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BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

In the matter of Petition of VCI
Company for Designation as an Eligible
Telecommunications Carrier

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Case No. CO-2006-0464

DIRECT TESTIMONY
OF
STANLEY JOHNSON
ON BEHALF OF VCI COMPANY

FILED²

MAY 04 2007

AUGUST 24, 2006

Missouri Public
Service Commission

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Case No(s) CO-2006-0464
Date 4-18-07 Rptr JMS

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AFFIDAVIT OF STANLEY JOHNSON

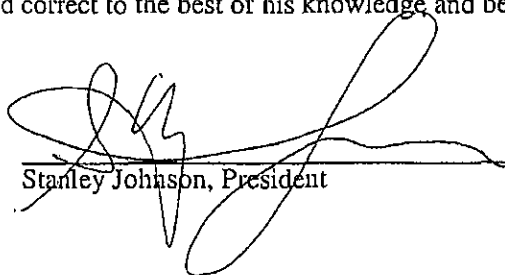
STATE OF WASHINGTON)

COUNTY OF PIERCE)

ss. Lakewood

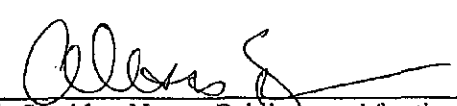
Stanley Johnson, of lawful age, on his oath states:

1. that he has participated in the preparation of the foregoing Direct Testimony in question and answer form;
2. that the answers in the foregoing Direct Testimony were given by him;
3. that he has knowledge of the matters set forth in such answers; and
4. that such matters are true and correct to the best of his knowledge and belief.


Stanley Johnson, President

Subscribed and sworn to before me this 24nd day of August, 2006.




Alexis Steckler, Notary Public in and for the State
of Washington, residing at Pierce County.

My Commission expires: 3-31-09

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I. INTRODUCTION AND BACKGROUND

Q. PLEASE STATE YOUR NAME, TITLE AND YOUR BUSINESS ADDRESS.

A. My name is Stanley Johnson. I am President of VCI Company ("VCI"). My business address currently is 3875 Steilacoom Blvd. S.W. #A, Lakewood, WA 98499. As of September 15, 2006, the company's physical address will be 2228 S. 78th Street, Tacoma, Washington 98409-9050.

Q. PLEASE DESCRIBE YOUR CURRENT POSITION AND YOUR EXPERIENCE IN THE INDUSTRY.

A. I am co-founder, President and 50% owner of VCI. With my business partner, Stan Efferding, I am responsible for all aspects of VCI's operations. I have substantial knowledge of VCI's overall business operations and services and of the services VCI will offer once designated as an Eligible Telecommunications Carrier ("ETC"), including its features, pricing and service areas. I have been co-owner and President of VCI since 2002. Prior to VCI's formation in 2002, I worked as a business analyst at several companies, including Wells Fargo Bank, International Business Machines and Bayer Health Care. I have an MBA from Eastern Michigan University and a B.S. degree from Norfolk State University in Virginia.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to sponsor VCI's application for ETC designation in Missouri. I will explain why VCI is seeking ETC status, how VCI meets the requirements of the Missouri Public Service Commission and the Federal Communications Commission for ETC designation, and why granting VCI's application would be consistent with the public interest, convenience, and necessity.

Q. PLEASE PROVIDE AN OVERVIEW OF VCI'S OPERATIONS.

A. VCI is a privately held corporation organized under the laws of the state of Washington on November 24, 2003. The company employs approximately 65

1 employees all located in the company's office in Tacoma. VCI's focus is on
2 providing basic local exchange service to low-income consumers qualifying for
3 Lifeline and Link-Up services. The company is authorized to provide local
4 exchange service in the following states: California, Colorado, Florida, Georgia,
5 Idaho, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi,
6 Montana, Nebraska, Missouri, New Mexico, North Dakota, Oregon, South
7 Dakota, Tennessee, Texas, Utah, Washington, Wisconsin and Wyoming.

8
9 The Commission authorized VCI to provide local exchange services by order
10 issued March 31, 2006 in Case No. CA-2006-0323. The interconnection
11 agreement entered into between VCI and AT&T Missouri was approved by order
12 issued July 11, 2006 in Case No. CK-2006-0446.

13 Q. HAS VCI BEEN DESIGNATED AN ETC IN ANY OTHER STATES?

14 A. Yes. VCI has been designated an ETC in the following states: California,
15 Colorado, Florida, Idaho, Iowa, Michigan, Minnesota, Nebraska, North Dakota,
16 Oregon, South Dakota, Texas, Utah, Washington and Wyoming. ETC
17 designation is pending in Georgia, Louisiana and Kansas. VCI's Tennessee ETC
18 application was approved in July and the company is waiting for the Tennessee
19 Regulatory Authority to issue an order. VCI serves over 60,000 Lifeline and
20 Link-Up qualified consumers in the states of Florida, Iowa, Michigan, Minnesota,
21 Oregon, North Dakota, South Dakota, Texas, Washington and Wyoming. VCI
22 has not been denied ETC designation in any state where application has been
23 made. VCI withdrew its ETC applications in the states of Nevada and Montana,
24 but intends to refile those applications in the near future.

25 Q. WHAT ARE VCI'S PLANS FOR SERVING END USERS IN MISSOURI?

26 A. VCI plans to provide residential local exchange services, including basic service,
27 and, where facilities permit, custom calling features, in AT&T Missouri's service
28

1 area.

