one of the nine core USF supported services that an ETC applicant must offer, and further that the Company should clarify either that it currently is able to, or will upon designation, provide all the 9 core services including this service. IITA witness, Mr. Schoonmaker, raised this issue as well. He pointed out that Part 51.101(b) and (c) of the federal rules requires that this services be provided in order for a company to be designated an ETC. He stated that while there is a limited exception that allows for additional time to provide certain core services in extraordinary circumstances, but no such exception for access to operator services. Mr. Schoonmaker also testified that the Company had indicated in response to an IITA data request that it would provide such service within 12 months of being designated an ETC and that under the FCC rules Cellular Properties must provide this service before being designated an ETC and receiving federal universal service funds.

Mr. King addressed the concerns of Mr. Omoniyi and Mr. Schoonmaker on this point in his surrebuttal testimony. He testified that he now understands that the Company needs to be ready and able to provide access to operator service at the time that its ETC designation takes effect. He stated unequivocally that the Company will have those services available immediately upon Cellular Properties' designation as an ETC. He explained that the service will be provided 24-hours a day, 365 days a year by forwarding operator calls to an 800 number through a simple switch translation. Mr. King also explained that an addendum to the Company's current Information Services contract has been finalized with a contingency that it will become effective immediately upon Cellular Properties Inc.'s designation as an Eligible Telecommunications Carrier. He further explained that the addendum to the contract will allow for testing to be completed in advance of the Company's ETC designation.

Access to Interexchange Service

The seventh ETC supported service is access to interexchange service. An ETC providing universal service must offer consumers access to interexchange service to place or receive toll or interexchange calls. Mr. King testified that Cellular Properties provides all of its customers with the ability to make and receive interexchange or toll calls through the interconnection arrangements it has with its IXCs. He explained that the Company has direct interconnection to an access tandem for delivering traffic to all telephone central offices subtending that tandem as well as direct interconnection to local exchange carrier end offices where traffic levels so justify. In addition, Cellular Properties provides indirect access to one or more interexchange carriers ("IXC"), for access to any other exchanges.

Neither the Commission Staff nor any other party to the proceeding raised any issue about whether Cellular Properties met the requirement to provide this supported function or service.

Access to Directory Assistance

The eighth ETC supported service is access to directory service, which is defined as the ability to place a call to directory assistance. Mr. King testified that Cellular Properties provides all of its customers with access to information contained in directory listings by dialing "4-1-1" or "555-1212." Neither the Commission Staff nor any other party to the proceeding raised any issue about whether Cellular Properties met the requirement to provide this supported function or service.

Toll Limitation for Qualifying Low-Income Customers

The ninth ETC supported service is Toll Limitation for Qualifying Low-Income Customers. Under FCC Rules, ETCs must offer "Toll Limitation," a term the FCC has defined to included either Toll Blocking or Toll Control, but it does not at this time require both, to qualifying Lifeline and Link-Up universal service customers at no charge.

Toll Blocking allows customers to block the completion of outgoing toll calls. Toll Control allows the customer to limit the dollar amount of toll charges a subscriber can incur during a billing period. The Company's network is capable of providing Toll Blocking services. Currently, the Company provides Toll Blocking services for international calls. Mr. King made a commitment on behalf of the Company to utilize the same Toll Blocking technology to provide toll limitation for qualifying low-income customers, at no charge, as part of its universal service offerings. If enrolled in the Federal Lifeline or Link-Up programs, a customer will be able to have the Company block all attempted toll calls originating from the customer's phone.

ICC Staff witness, Mr. Omoniyi noted that Cellular Properties is not currently providing toll limitation service for qualifying low-income customers. He states that the Company needs to be more precise as to when this service will be offered since it is one of the nine core USF supported services that an ETC applicant must offer, and further that the Company should clarify either that it currently is able to, or will upon designation, provide all the 9 core services including this service.

IITA witness, Mr. Schoonmaker, raised this issue as well. He pointed out that Part 51.101(b) and (c) of the federal rules requires that this services be provided in order for a company to be designated an ETC. He stated that while there is a limited exception that allows for additional time to provide toll limitation service only in extraordinary circumstances. Mr. Schoonmaker also testified that the Company had indicated in response to an IITA data request that it would provide such service within 12 months of being designated an ETC and that under the FCC rules Cellular Properties must provide this service immediately upon designation as an ETC unless it files a separate petition identifying extraordinary circumstances that would require an extension of time. Mr. Schoonmaker also questioned how the Company will identify "toll" calling for purposes of toll blocking service to low-income customers in light of what he considers to be substantial differences between the rate structures of wireless carriers and the ILECs. He suggested that toll blocking service for Lifeline customers should include the blocking of minutes of use beyond the number of minutes included in the customer's calling plan.

Mr. King addressed the concerns of Mr. Omoniyi and Mr. Schoonmaker on the need to be providing toll blocking service immediately upon ETC designation in his surrebuttal testimony. He testified that the Company has investigated further and determined that it can accomplish toll blocking for individual customers by implementing a new analysis tree in its Nokia switch. The new analysis tree in the switch will only allow customers electing toll blocking service to call NPA/NXX combinations that are within the customer's individual designated local calling area. He explained that the Company will be developing a designated local calling area for customers located in each ILEC wire center within its ETC Designated Service Area for purposes of its ILEC Equivalent and Lifeline Plans. These designated local calling areas will be used to determine the allowed NXXs for customers in each ILEC wire center in connection with the development of the new analysis tree in the switch. Mr. King testified that the Company's contractor has indicated that once the designated local calling areas are defined the new analysis tree can be built in one week or less and that after it is done only a couple days of testing will be required for it to be completely operational. Mr. King stated that he has authorized this work to be done. Based upon the foregoing explanation, Mr. King stated unequivocally that toll blocking services will be available immediately upon Cellular Properties' designation as an ETC.

Mr. King also addressed Mr. Schoonmaker's concern about how the Company will identify "toll" calling for purposes of toll blocking service to low-income customers and his suggestion that toll blocking service for Lifeline customers should include the blocking of minutes of use beyond the number of minutes included in the customer's calling plan. He stated that a toll call for a Cellular Properties customer is the same as a toll call for the ILECs – that it is a long distance call beyond the customer's designated local calling area. He explained that the difference between the Company and the ILECs is that the Company's local calling areas is generally larger and for its normal service offerings long distance calls are included at no additional charge other than charges for air-time minutes if the customer has exceeded the number of minutes that are included in his or her calling plan. Mr. King testified that if a customer wants the option of managing his or her usage so that they cannot make calls after the air-time minutes in their package is reached, the Company offers a prepay service that fills that need. Mr. King also showed that the Company's proposed Lifeline Plan for qualified low-income customers has unlimited in-bound and out-bound calls within the customer's designated local calling area, so there is no issue with such a customer exceeding his or her "bucket" of minutes and incurring charges for additional air-time minutes.

2. Commission Conclusion

As noted above, the FCC has identified nine functionalities and/or services that are supported by federal universal support mechanisms which are required to be offered by an Eligible Telecommunications Carrier. Evidence regarding Cellular

Properties' current provisions of or its commitment and ability to provide these functionalities and services immediately upon designation as an ETC is summarized above.

In response to concerns raised by Staff and other parties, Cellular Properties has agreed to a number of conditions and commitments in this proceeding, as identified in this Order and in the record. Subject to and in reliance on all such conditions and commitments, wherever they may appear, the Commission finds that Cellular Properties either currently offers and provides or has made a commitment to offer and provide immediately upon designation as an ETC and does have or will have the capability to so provide each of the nine supported services throughout its proposed ETC Designated Service Area using either its own facilities or a combination of its own facilities and another carrier's services.

B. Requirement to Provide Lifeline and Link Up Services

1. Evidence Presented

Sections 54.405 and 54.411 of the FCC rules require that an ETC must provide Lifeline and Link-Up services and make such services available to qualifying low-income consumers within its designated service area. An ETC is also required to advertise the availability of its Lifeline and LinkUp services in a manner reasonably designed to reach those likely to qualify for such services.

