

ORIGINAL

RUTLEDGE, ECENIA, PURNELL & HOFFMAN

PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

STEPHEN A. ECENIA
RICHARD M. ELLIS
KENNETH A. HOFFMAN
LORENA A. HOLLEY
MICHAEL G. MAIDA
MARTIN P. McDONNELL
J. STEPHEN MENTON

POST OFFICE BOX 551, 32302-0551
215 SOUTH MONROE STREET, SUITE 420
TALLAHASSEE, FLORIDA 32301-1841

TELEPHONE (850) 681-6788
TELECOPIER (850) 681-6515

R. DAVID PRESCOTT
HAROLD F. X. PURNELL
MARSHA E. RULE
GARY R. RUTLEDGE
MAGGIE M. SCHULTZ
GOVERNMENTAL CONSULTANTS
MARGARET A. MENDUNI
M. LANE STEPHENS

December 17, 2004

VIA HAND DELIVERY

Ms. Blanca Bayo
Division of Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

RECEIVED FPSC
04 DEC 17 PM 4:07
COMMISSION CLERK

RE: Docket No. 040604-TL - In re: Adoption of the National School Lunch Program and an income-based criterion at or below 135% of the Federal Poverty Guidelines as eligibility criteria for the Lifeline and Link-Up programs.

Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket on behalf of TDS Telecom d/b/a TDS Telecom/Quincy Telephone, Alltel Florida, Inc., Northeast Florida Telephone Company d/b/a NEFCOM, and GTC, Inc. d/b/a GT COM (the "Small LECs") are the following documents:

- 1. Original and fifteen copies of the Small LECs' Prehearing Statement; and
2. Original and fifteen copies of the Prefiled Rebuttal Testimony of Thomas M. McCabe filed on behalf of the Small LECs; and
3. A disk containing a copy of the Prehearing Statement.

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FPSC-BUREAU OF RECORDS

Prehearing Stmt
DOCUMENT NUMBER-DATE
13270 DEC 17 03

R. Testimony
DOCUMENT NUMBER-DATE
13271 DEC 17

FPSC-COMMISSION CLERK

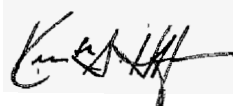
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RUTLEDGE, ECENIA, PURNELL & HOFFMAN

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Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the copy to me. Thank you for your assistance with this filing.

Sincerely,



Kenneth A. Hoffman

KAH/rl

Enclosures

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BEFORE THE PUBLIC SERVICE COMMISSION

In re: Adoption of the National School Lunch) Docket No. 040604-TL
Program and an income-based criterion at or)
below 135% of the Federal Poverty Guidelines) Filed: December 17, 2004
as eligibility criteria for the Lifeline and Link-Up)
programs.)

**PREHEARING STATEMENT
OF
TDS TELECOM D/B/A TDS TELECOM/QUINCY TELEPHONE,
ALLTEL FLORIDA INC.,
NORTHEAST FLORIDA TELEPHONE COMPANY D/B/A NEFCOM,
AND GTC, INC. D/B/A GT COM**

Pursuant to the Order Establishing Procedure issued in this docket on November 1, 2004, TDS Telecom d/b/a TDS Telecom/Quincy Telephone, Alltel Florida Inc., Northeast Florida Telephone Company d/b/a NEFCOM and GTC, Inc. d/b/a GT COM (hereinafter "Small LECs") hereby submit their Prehearing Statement.

A. Witnesses

Witness

Subject Matter

Thomas M. McCabe (Direct)

Addresses the need for a state universal service fund or alternative cost recovery mechanism to recover the cost of the \$3.50 state discount for Lifeline customers. Also addresses the Commission's proposed decisions expanding Lifeline eligibility and allowing customers to self-certify for Lifeline credits.

Thomas M. McCabe (Rebuttal)

Responds to FPSC Staff and BellSouth testimony regarding self-certification and to Verizon testimony regarding the appropriate mechanism for cost recovery of the \$3.50 state Lifeline discount.

DOCUMENT NUMBER-DATE

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B. Exhibits

The Small LECs have not prefiled any exhibit. The Small LECs reserve the right to utilize any exhibit introduced by any other party or staff. The Small LECs also reserve the right to introduce any additional exhibit necessary for cross-examination or impeachment at the final hearing.

C. Statement of Basic Position

The Commission should establish a statewide mechanism that would require all carriers subject to the Commission's jurisdiction under Chapter 364, including carriers subject to the Commission's jurisdiction for purposes of universal service contributions under Section 364.025, Florida Statutes, to contribute to the fund on a competitively neutral and equitable basis. The Commission should not expand Lifeline eligibility criteria as proposed in Order No. PSC-04-0781-PAA-TL, without establishing an interim state universal service fund, and should establish such a fund even if the Commission decides not to expand Lifeline eligibility criteria. The Small LECs believe that Lifeline service is an important component in the provision of universal service for low-income consumers. Nonetheless, the time has come for the Commission to establish a competitively neutral interim state universal service fund or state Lifeline funding mechanism to recover the State \$3.50 credit for Lifeline customers. The Small LECs maintain that the Commission has the specific authority to establish a state interim universal service fund to ensure that universal service objectives are maintained under Section 364.025(2), Florida Statutes.