2 Q. WHY IS VCI SEEKING ETC STATUS IN MISSOURI?

3 A. VCI's business plan focuses on providing local exchange services to an
4 underserved and, in some cases, unserved market segment – low-income
5 consumers. VCI believes it provides these consumers, many of whom have been
6 disconnected from other carriers for failure to pay local and long distance
7 telephone bills and who have no telephone service whatsoever, with an affordable
8 alternative to higher priced prepaid local service providers.

9 Q. WHAT IS VCI'S PROPOSED SERVICE AREA FOR ETC DESIGNATION?

10 A. VCI proposes ETC designation in the service territory currently served by AT&T
11 Missouri.

12 Q. WHY HAS VCI IDENTIFIED THIS SERVICE AREA?

13 A. VCI believes that the area served by AT&T Missouri contains significant
14 numbers of consumers who would qualify for Lifeline and Link-Up services.

15 Q. HOW DOES VCI INTEND TO USE FEDERAL SUPPORT FUNDING IF IT IS
16 GRANTED ETC DESIGNATION IN MISSOURI?

17 A. Federal statutes and the rules of the Federal Communications Commission require
18 that federal universal service support must be used only for the provision,
19 maintenance, and upgrading of facilities and services for which the support is
20 intended. (47 C.F.R. § 54.7. 47 U.S.C. § 254(e)).

21
22 The Federal Communications Commission recently clarified the meaning of 47
23 U.S.C. §254(e) and 47 C.F.R. § 54.7 in the case of Lifeline only providers.
24 According to the FCC, an ETC receiving Lifeline support uses that support for the
25 purposes for which it was intended when it reduces the price of the Lifeline
26
27
28

1 service by the amount of the support.¹

2
3 As required by federal regulation and statute, federal low-income support funding
4 will be used exclusively to supplement VCI's provision of low-cost basic local
5 exchange telecommunications service to low-income residential subscribers who
6 are eligible for support under the federal Low-Income Support Mechanism.
7 Specifically, VCI will reduce the price of its services by passing through all
8 applicable state and federal support to its qualified end-users.

9 Q. DOES VCI INTEND TO SEEK OR UTILIZE FEDERAL HIGH COST
10 FUNDING, AS WELL?

11 A. No. VCI does not request reimbursement from any federal high cost funds. VCI
12 will seek reimbursement from the federal Low Income Support Mechanism only.

13 Q. DOES VCI INTEND TO PURSUE FUNDING FROM MISSOURI'S
14 UNIVERSAL SERVICE FUND?

15 A. VCI has not yet determined whether it will seek funding from Missouri's
16 universal service fund. VCI has determined that it can meet the needs of its
17 eligible subscribers in other states exclusively through federal universal service
18 funding. VCI will, however, assess its customers all applicable Missouri
19 Universal Service Fund charges and make all applicable payments to the Missouri
20 Universal Service Fund.

21 Q. WILL VCI'S DESIGNATION AS AN ETC INCREASE FEDERAL FUNDING
22 REQUIREMENTS?

23 A. No. With respect to drawing from Federal low-income funding for eligible
24 subscribers, VCI would be stepping in the shoes of the incumbent when serving

25
26 ¹ In the Matter of Federal-State Joint Board on Universal Service, Petition of TracFone Wireless, Inc. for
27 Forbearance from 47 U.S.C. Section 214(e)(1)(A) and 47 C.F.R. Section 54.201(i), CC Docket No. 96-45, FCC 05-
28 165, 20 FCC Rcd 15095, rel. September 8, 2005, ¶ 26.

1 former ILEC subsidy-eligible subscribers. In so doing, VCI would be placing no
2 additional demands on federal universal service funds. To the extent that VCI's
3 advertising plan generates new telephone customers who have not previously
4 been customers of the ILEC, reimbursement requests from the federal fund will
5 increase. However, as is discussed elsewhere in this testimony, the FCC's policy
6 is to increase participation in the federal Universal Service program. In addition,
7 any increased requests are de minimus compared to the size of the federal
8 Universal Service Fund.

9
10 **II. FEDERAL AND MISSOURI ETC REQUIREMENTS**

11 Q. IS VCI FAMILIAR WITH THE REQUIREMENTS FOR DESIGNATION AS
12 AN ETC?

13 A. Yes. Section 214 (e)(1) of the Communication Act of 1934, as amended, provides
14 that,

15
16 A common carrier designated as an eligible telecommunications
17 carrier ... shall be eligible to receive universal service support in
18 accordance with section 254 of this title and shall, throughout the
19 service area for which the designation is received (A) offer the
20 services that are supported either using its own facilities or a
21 combination of its own facilities and resale of another carrier's
22 services (including the services offered by another eligible
23 telecommunications carrier); and (B) advertise the availability of such
24 services and the charges therefore using media of general distribution.

25
26 Section 214(e)(2) of the Act provides, in the case of areas not served by a rural
27 telephone company, that the state commission shall designate more than one
28 common carrier as an eligible telecommunications carrier, consistent with the
public interest, convenience and necessity.

Pursuant to federal rule 47 C.F.R. §54.101(b), an ETC must provide nine services
or functions as established under 47 C.F.R. §54.101(a), in order to qualify for

1 federal universal service funding. These services are also enumerated under 4
2 CSR 240-3.570 (3)(C)(1). These services include:

- 3 (1) Voice grade access to the public switched network;
4 (2) Local usage;
5 (3) Dual tone multi-frequency signaling or its functional equivalent;
6 (4) Single-party service or its functional equivalent;
7 (5) Access to emergency services;
8 (6) Access to operator services;
9 (7) Access to interexchange service;
10 (8) Access to directory assistance; and
11 (9) Toll limitation for qualifying low-income consumers.