Mr. King testified that Cellular Properties will make Lifeline and Link-up service available for qualified customers. He also testified that the Company will advertise its services to the public using media of general distribution within its service area, and he committed to take further steps to disseminate information to potential Lifeline and Link Up customers by distributing additional consumer information regarding these services in locations where qualified, unserved consumers are likely to find such information useful, such as unemployment and welfare offices within the designated ETC service area.

Mr. King stated that the Company will not charge an activation fee to Linkup eligible subscribers. With respect to Lifeline-eligible subscribers, he committed that the Company would offer a Lifeline service plan to provide a low-cost service option comparable in price to that offered by the ILEC but with the added advantage of limited mobility. The monthly rate for the Lifeline Plan would be $18.64. The Lifeline Plan would allow for unlimited inbound calling at no additional charge. It would include unlimited outbound calling to numbers in any exchange homed within the customer's designated calling area at no additional charge. The customer's designated calling area for the Lifeline Plan will be set up through the Company's billing system to include the local and area cell sites serving the customer's home and surrounding areas. Each such designated calling area will provide a "local" calling scope that is at least as inclusive as the incumbent LEC's local calling area and in most cases it will be a larger "local" calling area. The Lifeline Plan will include Caller ID, Call Waiting, Call

Forwarding, 3-Way Calling and Voicemail at no additional charge. The Lifeline Plan will include free incoming text messaging. The Lifeline Plan will include Toll Blocking if requested by the customer.

In analyzing the Company's compliance with the requirement to offer and advertise Lifeline and Link Up services, ICC Staff witness, Dr. Zolnierek, concluded with the following recommendation:

> If Cellular Properties offers to allow customers of the Lifeline (sic) Plan to select the toll carrier or carriers of its choice for all toll calling and does not impose any additional charges on its customers (apart from those described in its proposal), then I would recommend the Commission find that by offering its Lifeline and Link-Up plans Cellular Properties provides adequate low income programs to receive designation as an ETC. If, however, Cellular Properties does not propose to offer equal access at no additional charge to its customers, then, absent the details of its proposed toll arrangement and the ability to analyze those details, I cannot recommend the Commission find that by offering its proposed Lifeline and Link-Up plans Cellular Properties will provide adequate low income programs to receive designation as an ETC. The Commission should also, prior to designating Cellular Properties as an ETC, require Cellular Properties to commit to and certify that all low income USF funding it receives will be used to support subsidized rates for its Lifeline and Link-Up customers.
>
> I also recommend that the Commission find that if Cellular Properties fulfills its proposed commitments with respect to advertising of Lifeline and Link-Up and additionally commits and fulfills the commitment to advertise its low income services in compliance with the requirements of 83 Illinois Administrative Code Part 757, then it will meet its ETC low income program advertising requirements.

In response to Dr. Zolnierek's concerns about the Lifeline Plan, Mr. King testified in his surrebuttal testimony that the Lifeline Plan will not include long distance or toll calling to numbers in exchanges homed outside the customer's designated calling area, but that customers of the plan will be allowed to select the toll carrier or carriers of their choice for all toll calling and that they would be responsible for paying such carrier(s) the appropriate charges for calls to numbers in exchanges homed outside the customer's designated calling area. If the Lifeline Plan customer wishes to select Cellular Properties as its toll carrier, the toll rate will be the Company's prevailing rate at the time. Currently, that rate is $0.15 per minute. The Lifeline Plan will not include roaming outside the customer's designated calling area, other than use of the phone for free 9-1-1 emergency calls, and will not allow outgoing text messaging.

In response to Dr. Zolnierek's concerns about the low income funding and advertising issue, Mr. King committed and certified that all low income USF funding it receives will be used to support subsidized rates for its Lifeline and Link-Up customers and he committed to advertising its Lifeline and Link Up services in compliance with the requirements of 83 Illinois Administrative Code Part 757.

IITA witness, Mr. Robert Schoonmaker, provided testimony about the Lifeline Plan proposed by Cellular Properties. He recommended that the Commission consider whether the plan was appropriately priced because it is priced higher than the ILEC Equivalent Plan proposed by Illinois Valley Cellular in its ETC case which the Commission approved. He also recommended that the requirement to offer to plan be made a condition of the Order if Cellular Properties' application for ETC designation was to be approved.

Mr. King agreed to a condition in this Order that the Company offer its Lifeline plan as suggested by Mr. Schoonmaker. Dr. Zolnierek provided rebuttal testimony and Mr. King provided surrebuttal testimony responding to Mr. Schoonmaker's concern about the price of the Lifeline Plan. They each noted that the Company's proposed ILEC Equivalent Plan was set based on the "affordable rate" that the Commission set for Illinois' small, rural telephone companies for Illinois Universal Service Fund purposes in ICC Docket Nos. 00-0233/00-0335 Consolidated, and Dr. Zolnierek stated that the Company's Lifeline Plan, which is based on its ILEC Equivalent Plan, appropriately adjusts the "affordable rate" for Lifeline subsidies. Dr. Zolnierek also noted that the Commission did not consider the appropriateness of a higher price for an ILEC Equivalent Plan in the Illinois Valley Cellular ETC case, but rather it simply accepted the commitment made by the applicant in that case. He stated that in his opinion the Commission should not impose a lower rated Lifeline plan on Cellular Properties simply because IVC committed to offering a product with a lower rate in its ETC proceeding.

2. Commission Conclusion

The commitments made by Cellular Properties regarding the provision of Lifeline and LinkUp Services are imposed as conditions as hereinafter set forth in this Order. Subject to and in reliance upon said commitments and conditions, the Commission reaches the following conclusions. The Commission concludes that Cellular Properties has demonstrated that it satisfies the requirement of CFR §54.405 to make available lifeline service, as defined in §54.401, to qualifying low-income consumers, and publicize the availability of such service in a manner reasonably designed to reach those likely to qualify for the service. The Commission also concludes that Cellular Properties has demonstrated that is satisfies the requirement of CFR §54.411, to make available Link Up services as part of its obligation set forth in CFR §54.101(a)(9) and 54.101(b).

C. Advertising of Availability of Services

1. Evidence Presented

As noted above, Section 214(e)(1)(B) of the Federal Act provides that an ETC shall, throughout the designated service area, advertise the availability of and charges for ETC supported services using media of general distribution. Mr. King testified that upon grant of its ETC Application, Cellular Properties will advertise to the public in its ETC designated area that it is offering the core universal support services and the charges for those services. He stated that the Company will do so using media of general distribution within its service area.

As part of his direct testimony regarding the supported services, ICC Staff witness, Mr. Omoniyi, stated that the Company should reaffirm its commitment to advertise both the availability and charges for its services through media of general distribution in its service area. Mr. King reaffirmed in his surrebuttal testimony on behalf of Cellular Properties the Company's commitment to advertise both the availability and charges for the supported services through media of general distribution in its designated service area.

As part of his direct testimony regarding areas in wire centers that are only partially in the FCC licensed service area of Cellular Properties but where the entire wire center is included within its proposed ETC Designated Service Area, IITA witness, Mr. Schoonmaker, questioned whether the Company had committed to advertise to the portions of such wire centers that are beyond its FCC licensed service area. Mr. King responded in his surrebuttal testimony that the Company's commitment was to advertise to the public "within and throughout its ETC Designated Area." He also stated that the Company advertises in each such wire center today because there is not a wall at the county line (the Company's FCC licensed area is defined by counties) that prevents advertising mediums from reaching an entire community of interest.

2. Commission Conclusion

The Commission has reviewed the record on these issues. With respect to advertising the availability of the supported services within the meaning of Section 214(e)(1)(B) of the Federal Act, the Commission finds that Cellular Properties has shown that it will advertise the availability of such services and the charges therefor using media of general distribution throughout the designated service area. Finally, the commitments made by Cellular Properties shall be added to the list of conditions set forth later in this Order.

