rebuttal testimonies as well as the findings and
343 conclusions of the FCC in the FCC Order demonstrate that there is an “actual
344 need” for small rural companies such as the GCHC companies to be able to use
345 universal service funding support to enable access to broadband as defined by the
346 FCC. Finally, the Commission has received financial information concerning the
347 GCHC companies and, if it deems necessary, could cap those companies’ support
348 based upon the Commission’s determination of “need” if the Commission deems
349 it appropriate.

350 **Q. Do you have a response to the criticisms of Mr. Schoonmaker and Mr.**
351 **Stidham to the affordable rate of \$15.46 for Access to Broadband Service**
352 **proposed by GCHC?**

353 A. Yes. Contrary to their testimony, nothing in Section 13-301(1)(d) requires that a
354 single affordable rate be established for all of the supported services on a

355 combined basis. Such a reading of the statute would unnecessarily deprive the
356 Commission of its ability to create a universal service fund that provides an
357 appropriate level of support for each of the supported services. Conceptually, an
358 affordable rate could be developed for each supported service and compared to
359 the economic cost of that service, with the differences for each service aggregated
360 to develop the overall size of the fund. Further, the criticisms of GCHC's
361 development of an affordable rate for Access to Broadband lack any factual basis.
362 Neither Section 13-301(1)(d) nor the Commission rules provide any guidance or
363 definition of "affordable rate." GCHC's analysis demonstrates a factually
364 supported method of developing a rate for Access to Broadband Service that
365 would meet the public policy goal of making Access to Broadband Service
366 universal – a rate that the evidence demonstrates would be affordable to all
367 Illinois residents as well as a rate that virtually all non-adopters of broadband
368 would be willing to pay. Moreover, a review of the Second Interim Order (at pp.
369 20-23) reveals that similar concepts and concerns were included in the arguments
370 and analysis of the IITA and Staff in attempting to determine an affordable rate
371 for the current nine Illinois supported services.

372 **Q. Do you have anything further to state with respect to the affordable rate for**
373 **Access to Broadband Service proposed by GCHC?**

374 A. Yes. In the Notice of Proposed Rulemaking portion of the FCC Order for rate of
375 return carriers obtaining funding from the Connect America Fund, an initial
376 "benchmark" representing wholesale broadband costs in urban areas is proposed
377 to be set at \$19.25, with companies recovering for the amount that their *actual*

378 costs exceed that benchmark on a broadband lines in service basis. (GCHC
379 Exhibit 3.2 at ¶ 1033) I note that this benchmark amount is in line with GCHC's
380 affordable rate of \$15.46, and that the overall approach of using a company's
381 actual costs compared to a benchmark rate multiplied by a company's number of
382 lines is consistent with the approach of the GCHC plan.

383 **Q. Did the FCC Order change anything else that you have previously filed?**

384 A. No, the only item the FCC did that GCHC would support is placing a timeframe
385 and transition for the new IUSF funding of Access to Broadband Service. The
386 FCC Order places an eight year timeframe to phase out intercarrier compensation.
387 GCHC supports this same timeframe and would support an eight year timeframe
388 for the IUSF funding of Access to Broadband Service. After eight years, unless a
389 carrier specifically request an extension, or the Commission deems it necessary to
390 advance network upgrades further, the IUSF funding for Access to Broadband
391 Service would be eliminated.

392 **Q. What about Mr. Schoonmaker's concerns that under the GCHC proposal,**
393 **Access to Broadband Service would only provide for recovery of investment**
394 **costs and not ongoing economic costs for providing Access to Broadband**
395 **Service, such as maintenance, repairs or system monitoring (IITA Exhibit 2.0**
396 **at 6:113-117, 18:370-377)?**

397 A. Mr. Schoonmaker's concerns are misplaced. The approach of the GCHC
398 proposal with regard to what costs may be recovered for Access to Broadband
399 Service is consistent with the approach of the FCC in the FCC Order. Moreover,

400 to the extent that a company incurs actual costs for maintenance, repairs or system
401 monitoring that is an investment in plant that can provide access to advanced
402 telecommunications, then those actual costs may be recovered as Access to
403 Broadband Service.