12 Q. ARE THERE ADDITIONAL REQUIREMENTS FOR ETC DESIGNATION?

13 A. Yes. Additional requirements for ETC designation were adopted by the Federal
14 Communications Commission in its March 17, 2005 Order in CC Docket 96-45².

15 ² In the Matter of Federal-State Joint Board on Universal Service, 20 FCC Rcd 6371 (CC Docket No. 96-45, Rel.
16 March 17, 2005) ¶¶ 22-34, hereinafter, "(March 17, 2005 Order)." A carrier requesting ETC designation must:

- 17 (A) Commit to provide service throughout its proposed designated service area to all
18 customers making a reasonable request for service (47 C.F.R. § 54.202(a)(1)(i); 4 CSR
19 240-3.570(3)(C)(3));
20 (B) Provide service on a timely basis to requesting customers within the applicant's service
21 area where the applicant's network already passes the potential customer's premises (47
22 C.F.R. § 54.202(a)(1)(i)(A), 4 C.S.R. 240-3.570(3)(C)(3)(A));
23 (C) Provide service within a reasonable period of time, if the potential customer is within the
24 applicant's licensed service area but outside its existing network coverage, if service can
25 be provided at reasonable cost by:
26 (1) Modifying or replacing the requesting customer's equipment;
27 (2) Deploying a roof-mounted antenna or other equipment;
28 (3) adjusting the nearest cell tower;
(4) Adjusting network or customer facilities;
(5) Reselling services from another carrier's facilities to provide service; or
(6) Employing, leasing or constructing an additional cell site, cell extender,
repeater, or other similar equipment. (47 C.F.R. § 54.202(a)(1)(i)(B); 4 C.S.R. 240-
3.570(3)(C)(3)(B)).
(D) Submit a five-year plan that describes with specificity proposed improvements or
upgrades to the applicant's network on a wire center-by-wire center basis throughout its
proposed designated service area. Each applicant shall demonstrate how signal quality,
coverage or capacity will improve due to the receipt of high-cost support, the projected
start date and completion date for each improvement and the estimated amount of

1 Similar requirements were adopted by the Commission in 4 CSR 240-3.570.

2 Q. DOES VCI BELIEVE THAT THESE REQUIREMENTS APPLY TO
3 WIRELINE, LIFELINE ONLY PROVIDERS?

4 A. No. VCI believes that most, if not all, of the requirements set forth in the March
5 17, 2005 order apply to wireless carriers and carriers that request high cost
6 funding. In fact, the March 17, 2005 Order arose out of the FCC's request to the
7 Joint Board to "review certain of the Commission's rules relating to the high-cost
8 universal service support mechanisms to ensure that the dual goals of preserving
9 universal service and fostering competition continue to be fulfilled."³

10 Q. IS VCI CURRENTLY PROVIDING LOCAL EXCHANGE SERVICE IN
11 MISSOURI?

12 A. No. VCI is not yet providing local exchange service to Missouri consumers.

13
14 investment for each project that is funded by high-cost support; the specific geographic
15 areas where the improvements will be made; and the estimated population that will be
16 served as a result of the improvements. If an applicant believes that service
17 improvements in a particular wire center are not needed, it must explain its basis for this
18 determination and demonstrate how funding will otherwise be used to further the
19 provision of supported services in that area. (47 C.F.R. § 54.202(a)(1)(ii), 4 CSR 240-
20 3.570(2)(A)(2));

17 (E) Demonstrate its ability to remain functional in emergency situations, including a
18 demonstration that it has a reasonable amount of back-up power to ensure functionality
19 without an external power source, is able to reroute traffic around damaged facilities, and
20 is capable of managing traffic spikes resulting from emergency situations (47 C.F.R. §
21 54.202(a)(2) 4 CSR 240-3.570(2)(A)(4));

20 (F) Demonstrate that it will satisfy applicable consumer protection and service quality
21 standards. A commitment by wireless applicants to comply with the Cellular
22 Telecommunications and Internet Association's Consumer Code for Wireless Service
23 will satisfy this requirement. Other commitments will be considered on a case-by-case
24 basis (47 C.F.R. § 54.202(a)(3), 4 CSR 240-3.570(2)(A)(8));

22 (G) Demonstrate that it offers a local usage plan comparable to the one offered by the
23 incumbent LEC in the service areas for which it seeks designation. (47 C.F.R.
24 54.202(a)(4), 4 CSR 240-3.570(2)(A)(10); and

24 (H) Certify that the carrier acknowledges that the Commission may require it to provide equal
25 access to long distance carriers in the event that no other eligible telecommunications
26 carrier is providing equal access within the service area (47 C.F.R. § 54.202(a)(5), 4 CSR
27 240-3.570(2)(A)(9).

28
29 ³ March 17, 2005 Order, ¶ 9.

1 Q IS VCI REQUIRED TO PROVIDE SERVICE IN MISSOURI PRIOR TO OR
2 AS A CONDITION OF OBTAINING ETC DESIGNATION?

3 A. No. Pursuant to the FCC's order released August 10, 2000, Section 214(e)(1) of
4 the Act does not require a carrier to provide supported services throughout a
5 service area prior to being designated an ETC.⁴ The FCC determined, in that
6 order, that applicants can make a reasonable demonstration to the state
7 commission of their capability and commitment to provide universal service
8 without the actual provision of the proposed services.⁵

9 Q. HAS VCI MADE A REASONABLE DEMONSTRATION OF ITS
10 CAPABILITY AND COMMITMENT TO PROVIDE UNIVERSAL SERVICE
11 IN MISSOURI?