D. Commitment to Provide Service throughout ETC-Designated Area

1. Evidence Presented

As noted above, under FCC guidelines, an ETC applicant must commit to provide service throughout its proposed designated service area to all customers making a reasonable request for service.

Mr. King testified that the Company commits to provide service throughout its proposed ETC designated service area to all customers who make a reasonable request for service. If the Company's network already passes or covers the potential customer's premises, it will provide service immediately. For those instances where a request comes from a potential customer within the Company's proposed ETC designated area but outside its existing network coverage area or where signal strength is weak, the Company will provide service within a reasonable period of time if service can be provided at a reasonable cost utilizing one or more of the following methods: (1) modifying or replacing the requesting customer's equipment; (2) deploying a roof-mounted antenna or other equipment; (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. If the Company determines that it cannot serve the potential customer using one or more of these methods, then it will report the unfulfilled request to the Commission within 30 days after making such determination.

Cellular Properties presented evidence that it provides most of the supported services today throughout its service area and made commitments to provide the remaining supported services throughout its service area immediately upon ETC designation. It presented evidence of its existing and proposed network and facilities and of its existing and proposed signal strength and coverage throughout its service area. It is the Company's position that this evidence shows that it has the ability to honor these commitments.

ICC Staff witness, Mr. Omoniyi, recommended that the Commission shorten the period for Cellular Properties to report unfulfilled requests to the Commission from the FCC guideline of 30 day to 15 days after it determines that that the request cannot be fulfilled following the steps outlined in the Company's commitment. In response, Mr. King stated that the Company can and will meet the requirement to report in such 15 day period, and he further stated that he did not object to this requirement being made a condition in an Order granting the Company ETC status.

IITA witness, Mr. Schoonmaker, questioned the decision of Cellular Properties to include certain wire centers of rural ILECs within its proposed designated ETC service area where only a portion of those wire centers are located in the Company's FCC licensed service area and the Company's ability to provide service in the portions of those wire centers that are outside of its FCC licensed service area. Specifically, he noted that the Wabash exchanges of Cisne and Mt. Erie are located mostly in Wayne County outside the Cellular Properties FCC licensed area (See IITA Exhibit 1.15) and have very limited to no coverage and opined that it was inappropriate to include these exchanges in the Cellular Properties service area. He also challenged the Company's signal strength and coverage in certain of those areas.

Mr. King responded to Mr. Schoonmaker's concerns about the areas beyond its FCC licensed service area by pointing out the FCC's position of such areas and by explaining in detail how the Company will serve those areas. Mr. King testified to his understanding that the FCC has held that proposed ETC service areas may not specify areas below the wire center level for a rural ILEC, but that it has permitted the provision of service to subscribers in the portion of an ETC service area that lie beyond a wireless ETC's FCC licensed service area through roaming and/or resale agreements.

Mr. King stated that the Cellular Properties has the requisite roaming agreements in place and that the Company will offer and provide ETC supported services to customers located in those areas through those roaming agreements even though it will require the Company to pay roaming charges to its neighboring wireless service provider that it will not be able to pass on to the customer. He explained that the Company provides service in those areas now through those roaming agreements when its customers are traveling there, or in fact, if they live there and have chosen to subscribe to the Company's service because they routinely travel into its service area. He stated that all the services work the same for these customers. He further explained that the Company has a rule that requires that 50% of subscriber's usage must be in its home service area. (Applicant Exhibit 2.0, Sur-Rebuttal Testimony of Ed King, p. 74, lines 1823-1825). The basis of this rule is that customers that live outside the Company's service area and who have more than 50% of their usage outside the Company's service area should not be eligible for service from the Company. He further explained that at the present time customers who violate the 50% rule are analyzed, and only offenders who result in a net revenue loss for the Company are contacted. (Id. at lines 1825-1826). Mr. King stated that after ETC designation, for customers living in the areas that are outside the FCC licensed area but within the ETC service area the Company will modify the rule to treat the entire ILEC wire center where the customer lives as non-roaming even though the Company will be charged roaming fees by its neighboring provider for their usage in the area. Mr. King testified that after ETC designation, a potential customer whose home address is within the ETC Area but beyond the FCC licensed area will obtain service from the Company in the same manner as they would today except there will be no 50% rule for such customers. He further stated that the rates to the customers located within the portions of rural ILEC wire centers that are beyond the FCC licensed area but within the ETC Area will be the same as for customers located within the FCC licenses service area for all service offerings, including the normal service offerings, the ILEC Equivalent Plan and the Lifeline Plan.

With respect to the signal strength and coverage issue raised by Mr. Schoonmaker, Mr. King addressed each area of concern to Mr. Schoonmaker. He pointed out that by Mr. Schoonmaker's own admission there is no question about the Company's signal strength and coverage in the rural ILECs; Clarksville, Flat Rock, Grandview, and Odin, because Mr. Schoonmaker states in his direct testimony that coverage in the service areas of those companies "is generally excellent to good" based on the coverage maps in the record and that "Cellular Properties is providing reasonable coverage and the supported services in these areas, both now and in 2012." Mr. King also pointed out that Mr. Schoonmaker did not question the Company's coverage in the Gila exchange of Montrose, which Mr. Schoonmaker says has good to fair coverage, and that Mr. Schoonmaker's comments about the Louisville, Bible Grove and Xenia exchanges of Wabash show that there is no coverage issue. According to the coverage maps in the record, Louisville has excellent and good coverage, Bible Grove has good to fair coverage, and while Xenia currently has fair to non-existent coverage, by the end of the five-year plan, there will be coverage through most of the exchange because the Company is building a cell site in the Xenia exchange as part of its 5 Year Plan. While the southern area of the Xenia exchange will still lack coverage from the Company's facilities, those areas are beyond the Company's FCC licensed area, and they will be served through roaming agreements consistent with FCC precedent.

Mr. King testified that while Mr. Schoonmaker asserts that the Company's coverage in the Montrose exchange varies from excellent to non-existent, there are portions of this exchange that are beyond the Company's FCC licensed area that will be served through roaming agreements rather than with the Company's network. He stated that portions of this exchange that are within both the proposed ETC Designated Area and the FCC licensed area where coverage or signal strength is weak will be addressed through either the Company's current 5 Year Plan, its future five year plans or its commitment to provide service within a reasonable period of time using one of the 6 methods shown in the commitment discussed above in this section. With respect to the portions of the Cisne and Mount Erie exchanges of Wabash that are within the Company's ETC Designated Service Area but not its FCC licensed service area, Mr. King stated that they will be served by roaming agreements. With respect to the portions of those exchanges that are within the Company's FCC licensed service area, Mr. King disagreed with Mr. Schoonmaker's characterization of the coverage level. He showed from the coverage maps and the dBm ranges that those areas have good to fair coverage.

2. Commission Conclusion

Having reviewed the record, the Commission concludes that Cellular Properties presented sufficient evidence demonstrating its ability to provide service throughout its proposed ETC designated service area to all customers who make a reasonable request for service, and to potential customers located within its service area but outside its existing network coverage with the exception of the Wabash exchanges of Cisne and Mt. Erie which lie mostly outside the FCC license area of Cellular Properties and which have very limited coverage. The Commission finds that these two exchanges should be excluded from the Cellular Properties service area. In addition, the Commission accepts the commitments Cellular Properties has made to provide service in compliance with the standards set forth in paragraph 22 of the FCC ETC order and to report unfulfilled requests for service within 15 days. These commitments shall be added to the list of conditions set forth later in this Order.

E. Five-Year Network Improvement Plan

1. Evidence Presented

a. Cellular Properties Direct Testimony

As explained above, under FCC guidelines, an ETC applicant must 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. A five-year investment plan as called for by the FCC's ETC Order, or an acceptable alternative, is "an essential bedrock requirement for ETC designation for any new entrant" in order to achieve "better targeting" of USF. This information provides state commissions with detailed specific information to perform its public interest analysis. The essence of the five-year plan is to ensure that support received by a "newly designated ETC is invested to upgrade, improve or extend facilities in ways that will directly benefit customers" in order "to achieve better 'targeting' of universal service support."