404 **IV. SCHEDULE 1.01s**

405 **Q. In the event that the Commission decides to continue Illinois Universal**
406 **Service funding solely through the use of Schedule 1.01s, do the GCHC**
407 **companies request funding under that mechanism?**

408 A. For all of the reasons stated in my earlier testimony, GCHC believes that it would
409 be wrong to continue making Illinois Universal Service funding decisions based
410 upon the Schedule 1.01 methodology. Further, GCHC stands by the criticisms it
411 has made in its earlier testimony concerning aspects of the Schedule 1.01s
412 submitted by IITA members in these proceedings, such as the use of the highest
413 effective tax rates and ambiguous “allowable adjustments.”

414 Nevertheless, GCHC recognizes the possibility that the Commission
415 ultimately may decide at the end of these proceedings to continue using Schedule
416 1.01s in determining IUSF funding. If that should be the case, then the GCHC
417 companies hereby request that they receive any Illinois Universal Service funding
418 to which they are entitled based upon the Schedule 1.01s attached to this
419 testimony for Geneseo Telephone Company (GCHC Exhibit 3.3), Cambridge
420 Telephone Company (GCHC Exhibit 3.4), and Henry County Telephone
421 Company (GCHC Exhibit 3.5).

422 **Q. Did you complete the Schedule 1.01s for the GCHC companies in accordance**
423 **with its instructions and based on the companies' Schedule 23A or other**
424 **information filed by the companies with the Commission?**

425 A. Yes, I completed the attached Schedule 1.01 for the GCHC companies based on
426 their Schedule 23A or other information filed with the Commission for the year
427 ended December 31, 2010. For certain information that was not available from
428 the Schedule 23As filed with the Commission I used the records of the GCHC
429 companies as the source of information.

430 **Q. Are the GCHC companies' Schedule 1.01s (GCHC Exhibits 3.3, 3.4 and 3.5)**
431 **true and correct to the best of your knowledge, information and belief?**

432 A. Yes. A substantial part of the information included in the Schedule 1,01s comes
433 directly from the Form 23As. As stated in the accountant's report that
434 accompanies each Form 23A as filed with the Commission fro the year 2010, the
435 GCHC companies' financial statements and any supplementary information
436 included in the prescribed form were prepared in accordance with Standards for
437 Accounting and Review Services issued by the American Institute of Certified
438 Public Accountants. The GCHC companies' financial statements and records are
439 kept in accordance with Generally Accepted Accounting Principles (GAAP) and
440 FCC Part 32 accounting rules. In addition, information that is presented in the
441 Schedule 1.01s that did not come from these sources, but from the GCHC
442 companies' records is also true and correct to the best of my knowledge,
443 information, and belief.

444 **Q. Did you make any adjustments to the Schedule 1.01s as described by Mr.**
445 **Schoonmaker in his direct testimony?**

446 A. No.

447 **Q. Are these the same Schedule 1.01s that GCHC provided in response to Staff**
448 **Data Request JZ 1.01 in these proceedings?**

449 A. Yes, the GCHC companies' Schedule 1.01s attached as exhibits to this testimony
450 were previously provided as Attachments 01, 02 and 03 to GCHC's response to
451 Staff Data Request JZ 1.01, dated May 20, 2011.

452 **Q. Do you have anything further with respect to the Commission potentially**
453 **determining IUSF funding based on Schedule 1.01s?**

454 A. Yes. GCHC requests that in the event the Commission determines that Access to
455 Broadband Services is not added as a supported service and funding determined
456 based on Schedule 1.01s, that the Commission clarify in its order that IUSF may
457 be used for all purposes allowed for by the FCC pursuant to 47 C.F.R. § 54.7.

458 **Q. Does this conclude your testimony?**

459 A. Yes it does