12 A. Yes, it has.

13 Q. DOES VCI MEET FCC'S AND MISSOURI COMMISSION'S
14 PREREQUISITES FOR ETC DESIGNATION?

15 A. Yes. VCI is a common carrier as that term is defined in the Act.⁶ The company
16 provides competitive local telecommunications services in several states as
17 indicated elsewhere in this testimony.

18
19 VCI will provide the services described in 47 C.F.R. § 54.101 throughout the
20 service area for which it seeks designation as an ETC. VCI's services will be
21 provided at nondiscriminatory rates, terms, and conditions using a combination of
22 resold services and its own facilities, which, under applicable requirements, will

23
24 ⁴ *In the Matter of the Federal-State Joint Board on Universal Service; Western Wireless Corporation Petition for
Preemption of an Order of the South Dakota Public Utilities Commission*, 15 FCC Rcd. 15168 (CC Docket No. 96-
45, rel. August 10, 2000), ¶ 28.

25 ⁵ *Id.* at ¶ 24.

26 ⁶ See 47 U.S.C. Sec. 153(10) ("the term 'common carrier' or carrier' means any person engaged as a common carrier
27 for hire, in interstate or foreign communication by wire or radio or in interstate or foreign radio transmission of
28 energy).

1 include, in whole or in part, Unbundled Network Elements ("UNEs"). VCI will
2 advertise the availability of the services described in 47 C.F.R. §54.101 and the
3 rates and charges applicable to those services throughout the service area for
4 which it seeks ETC designation through prominent presentation in one or more
5 forms of media of general distribution, including, without limitation, newspapers,
6 television or radio.

7 Q. HOW WILL VCI ADVERTISE THE AVAILABILITY OF ITS ETC SERVICES
8 IN ITS DESIGNATED ETC SERVICE AREAS?

9 A. The Company will advertise the supported services in media of general
10 distribution as required in Section 214(e)(1) of the Act and 4 CSR 240-
11 3.570(2)(A)(6) and (7).

12 Q. WHAT IS VCI'S ADVERTISING PLAN?

13 A. In states where the Company currently is providing service as a designated ETC,
14 the Company advertises the availability of Lifeline and Link-Up service via
15 television advertisements. In addition, the Company has developed brochures in
16 English and Spanish which are displayed in government agency offices and
17 offices of organizations that provide services to low-income consumers, such as
18 state departments of social service, housing offices, and food banks. Finally, the
19 Company advertises its services in newspapers and fliers in Native American
20 communities and also works directly with some tribal coordinators. The
21 Company's advertising plan is designed to provide notification of the existence of
22 low-income programs to the largest number of Lifeline eligible consumers.

23
24 The Company is in compliance with the outreach guidelines adopted by the FCC
25 in its Report and Order and Further Notice of Proposed Rulemaking released
26
27
28

1 April 29, 2004,⁷ including 1) utilizing outreach materials and methods designed to
2 reach households that do not currently have telephone service; 2) developing
3 outreach advertising that can be read or accessed by any sizeable non-English
4 speaking populations within a carrier's service area; and 3) coordination of
5 outreach efforts with governmental agencies/tribes that administer relevant
6 government assistance programs.⁸

7 Q. HOW DOES VCI PLAN TO PROVIDE ITS SERVICES?

8 A. In its first Universal Service Report and Order, the FCC determined that a carrier
9 that provides services via its own facilities or via a combination of resale of the
10 Incumbent Local Exchange Carrier's ("ILEC") services and its own facilities is
11 eligible for designation as an ETC. In that order, the FCC defined the term
12 "facility" to include facilities obtained as UNEs. A carrier may provide service
13 via a combination of resale and its own facilities if it provides some of the
14 supported services over its own facilities and others via resale.⁹

15
16 VCI intends to provide services either over its own facilities or via a combination
17 of resale of the ILEC services and UNEs. The local loop is available to be leased
18 from the ILEC either alone or in combination with unbundled switching and
19 transport. VCI intends to enter into a contract with AT&T to lease products
20 combining the local loop, a UNE, with unbundled switching and transport for
21 provision of service to Missouri consumers.

22 Q. WHAT ARRANGEMENTS DOES VCI HAVE FOR OBTAINING UNES AND

23 ⁷ *In the Matter of Lifeline and Link-Up*, Report and Order and Further Notice of Proposed Rulemaking (WC Docket
24 No. 03-109, rel. April 29, 2004), hereinafter "Lifeline Report and Order."

25 ⁸ Lifeline Report and Order at ¶ 45.

26 ⁹ *In the Matter of Federal-State Joint Board on Universal Service*, Report and Order, 12 FCC Rcd 8776 (CC Docket
27 No. 96-45, Rel. May 8, 1997), ¶¶ 24, 151, 154, 169. (Hereinafter "Universal Service Report and Order"). See also
28 47 CFR

1 ANY WHOLESALE SERVICES THAT IT NEEDS IN ORDER TO PROVIDE
2 SERVICE IN MISSOURI?

3 A. As discussed above, the Commission recently approved the interconnection
4 agreement entered into between VCI and AT&T Missouri. VCI intends to enter
5 into a contract with AT&T to lease products combining the local loop, a UNE,
6 with local switching and transport.

7 Q. PLEASE DESCRIBE HOW VCI WILL PROVIDE VOICE-GRADE ACCESS
8 TO THE PUBLIC SWITCHED NETWORK.

9 A. The FCC has defined "Voice grade access" as "a functionality that enables a user
10 of telecommunications services to transmit voice communications, including
11 signaling the network that the caller wishes to place a call, and to receive voice
12 communications, including receiving a signal indicating there is an incoming call.
13 For the purposes of this part, bandwidth for voice grade access should be, at a
14 minimum, 300 to 3,000 Hertz." 47 C.F.R. §54.101(a)(1). VCI will meet this
15 requirement by providing voice-grade switched access to the public switched
16 telephone network. Through its interconnection arrangements with AT&T
17 Missouri, all customers of VCI will be able to make and receive calls on the
18 public switched telephone network within the specified bandwidth.