Cellular Properties presented evidence describing how it will use universal service support to improve service within the service areas for which it seeks designation as part of its five-year network improvement plan. The five-year network improvement plan will enhance the Company's GSM digital service to provide additional coverage to an increasing portion of the population in the Company's proposed ETC designated service area. The testimony and exhibits presented show: (1) how signal quality, coverage, or capacity will improve due to the receipt of high-cost support throughout the area for which the ETC seeks designation; (2) the projected start date and completion date for each improvement and the estimated amount of investment for each project that is funded by high-cost support; (3) the specific geographic areas where the improvements will be made; and (4) the estimated population that will be served as a result of the improvements.

Applicant's Revised Exhibit 1.3 Proprietary details how universal service support will be used for system improvements over a five year period, including specific improvements and upgrades and a cash flow of the projected amount of USF support to be received and exactly how the USF support received will be spent for capital and operating costs. Applicant's Group Exhibit 1.4 Proprietary and Applicant Exhibit Group Exhibit 2.6 Proprietary each consist of signal strength and coverage maps, including current coverage and coverage at the end of each year of the five year plan. These signal strength and coverage maps shows how signal quality and coverage will improve throughout the five year period. These exhibits also show the geographic location for each new cell site. Mr. King provided projected start date and completion for each new cell site and other improvements, but noted that his projections were dependent on and subject to the actual timing of the receipt of USF support funds. Finally, the estimated population that will be served as a result of each new cell site and the other improvements in the five year plan is shown in Applicant's Exhibit 1.2. Mr. King explained that since each wire center in the proposed ETC Designated Service Area will be receiving benefits from either the new cell sites or the other system improvements under the five year plan, the entire population in the Company's proposed ETC Area will be benefited. Those population figures for each rural telephone company wire center located in the Company's proposed designated ETC service area are shown in Applicant's Exhibit 1.2.

Mr. King stated that each individual wire center within its proposed ETC designated area will receive signal quality, coverage and/or capacity improvements from either the new cell sites or the other system improvements. He stated that the new cell sites will enhance rural areas where signal quality and coverage are the weakest. He also explained that the Nokia Adaptive Multirate Codec will enhance signal strength and coverage for each existing cell site and each new cell site, thereby providing improvements in each wire center in the ETC designated area.

While the Company's 5 year network improvement plan does not call for a cell site to be constructed in each and every wire center within the proposed ETC designated area, the signal strength and coverage maps show the wire centers where service improvements are not required because the existing cell towers are providing sufficient signal coverage consistent with paragraph 23 of its ETC Order, which reads in pertinent part as follows:

> "To demonstrate that supported improvements in service will be made throughout the service area, applicants should provide this information for each wire center in each service area for which they expect to receive universal service support, <u>or an explanation of why service improvements in a particular wire center are not needed</u> and how funding will otherwise be used to further the provision of supported services in that area. We clarify that service quality improvements in the five-year plan do not necessarily require additional construction of network facilities."

Mr. King testified that the Company has 45 cell towers in service throughout its proposed ETC designated service area, but it does not have a cell tower in each and every wire center in its service area. Even with the additional 18 cell towers, he said that the Company will not have a cell tower in each and every wire center in its service area. There are 90 different wire centers in the proposed ETC designated area. Cell towers represent a substantial capital investment, and it is not reasonable to expect a wireless carrier to have a cell tower in each and every wire center in its service area. Also, a cell tower in each and every wire center in a wireless carrier's service area is not required for the carrier to provide quality service. Radio signals from a single location traverse multiple wire centers. Construction of a new cell tower or capacity expansion in each and every wire center would be cost prohibitive, and it is not necessary for quality service.

Mr. King described the construction, maintenance and operation of new cell towers and other investments in system improvements that are included in the five-year network improvement plan. First, the Five-Year Plan includes the construction, maintenance and operation of a total of 18 new cell towers within the proposed ETC designated service area.

Second, the Five-Year Plan also includes an investment in AMR - the Nokia Adaptive Multirate Codec. This system improvement will cost-effectively extend mobile services into more distant rural areas to provide service to new subscribers. AMR increases individual base station cell size by 30%, according to manufacturer specifications, reducing the amount of required infrastructure investment because fewer base stations are needed to build coverage. This will allow coverage improvement into numerous areas that do not cost-justify for construction of cell sites due to lack of population.

Third, the Five-Year Plan includes an investment in BCSU Expansion - Base station controller unit expansion, which is necessary as network components, such as cell sites and radios, are added to the system. Each BCSU can handle 110 transceivers. The Company presently has 4 BCSUs in place, and the new cell sites under the 5-year plan will require additional expansion.

Fourth, the five-year plan includes investment in additional transcoders. These additional transcoders will be located at the switching center to handle simultaneous call capacity. This equipment will be required as new cell sites and new customers are added to the network. Each transcoder can handle 96 simultaneous calls. Cellular Properties currently has 11 transcoders in place. Fifth, the five-year plan includes investment in additional transceivers. Transceivers handle call traffic at the cell site level. Additional transceivers will be required as the system is expanded. Finally, the five-year plan includes additional generators. The Company currently has stand-alone generators at the MTSO and in the most remote cell site locations – Olney, Flora and Lawrenceville. The 5-year plan provides for generators at each cell site location.

b. Staff and IITA Testimony and CPI Surrebuttal Testimony

ICC Staff witness, Mr. Omoniyi, analyzed the evidence presented by Cellular Properties in its direct testimony with respect to its Five Year Plan and requested additional information. He stated that Cellular Properties has not clearly demonstrated that its planned investment spending of USF support received will be in addition to, rather than in place of, investment spending it would undertake in Illinois in the absence of USF support. IITA raised similar concerns. The basic issue is whether the Company has shown that the improvements in its Five Year Plan would be made even in the absence of ETC designation and receipt of USF support.

Mr. King addressed this issue in his surrebuttal testimony. He stated that if Cellular Properties were not pursuing this ETC Application, it would not be planning any new cell towers or other major system improvements. He stated that the Company would fund normal operations and normal maintenance, and it would respond with required investment to address any emergency that might arise or to address any significant market pressure that threatened the Company's position in the marketplace, but that no major investment is planned for the foreseeable future because the Company have just recently completed an extensive system improvement project that was unexpected and that required a great deal of capital expenditure. He explained that the owners of the Company have funded this recent major system improvement with loans to the Company, and they quite understandably want to have those loans repaid over the next several years before they begin to look at investing capital to make further system improvements.

Mr. King provided detailed testimony about the Company's historical level of system improvement and new cell site projects. He explained that as a small, family-owned company, Cellular Properties is very conservative and has always taken the approach that it will invest in system improvements only to the level necessary to maintain the business. He noted that this is not to say that the Company will not invest capital to take advantage of growth opportunities, but it only do so in a controlled, conservative manner. The evidence of the Company's historical system improvements shows modest levels of new cell sites in most years with more extensive levels of cell site projects when technology changes and industry pressures have required it.

Mr. King testified that in late 2003, it became apparent that the Company would have to convert its TDMA technology network to the new GSM technology network. Two major factors forced the Company to change to the GSM technology. 1) the Company's number one roaming partner made the decision to make the same change and the Company would have to follow suit in order to continue to serve them and continue receiving the same level of roaming revenues. 2) the handset manufacturers announced their plans to phase out production of TDMA handsets by 2005. The evidence shows that the Company had 33 cell sites (including 2 in Charleston which is not in the Company's proposed ETC Designated Service Area) in service when it launched the GSM network in May 2005. Since then, the Company has built 18 GSM-Only sites to provide coverage to areas that were previously served by TDMA but which were no longer covered due to the smaller footprint of GSM; it has converted 2 repeater only sites to GSM only sites; and it has converted 9 sites from omni-directional to tri-sector configuration to provide increased coverage. Mr. King explained that this build out represents 9 years worth of normal new cell site investment that was made in slightly more than 2 years. He stated that the overall coverage of the Company's network is better than what it had at the height of its TDMA network. He stated further that while the coverage could be better in some of the more rural areas, the Company cannot justify the capital expenditure for new cell sites that will not pay for themselves in these more rural areas.

Mr. King testified that following the GSM conversion and build out, Company management feels as though it has built cell sites in all areas that can have a legitimate business case built to justify the expenditure. Mr. King provided an exhibit that showed a cost/benefit analysis for each of the proposed new cell sites in the Five Year Plan to see whether they would provide a sufficient return within a reasonable period of time. The exhibit shows and Mr. King testified that none of the cell sites in the Five Year Plan can be justified from a business perspective. Therefore, no future cell site additions are planned by the Company in the normal course of business unless there is an alternate funding source to build cell towers where they would not otherwise be built, such as USF support. Mr. King said that the Company's view at this point is that what can be justified going forward with using its own internal CapEx will be additions to existing cell sites in order to improve capacity, not coverage. An example of this would be converting a present omni cell site to tri-sector configuration. Mr. King also provided testimony about each of the other system improvements included in the Five Year Plan and whether they would be made in the absence of ETC designation and receipt of USF support.

The possibility of being designated as an ETC and receiving USF support allowed the Company to consider additional new cell towers and other improvements to the network for which a business case cannot otherwise be made. There are areas where the Company would like to improve coverage and where consumers in such rural areas would benefit, but it just cannot be justified from a cost/benefit perspective. The new cell towers shown in the Company's 5 Year Plan therefore are totally dependent upon ETC designation and receipt of USF support. None of the projects included in the 5 Year Plan will be completed unless ETC designation is granted and USF funds are received. Therefore, the investments in new cell towers and other system improvements shown in the 5 Year Plan are in addition to, rather than in place of, any investments in the network that would be made in the absence of USF support.

2. Commission Conclusion

Having reviewed the record, the Commission concludes that Cellular Properties has submitted a sufficiently detailed five-year network improvement plan describing the proposed improvements or upgrades to its network on a wire center-by-wire center basis throughout its proposed designated service area. Cellular Properties has committed to make the improvements contained in the five-year plan if and to the extent that it actually receives USF support. This commitment will be made a condition of this Order.

The Commission finds that the five-year plan demonstrates in sufficient detail how high-cost support will be used for service improvements that would not occur absent receipt of such support. The Commission also finds that Cellular Properties has demonstrated that supported improvements in service will be made throughout the service area by providing information for each wire center in each service area for which it expects to receive universal service support. The Company has shown that each individual wire center within its proposed ETC Designated Service Area will receive signal quality, coverage and/or capacity improvements from either the new cell sites or the other system improvements. The evidence adequately shows the wire centers where new cell sites are not required and explains why the USF funds the Company expects to collect will not be sufficient to support new cell sites in under-served wire centers as part of the five-year plan. In addition, the Company has committed that any surplus universal service funds received shall be directed first to under-served wire centers, and that the underserved wire centers will receive priority for additional build-out in subsequent five-year plans. This commitment too will be made a condition of this Order.

F. Ability to Remain Functional in Emergency Situations

As explained above, under FCC guidelines, an ETC applicant must demonstrate its ability to remain functional in emergency situations. Mr. King testified that Cellular Properties has the ability to remain functional in emergency situations. He stated that the Company has a reasonable amount of back-up power to ensure functionality without an external power source. He stated that the Company is able to reroute traffic around damaged facilities, and that it is capable of managing traffic spikes resulting from emergency situations. The Company's mobile switching office and each of its cell sites is fully redundant, and they have battery back-up plants and either emergency generators with automatic transfer switches or receptacles and manual transfer switches which enables a portable generator to be plugged-in to recharge the battery plants. In addition, Mr. King testified that the Company is improving reliability in this area by installing additional generators as part of the Company's five year plan.

Mr. King testified that the Company's entire network is monitored to check for proper operations at all times. The redundant network design allows the system to avoid most customer-affecting service outages since, in the event of a failure, the redundant facilities are designed to automatically take over primary operation and an alarm is sounded at the mobile switching office. The Company has an alarm system that automatically notifies a remote monitoring center of the outage and the service technicians during after-hours emergencies, and technicians are on call 24 hours per day and 7 days a week. The Company also stocks a full complement of spare parts for network components.

Mr. King explained that each cell site provides radio coverage to a fixed geographic service area. These service areas have a high degree of overlapping coverage, and the overlapping coverage allows the Company to manage peak demand loads as well as providing a level of redundancy not found in the context of the traditional landline local loop. There is no place in the network where a cell site does not have at least some degree of overlap with another cell site, therefore even in the case where an unusual demand appears at a location where there is only one cell capable of providing coverage, the network has the ability to shed the traffic being carried by the heavily-used cell site in the areas where there is cell overlap so that the cell site experiencing unusual demand can devote all of its capacity to the area where there is no overlap. The cell coverage overlap and redundancy allow the Company to reroute traffic around damaged facilities.

Mr. King testified that the Company's mobile telephone switching office, which is the functional equivalent of an ILEC central office, has a battery backup plant and a permanently installed emergency power generator sufficient to meet the requirements imposed by the Commission on ILECs under its rules. The Company also maintains sufficient fuel stores, sufficiently exercises the generator, and has the requisite test records to meet the requirements of the Commission's rules in Code Part 730.325. Finally, Mr. King committed on behalf of the Company to provide the Commission with the notification specified in Section 730.550 and to otherwise meet the requirements of this code section.

ICC Staff witness, Sam McClerren, testified that Cellular Properties has demonstrated that it is prepared for extended electricity outages, that outages will be identified and handled promptly and effectively, and that traffic spikes can be handled through overlapping cell site coverage.

IITA witness Mr. Schoonmaker stated that Cellular Properties has agreed to comply with the Commission's requirements contained in Code Part 730.325 and the notification requirements of Code Part 730.550, and he recommended that the Commission impose these requirements on Cellular Properties as a condition to an order approving the ETC request on an interim basis until such time as permanent rules are in place for wireless ETCs following Docket 06-0468. Mr. King indicated in his surrebuttal testimony that he had no objection to such a condition.

Based on the record as summarized above, including the commitments made by Cellular Properties, the Commission finds that Cellular Properties has demonstrated its ability to remain functional in emergency situations.

G. Consumer Protection and Service Quality Standards

1. Evidence Presented

Under FCC guidelines, an ETC applicant must demonstrate that it will satisfy applicable consumer protection and service quality standards. The FCC indicated in paragraph 28 of its ETC Order and in prior orders that a commitment to comply with the Cellular Telecommunications and Internet Association's Consumer Code for Wireless Service would satisfy the FCC's review of this requirement for a wireless ETC applicant. In this proceeding, Cellular Properties through Mr. King made a commitment to comply with the provisions of that Code. It has also committed to report information on consumer complaints per 1,000 handsets on an annual basis consistent with what would be required if IVC's applications were pending before the FCC.

Mr. King also provided evidence about Cellular Properties' customer care programs. The Company and its authorized agents have 14 points of presence throughout the proposed ETC Designated Service Area. Several of the Company's retail outlets, as well as its agent locations, have extended service hours including evenings and weekends. A customer can go to any of these 14 locations to activate service or to receive assistance if they are encountering problems with their mobile handset or their wireless service. When the problem is with the customer's handset, the Company provides the customer with a free loaner phone that the customer may use until the handset can be repaired or replaced. A customer can drop their phone off for service and pick up the free loaner at any of these 14 locations.