19 Q. PLEASE DESCRIBE HOW VCI WILL MEET THE REQUIREMENT OF A
20 LOCAL USAGE PLAN.

21 A. ETCs must include local usage beyond providing simple access to the public
22 switched network as part of a universal service offering. Pursuant to federal
23 regulation, "'Local usage' means an amount of minutes of use of exchange
24 service, prescribed by the Commission, provided free of charge to end users." As
25 indicated in its approved tariff filed with the Commission VCI will provide flat
26 rate, unlimited local exchange service to its customers, and thereby complies with
27 the requirement that all ETCs offer local usage. 47 C.F.R. §54.101(a)(2).
28

1 Q. PLEASE DESCRIBE HOW VCI WILL MEET THE REQUIREMENT OF
2 DUAL TONE MULTI-FREQUENCY SIGNALING OR ITS FUNCTIONAL
3 EQUIVALENT.

4 A. "Dual tone multi-frequency" ("DTMF") is a method of signaling that facilitates
5 the transportation of signaling through the network, shortening call setup time."
6 47 C.F.R. §54.101(a)(3). VCI will use out-of-band digital signaling and in-band
7 multi-frequency (MF) signaling that is functionally equivalent to DTMF
8 signaling, thus VCI satisfies the requirement to provide DTMF or its functional
9 equivalent.

10 Q. PLEASE DESCRIBE HOW VCI WILL MEET THE REQUIREMENT OF
11 SINGLE-PARTY SERVICE OR ITS FUNCTIONAL EQUIVALENT.

12 A. Pursuant to federal regulation, "[S]ingle-party service" is telecommunications
13 service that permits users to have exclusive use of a wireline subscriber loop or
14 access line for each call placed, or, in the case of wireless telecommunications
15 carriers, which use spectrum shared among users to provide service, a dedicated
16 message path for the length of a user's particular transmission." 47 C.F.R.
17 §54.101(a)(4). VCI will meet the requirement of single-party service by providing
18 a dedicated message path for all customer calls.

19 Q. PLEASE DESCRIBE HOW VCI WILL PROVIDE ITS CUSTOMERS WITH
20 ACCESS TO EMERGENCY SERVICES.

21 A. "Access to emergency services" includes access to services, such as 911 and
22 enhanced 911, provided by local governments or other public safety
23 organizations..." 47 C.F.R. §54.101(a)(5). VCI has, since its inception, provided
24 subscribers with access to 911 emergency services consistent with the federal
25 access to emergency services obligations. VCI will provide access to emergency
26 services throughout its service areas for which ETC designation is sought via its
27 interconnection agreement with AT&T Missouri.

1 Q. PLEASE DESCRIBE HOW VCI WILL PROVIDE ITS CUSTOMERS WITH
2 ACCESS TO OPERATOR SERVICES.

3 A. "Access to operator services' is defined as access to any automatic or live
4 assistance to a consumer to arrange for billing or completion, or both, of a
5 telephone call." 47 C.F.R. §54.101(a)(6). VCI will meet this requirement by
6 providing all of its customers with access to operator services provided by AT&T
7 Missouri through its interconnection agreement.

8 Q. PLEASE DESCRIBE HOW VCI WILL PROVIDE ITS CUSTOMERS WITH
9 ACCESS TO INTEREXCHANGE SERVICE.

10 A. "Access to interexchange service' is defined as the use of the loop, as well as
11 that portion of the switch that is paid for by the end user, or the functional
12 equivalent of these network elements in the case of a wireless carrier, necessary to
13 access an interexchange carrier's network." 47 C.F.R. §54.101(a)(7). VCI will
14 meet this requirement by providing all of its customers with the ability to make
15 and receive interexchange or toll calls using the carrier of their choice.

16 Q. PLEASE DESCRIBE HOW VCI WILL PROVIDE ITS CUSTOMERS WITH
17 ACCESS TO DIRECTORY ASSISTANCE.

18 A. "Access to directory assistance' is defined as access to a service that includes,
19 but is not limited to, making available to customers, upon request, information
20 contained in directory listings." 47 C.F.R. §54.101(a)(8). VCI will meet this
21 requirement by providing all of its customers with access to directory assistance
22 services of other carriers by dialing "411" or "555-1212."

23 Q. PLEASE DESCRIBE HOW VCI WILL PROVIDE ITS QUALIFIED LOW-
24 INCOME CONSUMERS WITH TOLL LIMITATION SERVICE.

25 A. An ETC must offer either "toll control" or "toll blocking" services to qualifying
26 Lifeline customers at no additional charge. 47 C.F.R. §54.101(a)(9). Once
27 designated an ETC, VCI will participate in Lifeline as required, and will provide
28

1 toll control or toll blocking capability, whichever is available through AT&T
2 Missouri, pursuant to federal requirements.

3 Q. WILL VCI COMMIT TO PROVIDE SERVICE THROUGHOUT ITS
4 PROPOSED DESIGNATED SERVICE AREA TO ALL CUSTOMERS
5 MAKING A REASONABLE REQUEST FOR SERVICE?

6 A. VCI commits to provide service throughout its proposed designated service area
7 to all customers making a reasonable request for service.

8 Q. WILL VCI PROVIDE SERVICE ON A TIMELY BASIS WITHIN ITS
9 DESIGNATED SERVICE AREA WHERE THE APPLICANT'S NETWORK
10 ALREADY PASSES THE POTENTIAL CUSTOMER'S PREMISES?

11 A. VCI will provide service on a timely basis within its designated service area
12 where its underlying carrier's network already passes the potential customer's
13 premises.

14 Q. WILL VCI PROVIDE SERVICE WITHIN A REASONABLE PERIOD OF
15 TIME, IF THE POTENTIAL CUSTOMER IS WITHIN THE APPLICANT'S
16 LICENSED SERVICE AREA BUT OUTSIDE ITS EXISTING NETWORK
17 COVERAGE, IF SERVICE CAN BE PROVIDED AT REASONABLE COST?

18 A. As the Company does not own, operate or manage a network, whether the
19 Company is able to serve a particular subscriber is dependent on where AT&T
20 Missouri's network is located or where AT&T builds out its network. Service
21 outside of AT&T Missouri's existing network coverage, in VCI's designated
22 service area, cannot be provided at reasonable cost by the company. As VCI does
23 not own, operate or manage a telecommunications network, and has no plans to
24 purchase or construct a network, VCI should not be required to provide a plan
25 outlining the method for handling unusual construction or installation charges as
26 requested in 4 CSR 3-570(2)(C).

27 Q. WILL VCI SUBMIT A FIVE-YEAR PLAN THAT DESCRIBES WITH
28

1 SPECIFICITY PROPOSED IMPROVEMENTS OR UPGRADES TO THE
2 APPLICANT'S NETWORK ON A WIRE CENTER BY WIRE CENTER BASIS
3 THROUGHOUT ITS PROPOSED DESIGNATED SERVICE AREA?

4 A. No. VCI does not request high cost fund support, the Company should not be
5 required to provide documentation indicating how high-cost funding will be used.

6 Q. HOW WILL VCI UTILIZE THE UNIVERSAL SERVICE FUND SUPPORT
7 THAT IT RECEIVES?

8 A. As discussed above, the FCC has determined that Lifeline providers utilize
9 Federal universal service support for the purpose it was intended when the carrier
10 reduces the price of access to telecommunications services for the eligible
11 customer by the amount of that support.¹⁰ Company will pass through all
12 applicable state and Federal service discounts to its end-user customers, thus
13 reducing the price of access to telecommunications services for the Lifeline and
14 Link-Up eligible customer.

15 Q. IS VCI ABLE TO REMAIN FUNCTIONAL IN EMERGENCY SITUATIONS?

16 A. VCI's ability to remain functional in an emergency situation is dependent on that
17 of AT&T Missouri, its underlying network based carrier, including the supply of a
18 reasonable amount of back-up power to ensure functionality without an external
19 power source, ability to reroute traffic around damaged facilities, and capability
20 of managing traffic spikes resulting from emergency situations.

21 Q. WILL VCI COMPLY WITH ALL APPLICABLE FEDERAL AND STATE
22 CONSUMER PROTECTION, CONSUMER PRIVACY AND SERVICE
23 QUALITY STANDARDS?

24 A. VCI will comply with all applicable federal and state consumer protection,
25 consumer privacy and service quality standards.

26 ¹⁰ *In the Matter of Federal-State Board on Universal Service, Petition of TracFone Wireless, Inc. for Forbearance*
27 *from 47 U.S.C. Sec. 214(e)(1)(A) and 47 C.F.R. Sec. 54.201(i), ¶ 26 (CC Docket No. 96-45, rel. Sept. 8, 2005).*

1 Q. DOES VCI OFFER A LOCAL USAGE PLAN COMPARABLE TO THE ONE
2 OFFERED BY THE INCUMBENT LEC IN THE SERVICE AREA FOR
3 WHICH IT SEEKS DESIGNATION?

4 A. As indicated in its tariff on file with the Commission, VCI offers a local usage
5 plan with unlimited calling within the customer's local calling area for a flat
6 monthly fee, as does AT&T Missouri.

7 Q. IS VCI REQUIRED TO OFFER A LOCAL USAGE PLAN EXACTLY LIKE
8 THE ONE OFFERED BY THE INCUMBENT LEC AS A CONDITION OF
9 BEING DESIGNATED AN ETC?

10 A. No. When the FCC has discussed the "comparability" requirement, it has limited
11 such discussion to the number of calls allowed and the local calling area. In
12 addition, the FCC did not adopt a specific local usage threshold in the March 17,
13 2005 Order, contemplating that such service would vary from carrier to carrier.¹¹
14 In focusing on a competitive ETC's local calling area and the technical details of
15 its service, the FCC evidences concern that an ETC provide "adequate local
16 usage."¹² The FCC specifically supported local usage as a more affordable
17 service than one based on per-minute rates.¹³ At no time has the FCC even hinted
18 that the rates or local calling plans offered by competitive ETCs must be exactly
19 the same as those of the Incumbent LEC in whose territory the competitive ETC
20 will serve.

21 Q. WILL VCI DEVELOP A CLEAR AND EASILY UNDERSTOOD BILL
22 DESIGN AS REQUIRED IN 4 CSR 240-3.570(3)(A)?

23 ¹¹ The FCC envisioned that carriers might offer local calling plans that vary from the ILEC's, such as 1) a local
24 calling plan with a calling area different from that of the ILEC; 2) a local calling plan with a specified number of
25 free minutes; or 3) a local calling plan with bundled local and long distance minutes, and suggested that local calling
plans be reviewed on a case-by-case basis. March 17, 2005 Order, ¶33.

26 ¹² March 17, 2005 Order at ¶ 34.