Mr. King testified that with respect to consumer protection and service quality standards the Company understands that there is presently pending before the Commission a rulemaking proceeding to develop rules for wireless ETCs. He committed that the Company will abide by the final rules that result from the pending Wireless ETC Rulemaking proceeding. With respect to the Commission's existing rules for landline carriers regarding consumer protection and service quality standards (Code Parts 730 and 735), Mr. King also committed that the Company will make the same commitments to abide by such rules as made by the Illinois Valley Cellular Partnerships in ICC Docket Nos. 04-0454/04-0455/04-0456 consolidated until such time as the new rules for wireless ETCs are final. Finally, Mr. King committed that the Company will accept carrier of last resort responsibilities upon the failure of the ILEC in a given wire center within the proposed ETC designated area to continue carrier of last resort responsibilities.

In its ETC Order, paragraph 31, the FCC stated that Section 332(c)(3) specifically allows states to regulate CMRS terms and conditions, not dealing with rates and entry, in order to preserve and advance universal service. Further, the FCC encouraged states to consider consumer protection in the wireless context as a prerequisite for obtaining ETC designation from the state. The FCC invited state commissions either to use the FCC's framework or to impose their own requirements to ensure consumer protection and service quality.

Staff witness, Mr. McClerren, analyzed the Company's evidence and commitments and testified that Cellular Properties is clearly aware of previous Commission efforts to address service quality and consumer protection in wireless ETC proceedings and has indicated a willingness to adopt the current solution ordered by the Commission in Dockets 04-0454, 04-0455, and 04-0456. He also testified that Cellular Properties has also committed to adopt the Commission's pending solution regarding service quality and consumer protection for wireless ETC's, which is being developed in Docket 06-0468.

IITA witness, Mr. Schoonmaker, stated that Cellular Properties agreed to abide by the same rules in Code Parts 730 and 735 that were required of IVC until such as the final wireless ETC rules are in place, and recommended that the Commission impose the same consumer protection and service quality conditions on Cellular Properties that it imposed on IVC should the Commission grant Cellular Properties' ETC application. Mr. King indicated in his surrebuttal testimony that he had no objection to such a condition in this Order.

2. Commission Conclusion

The Commission concludes that Cellular Properties has demonstrated that it will satisfy appropriate consumer protection and service quality standards. This finding is conditioned on Cellular Properties' continuing compliance with the commitments it made in the record.

H. Comparable Local Usage/Rate Plans

As indicated above, under FCC guidelines, an ETC applicant must demonstrate that it offers a local usage plan comparable to the one offered by the incumbent LECs in the service areas for which it seeks designation. Cellular Properties presented evidence and made commitments to demonstrate that it will offer local usage plans comparable to the service plans offered by the incumbent LECs in the wire centers for which it seeks ETC designation as fully discussed previously in this Order. ICC Staff and IITA initially raised issues that were subsequently addressed also as fully discussed previously in this Order.

Having reviewed the record, the Commission concludes that based on its commitments with respect to its ILEC Equivalent Plan Cellular Properties has demonstrated that it will offer local usage plans that are comparable to the service plans offered by the incumbent LECs in the wire centers for which it seeks ETC designation. The commitments made by Cellular Properties with respect to its ILEC Equivalent Plan will be included in the list of conditions set forth later in this Order.

I. Carrier of Last Resort - Equal Access Requirement

Under FCC guidelines, an ETC applicant shall certify its acknowledgement that the FCC may require it to provide equal access to long distance carriers if no other ETC is providing equal access within the service area. Mr. King certified on behalf of the Cellular Properties the Company's acknowledgement that the FCC or ICC may require it to provide equal access to long distance carriers if all other ETCs withdraw from the market. He noted that due to the fact that the majority of the Company's calling plans include long distance calling at no additional charge other than air-time minutes, it is not likely that very many, if any, customer would wish to avail themselves of the option to select a different long distance provider. He further noted that if a customer did select such an option, the customer would be responsible for any toll charges that the selected long distance provider imposed.

Mr. King committed on behalf of the Company to make equal access available to allow customers that elect to pay their own toll charges to pre-select a long distance carrier for all toll calls which the customer originates if the ILEC in a wire center within its proposed ETC designated service area drops its ETC designation.

Having reviewed the record, the Commission finds that the acknowledgement and commitments made on the record by Cellular Properties are sufficient to satisfy the subject requirements for purposes of this proceeding.

J. Annual Reporting and Certification Requirements

In paragraph 69 of its ETC Order, the FCC has identified certain annual reporting requirements in connection with the annual certification of ETCs as follows:

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

(2) detailed information on any outage lasting at least 30 minutes, for any service area in which an ETC is designated for any facilities it owns, operates, leases, or otherwise utilizes that potentially affect at least ten percent of the end users served in a designated service area, or that potentially affect a 911 special facility (as defined in subsection (e) of section 4.5 of the Outage Reporting Order). An outage is defined as a significant degradation in the ability of an end user to establish and maintain a channel of communications as a result of failure or degradation in the performance of a communications provider's network. Specifically, the ETC's annual report must include: (1) the date and time of onset of the outage; (2) a brief description of the outage and its resolution; (3) the particular services affected; (4) the geographic areas affected by the outage; (5) steps taken to prevent a similar situation in the future; and (6) the number of customers affected;

(3) the number of requests for service from potential customers within its service areas that were unfulfilled for the past year. The ETC must also detail how it attempted to provide service to those potential customers;

(4) the number of complaints per 1,000 handsets or lines;

(5) certification that the ETC is complying with applicable service quality standards and consumer protection rules, e.g., the CTIA Consumer Code for Wireless Service;

(6) certification that the ETC is able to function in emergency situations;

(7) certification that the ETC is offering a local usage plan comparable to that offered by the incumbent LEC in the relevant service areas; and

(8) certification that the carrier acknowledges that the Commission may require it to provide equal access to long distance carriers in the event that no other eligible telecommunications carrier is providing equal access within the service area.

Paragraph 23 of the FCC ETC Order contains the following additional annual reporting requirement:

> In connection with its annual reporting obligations, an ETC applicant must submit coverage maps detailing the amount of high-cost support received for the past year, how these monies were used to improve its network, and specifically where signal strength, coverage, or capacity has been improved in each wire center in each service area for which funding was received. In addition, an ETC applicant must submit on an annual basis a detailed explanation regarding why any targets established in its five-year improvement plan have not been met.

Mr. King made a commitment on behalf of Cellular Properties to comply with each of these annual reporting requirements. He testified further that he had no objection to this commitment being made a condition of an Order granting ETC status to the Company.

Having reviewed the record, the Commission concludes that Cellular Properties must file reports with the Commission on an annual basis, consistent with its commitments, as described above.

VI. PUBLIC INTEREST ANALYSIS

A. Introduction

In its ETC Order, the FCC encouraged state commissions to implement the FCC's framework for analyzing the public interest so as to promote a consistent approach among the states in applying the universal service principles of preserving and advancing universal service and competitive neutrality, and improving the long-term sustainability of the USF.

The FCC acknowledged that state commissions may use and have used additional factors in their public interest analysis. The burden of proving whether an applicant's service is in the public interest is on the applicant. Finally, the FCC stressed that although it has set forth criteria for evaluating public interest, it and state commissions may conduct the analysis differently or reach a different outcome, depending on the area being served by the applicant.

The FCC indicated that it would continue to balance the following factors in performing its public interest analysis for ETC applicants:

(1) Consumer Choice: The Commission takes into account the benefits of increased consumer choice when conducting its public interest analysis. In particular, granting an ETC designation may serve the public interest by providing a choice of service offerings in rural and high-cost areas. The Commission has determined that, in light of the numerous factors it considers in its public interest analysis, the value of increased competition, by itself, is unlikely to satisfy the public interest test.

(2) Advantages and Disadvantages of Particular Service Offering: The Commission also considers the particular advantages and disadvantages of an ETC's service offering. For instance, the Commission has examined the benefits of mobility that wireless carriers provide in geographically isolated areas, the possibility that an ETC designation will allow customers to be subject to fewer toll charges, and the potential for customers to obtain services comparable to those provided in urban areas, such as voicemail, numeric paging, call forwarding, three-way calling, call waiting, and other premium services. The Commission also examines disadvantages such as dropped call rates and poor coverage.

In addition to the balancing of the foregoing factors, the FCC conducts a "creamskimming" analysis in areas for which an applicant seeks designation below the study area level of a rural telephone company. The FCC compares the population density of each wire center in which the ETC applicant seeks designation to that of the wire centers in the study area in which the ETC applicant does not seek designation.

The FCC also suggests that a state commission may consider limiting the number of ETCs due to the strain on the federal USF by examining per-line USF support received by the individual LEC, on a case-by-case approach. The FCC, however, declined to adopt a specific national per-line support benchmark to be applied in analyzing the strain on the federal USF.

B. Positions of Parties

1. Cellular Properties Inc. Position

Cellular Properties presented evidence to demonstrate that its designation as an additional eligible telecommunications carrier in the rural and non-rural telephone company wire centers within its proposed ETC Designated Service Areas is in the public interest. Cellular Properties offers a selection of calling plans that offer mobility, a substantially larger calling area than the incumbent landline LECs in the proposed ETC Designated Service Area and long distance calling at no additional toll charge. These plans are available in each wire center within the Company's service area.

The mobility aspect of Cellular Properties' service offerings is a key component for the public interest analysis. Not only does the Company's service provide a competitive choice to consumers, but it provides distinct advantages not available from the incumbent LECs. Obviously, wireless phones can be used while a person is driving in their car or walking. However, the mobility aspect also allows customers to make and receive calls when they are away from their homes in places where a landline phone from the incumbent LEC is unavailable. The Company's witness, Mr. King, pointed out a prime example of the advantages of wireless service in today's world. He testified that there has been a significant reduction in the number of payphones available at public locations over the last several years and that the Company's wireless service fills the need for people to make calls from public locations where no payphones are available. Cellular Properties offers access to emergency services using state of the art processes, and the mobility aspect makes emergency 9-1-1 service available when consumers are away from their homes in places where no landline phone is present. Mr. King testified that even non-Company customers can utilize the Company's network for wireless access to emergency services.

Cellular Properties has committed to offer a reduced rate calling plan, designated as its ILEC-Equivalent Plan, that includes unlimited in-bound and out-bound calling and that is favorably comparable to the rate and usage plans offered by the incumbent LECs in its service area. The ILEC Equivalent Plan has a lower comparable price than all of the ILECs, with the possible exception of Grandview and Clarksville, and in many cases it is significantly lower than the ILEC. See Applicant Exhibit 2.2. Mr. King testified that the ILEC Equivalent Plan was set at the same rate that this Commission previously adopted as the "affordable rate" for Illinois USF purposes for the small rural telephone companies in Illinois. This reduced rate calling plan will be available in each wire center within the Company's ETC Designated Service Area.

Mr. King also testified that Cellular Properties is a small, wireless carrier that serves mainly rural areas in the State of Illinois. Its FCC-licensed service area is located entirely within Illinois. All USF funds that it will receive as an ETC will be expended in connection with new facilities and other network enhancements to be located in and that will provide benefits to rural areas in Illinois. Mr. King also testified that the fact that the Company operates only in rural Illinois is a unique circumstance that the Commission should weigh in conducting its public interest examination. He stated that while the potential benefits associated with the Company's "rural Illinois only" operations and orientation cannot be quantified, they can be expected to be tangible. As one of the Staff witnesses said in ICC Docket 04-0454/04-0455/04-0456, at a minimum, a company such as Cellular Properties can be expected to be more cognizant of and responsive to customer needs than they might otherwise be due to their "rural Illinois only" operations.

Cellular Properties has expanded and improved its network coverage throughout the years of its operation into the rural portions of its service area. It has committed to make even more network improvements for the benefit of Illinois citizens located or traveling in its rural service area using the USF support that it will receive, including construction, operation and maintenance of 18 new cell sites that would not otherwise be built in the more rural areas of its service area to improve signal strength and coverage so that customers in these areas can make regular wireless calls and 9-1-1 wireless calls where no landline phone is available. While not every wire center in the Company's proposed ETC Designated Service Area will benefit from the new cell towers to be constructed with USF support under its first five-year plan, the vast majority of those wire centers have sufficient coverage from the Company's existing cell sites, and all wire centers within the Company's Designated Service Area will receive enhanced quality and coverage from the improvements to the existing cell sites that serve each wire center that result from the Company's investment in AMR – Nokia Adaptive Multirate Codec. The Company has committed that the wire centers not direct benefited by new cell towers in the initial five-year plan will receive service enhancements from facilities to be constructed during future five-year plans.

Cellular Properties also offers unique customer oriented service features including its 30-day trial period to try out the Company's network at no financial risk and its free loaner phone program when a customer's phone requires service. These unique customer service features are available for customers in each and every wire center within the Company's service area. The Company also has numerous points of contact to serve the customers needs, and many of these locations have extended service hours greater than those offered by the ILECs. In addition to its own unique customer service offerings, the Company has committed to abide by the same types of consumer protection and service quality standards to which the ILECs are subject.

In response to arguments by the IITA witness to the effect that existing service offering and customer oriented features should not be considered in the public interest analysis, Mr. King countered that the existing services, functionalities and attributes are appropriately considered as part of the public interest analysis because they will be bundled with the new ETC offerings to make a complete package. He explained that the expanded coverage area to be provided by the new cell sites and other improvements will increase the availability of the existing services, functionalities and attributes. He further explained that the lower price associated with the ILEC Equivalent Plan will make many of the existing services, functionalities and attributes available to customers who otherwise might not have been able to afford them.

With respect to the long term sustainability of the Universal Service Fund, Cellular Properties takes the position that the more rigorous requirements in the FCC ETC Order were designed to address that issue and that it has presented evidence to show that it meets or exceeds each of the more stringent additional requirements in the FCC ETC Order as discussed in this Order. Therefore, Cellular Properties submits that the incremental affect of an additional ETC on the overall federal fund does not outweigh the benefits that its designation as an ETC will bring to rural Illinois citizens. Therefore, designation of Cellular Properties as an ETC is in the public interest.

2. IITA Position

IITA witness Mr. Schoonmaker questioned whether designation of Cellular Properties as an ETC is in the public interest. He raised a number of issues for the

Commission's consideration, including; questioning whether benefits from existing services offerings and features should be considered as part of the public interest analysis; assertions about a lack of evidence that any residents in the service areas of the rural ILEC that are members of IITA are being denied basic local telecommunications service or access to the public switched network; questioning whether there is already sufficient competition in rural areas from wireless carriers; comments about the effects of competition on small, rural ILECs; comments about the Recommended Decision of the Federal-State Joint Board on Universal Service that has been presented to the FCC; comments about other states that have designated multiple ETCs for the same study area; comments about the need for a study area by study area public interest analysis; and criticism of Cellular Properties for the timing of its CMRS Certificate application, its lack of formalized capital budgeting practices and its decision to resist providing financial statements.

Cellular Properties' witness, Mr. King, provided responses to each of the issues raised by Mr. Schoonmaker. Staff witness Omoniyi also responded to a number of Mr. Schoonmaker's concerns. Based upon IITA's final position not to oppose Applicant's Draft Order, Mr. Schoonmaker's concerns appear to have been adequately addressed or at least mitigated.

3. Staff Position

Staff witness, Mr. Omoniyi, presented testimony about the ETC designation process, including eligibility requirements, supported services and public interest determinations. Staff recommended that the Commission conduct its public interest analysis broadly along the same lines applied by the FCC.

Mr. Omoniyi testified:

> "The analysis conducted should be consistent with the purposes of the Act, particularly the goals of preserving and advancing universal service, ensuring the availability of quality telecommunications services at just, reasonable and affordable rates and promoting the deployment of advanced telecommunications to all regions including rural and high-cost areas. The FCC has, however, acknowledged that both it and state commissions may conduct the analysis differently, or reach a different outcome depending upon the area served. The FCC has amply stated the reasons for this conclusion. For example, the FCC and state commissions may give more weight to certain factors in the rural context than in the non-rural context. The same or similar factors could result in divergent public interest determinations, based on the specific characteristics of the proposed service area or whether the area is served by a rural or a non-rural carrier."