27 ¹³ Universal Service Order at ¶ 67.

1 A. Yes. VCI will develop a bill that complies with the Commission's rules.

2 Q. WILL VCI PROVIDE CUSTOMER SERVICE CONTACT INFORMATION
3 ON LINE AND ON BILLING STATEMENTS?

4 A. Yes. VCI's customer service telephone number and address for customer
5 inquiries may be found on VCI's web site, www.vcicompany.com. VCI places
6 this information on its customer bills in the ordinary course of business.

7 Q. WILL VCI PROVIDE ITS CUSTOMERS WITH ACCESS TO ENHANCED
8 911 SERVICE AND TELECOMMUNICATIONS RELAY SERVICE?

9 A. VCI will provide its customers with access to Enhanced 911 Service, where
10 available, and Telecommunications Relay Service to the same extent that AT&T
11 Missouri, its underlying carrier, provides its customers with access to those
12 services.

13 Q. IS VCI ABLE TO COMPLY WITH THE CONSTRUCTION AND NETWORK
14 EXTENSION REQUIREMENTS IN 4 CSR 240-3.570(3)(C)(2) AND (3)(A)-
15 (D)?

16 A. Yes, VCI can publicize the construction of new facilities that will enhance
17 services in unserved or underserved areas by advertising the availability of
18 Lifeline and Link-Up services in those areas.

19 Q. WILL VCI MAINTAIN A RECORD OF MISSOURI CUSTOMER
20 COMPLAINTS RECEIVED BY THE COMPANY AND FILED WITH THE
21 FCC?

22 A. Yes, VCI will maintain a record of such complaints including the information
23 required by the rule.

24 Q. WILL VCI NOTIFY THE COMMISSION OF A CHANGE IN COMPANY-
25 DESIGNATED CONTACTS RESPONSIBLE FOR CUSTOMER SERVICE,
26 REPAIR AND MAINTENANCE, ANSWERING COMPLAINTS,
27 AUTHORIZING AND/OR FURNISHING REFUNDS TO CUSTOMERS AND
28

1 INFORMATION OR TARIFF FILING ISSUES?

2 A. Yes.

3 Q. DOES VCI CERTIFY THAT IT ACKNOWLEDGES THAT THE
4 COMMISSION MAY REQUIRE IT TO PROVIDE EQUAL ACCESS TO
5 LONG DISTANCE CARRIERS IN THE EVENT THAT NO OTHER
6 ELIGIBLE TELECOMMUNICATIONS CARRIER IS PROVIDING EQUAL
7 ACCESS WITHIN THE SERVICE AREA?

8 A. Yes, VCI certifies that it acknowledges that the Commission may require it to
9 provide equal access to long distance carriers in the event that all other eligible
10 telecommunications carriers within the Designated Area relinquish their
11 designations.

12 Q. WILL VCI COMPLY WITH ALL APPLICABLE COMMISSION
13 REQUIREMENTS FOR MAINTAINING ITS ELIGIBLE
14 TELECOMMUNICATIONS CARRIER STATUS?

15 A. Yes. VCI will comply with all requirements of the Missouri Public Service
16 Commission for maintaining its Eligible Telecommunications Carrier status.

17 **III. VCI'S RATES**

18 Q. WHAT ARE VCI'S PROPOSED LIFELINE SERVICE RATES AND
19 CHARGES IN MISSOURI?

20 A. The company will pass through all applicable federal and state mandated service
21 support to its Lifeline and Link-Up customers as follows:

22 Federal, State and Company Credits and Waivers:

23			
24	Tier I -	Subscriber Line Charge	\$6.50
25	Tier II -	Federal discount	\$1.75
26	Tier III -	State low-income discount	\$3.50
		Additional Federal discount	\$1.75
27			<hr/>
			\$13.50
28		Company discount	<hr/>
			\$3.99

Total Federal, State and Company Discounts	\$17.49
--------------------------------------------	---------

In addition, pursuant to 47 C.F.R. Section 54.411(a)(1)(2), VCI will reduce its connection fee by ½ or \$30.00, whichever is less, and permit the customer to pay the connection fee over a 12 month period, without interest.

VCI proposes to provide basic local exchange service, consisting of flat rated, unlimited local calling, for a monthly fee of \$19.00 after service discounts, including company provided discounts, are applied. After discounts are applied, VCI's connection fee is expected to be \$120.00, payable at \$10.00 per month over a 12 month period. The Lifeline and Link-Up eligible customer's telephone bill is expected to be \$29.00 for the first year of service and \$19.00 per month thereafter, plus all applicable taxes and surcharges.

IV. PUBLIC INTEREST ANALYSIS

Q. PLEASE ADDRESS THE FCC'S PUBLIC INTEREST ANALYSIS AND DEMONSTRATE HOW VCI'S ETC DESIGNATION WOULD BE CONSISTENT WITH THE PUBLIC INTEREST, CONVENIENCE, AND NECESSITY.

A In the March 17th Order, the FCC proposed a cost benefit analysis, taking into account 1) the benefits of increased consumer choice and 2) the unique advantages and disadvantages of an ETC's service offering.¹⁴ According to the FCC, advantages may include, for instance, the possibility that an ETC designation will allow customers to be subject to fewer toll charges. Advantages may also include the potential for customers to obtain premium services, such as

¹⁴ March 17th Order at P. 44.