Mr. Omoniyi raised questions about a relatively few issues addressed in Mr. King's first round of testimony, including; a request for clarification about the timing of the Company's provision of access to operator services and toll blocking; a recommendation that unfulfilled requests for service be reported within 15 days; and a request for clarification on the five-year plan.

Cellular Properties' witness, Mr. King, provided responses to each of the issues raised by Mr. Omoniyi. Since the Company had the right to file its responsive testimony last, Mr. Omoniyi did not have an opportunity to address the public interest question following Mr. King's responses. However, based upon Staff's final position not to oppose Applicant's Draft Order, Mr. Omoniyi's questions appear to have been adequately addressed, and it would appear that Mr. Omoniyi believes that Cellular Properties has met its burden of proving that its application satisfies the public interest requirement.

C. Creamskimming Analysis

1. Introduction

Cellular Properties has proposed a number of re-definitions of rural telephone company service areas to include only specified wire centers for purposes of its ETC designation and receipt of Universal Service Fund support.

Cellular Properties is not seeking to redefine the study area for the rural telephone companies. Rather, it is seeking only to redefine the LEC service areas for purposes of designating Cellular Properties as a competitive ETC. As the FCC explained in *Virginia Cellular*, the proposed service area redefinition would have no impact on the rural LEC reporting or administrative obligations. Specifically, the FCC found that redefining the rural telephone company service areas would not require rural telephone companies to determine their costs on any basis other than the study area level. The redefinition, therefore, only enables Cellular Properties, as an ETC, to serve an area that is smaller than the entire ILEC study area.

The level of support received by the rural ILEC in any given wire center is based on its cost to provide service throughout the ILEC study area. Where, as here, a competitive ETC seeks to only include a portion of the ILEC study area in its ETC service area, there is concern that a competitive ETC may be providing service to only the lower-cost portion of the ILEC study area while receiving support based upon an overall higher average cost that is spread across the entire LEC study area. The FCC in its *Virginia Cellular* and *Highland Cellular* Orders used a creamskimming analysis to address these concerns. The FCC ETC Order continued the use of the creamskimming analysis.

2. Cellular Properties Position

In the instant proceeding, Cellular Properties proposes to redefine the service areas of a number of rural ILECs to include only certain wire center for ETC purposes. Cellular Properties presented a creamskimming analysis as Applicant's Exhibit 1.2.

For the Wabash Telephone Cooperative, Inc. service area Cellular Properties seeks redefinition to include only the Bible Grove, Cisne, Louisville, Mount Erie and Xenia wire centers. Mr. King testified that Cellular Properties is not serving only the lowest cost, higher density wire centers in Wabash's service area. The population density of the Wabash wire centers in the proposed ETC designated service area is identical to the average population density for the entire Wabash service area (17.57 persons per square mile). Therefore, there is no creamskimming effect.

In response to an issue raised by IITA witness, Mr. Schoonmaker, Mr. King provided testimony showing that it was appropriate for Cellular Properties to include the Cisne and Mount Erie wire centers in its proposed ETC Designated Service Area and accepting Staff witness Zolnierek's testimony that even if these 2 wire centers are excluded from the ETC Designated Area there would be no creamskimming effect. After explaining the Company's commitment to fully serve the Cisne and Mount Erie wire centers through its existing roaming agreements and it commitment to bear the additional expense of serving them in this manner without passing the additional expense on to its customers in those areas, Mr. King stated that the Company would not object if the Commission eliminated the Cisne and Mount Erie wire centers from the approved ETC Designated Service Area, so long as the Commission agrees with Mr. Zolnierek that such change to the ETC Area does not raise creamskimming issues, and provided further that the Bible Grove, Louisville and Xenia wire centers of Wabash Telephone continue to be included in the approved ETC Designated Service Area.

For the Odin Telephone Exchange, Inc. service area Cellular Properties seeks redefinition to include only the Martinsville and Oblong wire centers. Mr. King testified that Cellular Properties is not serving only the lowest cost, higher density wire centers in Odin's service area. Of Odin's four wire centers, the two contiguous wire centers within the proposed ETC designated area have population densities of 23.27 and 35.57 compared to the other two distant wire centers which have population densities of 51.57 and 15.36. The population density of the Odin wire centers in the proposed ETC designated service area is slightly higher (28.99 persons per square mile) than the average population density for the entire Odin study area (27.75 persons per square mile), however it is Cellular Properties' position that the Commission should find that there is no creamskimming effect with respect to the Odin study area.

Mr. King cited precedent for a commission finding that there is no creamskimming effect in a fact scenario where the population density of the wire centers in the ETC area was only slightly higher. He explained that in its Virginia Cellular Order the FCC found with respect to one rural telephone company service area that there was no creamskimming effect even though the average population density of the wire centers which the ETC applicant proposed to serve was slightly higher than the average population density of the RLEC's remaining wire centers. The FCC said that the amount of this difference was not significant enough to raise creamskimming concerns.[5] Mr. King also stated that the fact that the two wire centers that are included

[5] *Virginia Cellular* at ¶ 34 and footnote 110.

in the proposed ETC designated area are geographically isolated from the remaining two wire centers which are located a great distance away is also significant. He explained that the FCC found in its Virginia Cellular Order that such facts, in and of themselves, provide an additional basis supporting service area redefinition.

In the *Universal Service Order*, the [FCC] concluded that requiring a carrier to serve non-contiguous service area as a prerequisite of eligibility might impose a serious barrier to entry, particularly to wireless carriers [footnote omitted]. The [FCC] further concluded that 'imposing additional burdens on wireless entrants would be particularly harmful in rural areas...' [footnote omitted]. Accordingly, we find that denying Virginia Cellular ETC status for the [relevant portion of the study area that lies within its CMRS license area] simply because Virginia Cellular is not licensed to serve the eight remaining [noncontiguous wire centers that lie outside of its CMRS licensed service area] would be inappropriate.[6]

For the Montrose Mutual Telephone Co. service area Cellular Properties seeks redefinition to include only the Gila and Montrose wire centers. Mr. King testified that Cellular Properties is not serving only the lowest cost, higher density wire centers in Montrose's service area. The population density of the Montrose wire centers in the proposed ETC designated service area is lower (19.59 persons per square mile) than the average population density for the entire Montrose service area (22.04 persons per square mile). Therefore, there is no creamskimming effect.

For the Verizon South, Inc. - IL (Alltel) service area Cellular Properties seeks redefinition to include only the Potomac, Collison, Kansas, Westfield, Casey, Greenup, Toledo, Cheneyville, Hoopeston, East Lynn, Rankin, Armstrong, Royal, Ogden and Neoga wire centers. Mr. King testified that Cellular Properties is not serving only the lowest cost, higher density wire centers in Verizon South's service area. The population density of the Verizon South wire centers in the proposed ETC designated service area is lower (34.54 persons per square mile) than the average population density for the entire Verizon South service area (36.74 persons per square mile). Therefore, there is no creamskimming effect.

For the Citizens Telecom Co Illinois - Frontier Citizens - IL service area Cellular Properties seeks redefinition to include only the Edgewood and Farina wire centers. Mr. King testified that Cellular Properties is not serving only the lowest cost, higher density wire centers in Citizens' service area. The population density of the Citizens wire centers in the proposed ETC designated service area is lower (24.45 persons per square mile) than the average population density for the entire Citizens service area (35.64 persons per square mile). Therefore, there is no creamskimming effect.

For the Illinois Consolidated Telephone Co. service area Cellular Properties seeks redefinition to include only the Arcola, Humboldt, Oakland, Ashmore, Atwood, Arthur, Mattoon and Sigel wire centers. Mr. King testified that Cellular Properties is not serving only the lowest cost, higher density wire centers in Illinois Consolidated's

[6] *Virginia Cellular* at ¶ 38.