1 voice mail, call forwarding, three-way calling and call waiting.¹⁵ Disadvantages
2 might include dropped call rates and poor coverage.¹⁶

3
4 Because the FCC's rules indicate that a state commission *shall* designate more
5 than one ETC in an area served by a non-rural incumbent, the FCC indicated that
6 the public interest analysis may be conducted differently, certain factors may be
7 given more weight than others, and that state commissions may reach a different
8 outcome in applying the test to carriers serving in a non-rural area.¹⁷ The FCC
9 also indicated that the public interest inquiry need not be as rigorous for carriers
10 seeking ETC designation in non-rural carrier areas.¹⁸

11 Q. WHAT BENEFITS WILL ACCRUE TO LOW-INCOME CUSTOMERS AS A
12 RESULT OF VCI'S DESIGNATION AS AN ETC IN MISSOURI?

13 A. Designation of VCI as an ETC will preserve and advance universal service by
14 ensuring that more Missouri consumers are placed on the telephone network. The
15 FCC stated in its April 29, 2004 Lifeline order¹⁹ that only one-third of households
16 eligible for Lifeline and Link-Up service subscribe to the program, at a time when
17 poverty rates were increasing.²⁰ With respect to Missouri, the Universal Service
18 Administrative Company's map of Lifeline Participation Rates in 2005 indicates
19 that Missouri has less than 10% of eligible consumers participating in Lifeline and
20 Link-Up services.²¹ VCI's designation as an ETC will ensure that more consumers

21 ¹⁵Id.

22 ¹⁶Id.

23 ¹⁷ March 17, 2005 Order, ¶ 43.

24 ¹⁸ Id. at ¶¶ 58, 59.

25 ¹⁹Lifeline Report and Order at ¶ 1

26 ²⁰ Lifeline Report and Order at ¶ 11.

1 are placed on the telephone network for the following reasons:

2
3 First, designation of VCI as an ETC will increase consumer choice in carriers that
4 offer Lifeline and Link-Up Services. Competitive wireline carriers often do not
5 apply to become ETCs, thus most competitive carriers do not offer Lifeline and
6 Link-Up service. Should the Commission designate VCI an ETC, VCI would
7 become, for low-income customers, an alternative wireline carrier to AT&T
8 Missouri, if not the only alternative wireline carrier. For those consumers who do
9 not subscribe to wireless service, and consumers who have been disconnected
10 from other carriers for non-payment of bills, VCI would become an alternative to
11 higher priced pre-paid local exchange carriers. As of July 31, 2006, VCI was
12 providing service to 63,000 Lifeline eligible customers in 10 states, which
13 demonstrates that low-income consumers consider VCI a viable alternative
14 wireline carrier.

15
16 Second, designation of VCI as an ETC will ensure that the availability of Lifeline
17 and Link-Up services is widely publicized. In contrast to other carriers, VCI
18 advertises the availability of Lifeline and Link-Up services primarily via
19 television advertisements, which ensures that the largest number of low-income
20 consumers are aware of the availability of Lifeline and Link-Up service.
21 Aggressive advertisement of Lifeline and Link-Up programs contributes to
22 increased subscriptions to these programs for all carriers. VCI's advertising
23 program also includes placement of brochures at locations where low-income
24 consumers are likely to view them. All told, VCI spends a total of \$70,000 per

25 ²¹ The Universal Service Administrative Company's map of Lifeline Participation Rates by State may be accessed at
26 <http://www.universalservice.org/res/documents/li/pdf/li-participation-rate-map.pdf>.

1 month advertising the availability of Lifeline and Link-Up services throughout
2 those states where it currently provides service.

3
4 Third, designation of VCI as an ETC will remove obstacles to telephone
5 subscribership for low-income consumers. VCI's customers, in many cases, have
6 poor credit, have been disconnected by other carriers, and are unable to become
7 reinstated because of their inability to comply with deposit and past due bill
8 payment requirements. Many customers have called VCI from pay telephones to
9 subscribe to the company's services. VCI provides service to all applicants
10 within its service area that qualify for Lifeline and/or Link-Up services without
11 conducting a credit check, collecting deposits or demanding high up-front fees
12 prior to connecting service.

13
14 Fourth, designation of VCI as an ETC will contribute to low-income consumers
15 incurring significantly less toll charges. Pursuant to the FCC's rules, VCI
16 provides toll restriction or toll limitation service (whichever is available through
17 its underlying carrier) throughout its service area, free of charge. In addition,
18 VCI's customer service representatives actively educate prospective customers
19 about the use of prepaid long distance telephone cards as an alternative to
20 interexchange carrier subscription. The majority of VCI's customers experience
21 lower toll charges because these customers elect toll restriction service when they
22 subscribe to VCI's local exchange service and utilize prepaid long distance
23 telephone cards. VCI's customer service personnel review Lifeline program
24 features and options for lowering telephone bills, such as toll restriction, with the
25 customer each time a customer subscribes to its service, even if the customer is a
26 reconnecting or return, customer.

1 Fifth, designation of VCI as an ETC will permit low-income consumers access to
2 premium services. Where facilities permit VCI offers premium services at
3 individual rates, such as Call Waiting, Caller ID and Call Forwarding.

4
5 Sixth, designation of VCI as an ETC will ensure that low-income consumers have
6 a choice in carriers whose business procedures and processes specifically benefit
7 the low income consumer. VCI bills its low-income consumers at the beginning
8 of the month, when the customer is likely to have funds available. Furthermore,
9 VCI keeps telephone service simple, offering flat rated, unlimited local exchange
10 service and a few custom calling features. VCI does not upsell its low-income
11 customers features and services that the customer cannot afford. The customer
12 pays one, consistent monthly rate for telephone service. Furthermore, VCI has not
13 historically pursued collections actions against its disconnected customers for
14 unpaid bills.

15 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

16 A. Yes, it does.