The Small LECs oppose self-certification for Lifeline service on the grounds that self-certification will enhance the prospect of fraud and increase administrative burdens on the Small LECs. At least with respect to the Small LECs' service areas, there is no evidence that the current

process of requiring customers to certify eligibility up front is negatively impacting Lifeline subscribership.

D. Position on the Issues

ISSUE 1: Is the Commission authorized under state or federal law to order the actions set forth in Order No. PSC-04-0781-PAA-TL?

Small LECs: No position at this time.

ISSUE 2: Are the actions taken by the Commission in Order No. PSC-04-0781-PAA-TL reasonable and non-discriminatory?

Small LECs: No. The Small LECs recognize the importance of the Lifeline program and support the current level of customer support. Nonetheless, the proposed expansion of the Lifeline program will exacerbate the financial challenges faced by the Small LECs without implementation of a competitively neutral cost recovery mechanism for the \$3.50 state discount. (McCabe)

ISSUE 3: Should the Commission address the Lifeline and Link-Up issues in rulemaking pursuant to Section 120.54, Florida Statutes?

Small LECs: No position at this time.

ISSUE 4: What are the economic and regulatory impacts of implementing the actions taken by the Commission in Order No. PSC-04-0781-PAA-TL?

Small LECs: Small LECs are already experiencing an increase in Lifeline subscribership thereby exacerbating the competitive disadvantage that Small LECs face in today's marketplace. Expansion of Lifeline eligibility criteria without an appropriate cost recovery mechanism will cause small LECs to bear a disproportionate share of the expense of providing Lifeline service in Florida and exacerbate the Small LECs' existing competitive disadvantage. (McCabe)

ISSUE 5A: Should consumers be allowed to self certify for program-based Lifeline and Link-Up eligibility?

Small LECs: No. Self-certification will create additional administrative burdens and provide an avenue for fraud. The verification process proposed by Staff Witness Mann based on

statistical sampling will create incremental work load and expense for Small LECs and will not ensure verification for all Lifeline customers utilizing self-certification. Additional problems may arise in form of customer relations and backbilling customers when verification establishes that eligibility was fraudulently procured. (McCabe)

ISSUE 5B: If so, how much assistance should be provided for customers using self-certification?

Small LECs: None.

ISSUE 6: Is the Commission authorized under state or federal law to establish a state lifeline funding mechanism?

Small LECs: Yes. Section 364.025(1) and (2), Florida Statutes, specifically grants the Commission authority to establish an interim state universal service fund to ensure that universal service objectives are maintained. (McCabe)

ISSUE 6A: If so, what is the appropriate state Lifeline funding mechanism and how should it be implemented and administered?

Small LECs: The Commission should establish an interim universal service fund. The size of the fund should be determined by the number of Lifeline subscribers multiplied by \$3.50, and should be adjusted annually or semi-annually. Contributions should be assessed against all telecommunications service providers subject to the Commission's jurisdiction for purposes of universal service assessments, including wireless carriers and those using VoIP technology who are otherwise certificated by the Commission, on a quarterly or semi-annual basis, with payments distributed the following month. The Commission could administer the fund or contract administration to a third party provider. (McCabe)

E. Stipulations

None at this time.

F. Pending Motions and Claims for Confidentiality

None at this time.

G. Requirements with which Small LECs Cannot Comply

None at this time.

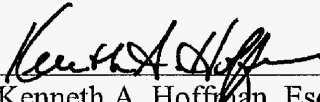
H. Preemptive Decisions

The Small LECs are not aware of any FCC order or court decision that preempts the Commission's ability to resolve the issues herein.

I. Objections to Expert Witnesses

None at this time.

Respectfully submitted this 17th day of December, 2004.



Kenneth A. Hoffman, Esq.

J. Stephen Menton, Esq.

Marsha Rule, Esq.

Rutledge, Ecenia, Purnell & Hoffman, P.A.

P.O. Box 551

Tallahassee, FL 32302

850.681.6788 (Telephone)

850.681.6515 (Facsimile)

Attorneys for Petitioners TDS TELECOM D/B/A
TDS TELECOM/QUINCY TELEPHONE, ALLTEL
FLORIDA INC., NORTHEAST FLORIDA
TELEPHONE COMPANY D/B/A NEFCOM, AND
GTC, INC. D/B/A GT COM

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Prehearing Statement of TDS Telecom d/b/a TDS Telecom/Quincy Telephone, Alltel Florida, Inc., Northeast Florida Telephone Company d/b/a NEFCOM, and GTC, Inc. d/b/a GT Com, has been served upon the following parties by U.S. Mail this 17th day of December 2004:

Adam Teitzman
Staff Counsel
Florida Public Service Commission
Division of Legal Services
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
ateitzma@psc.state.fl.us

Charles J. Rehwinkel
Sprint Comm. Co. LLP
315 Calhoun Street
Tallahassee, FL 32301
charles.j.rehwinkel@mail.sprint.com

Susan Masterton, Esq.
Sprint-Florida, Inc.
P.O. Box 2214
Tallahassee, FL 32316-2214
susan.masterton@mail.sprint.com

ALLTEL Communications Services, Inc.
Ms. Betty Willis
One Allied Drive, B4F4ND
Little Rock, AR 72203-21277
bettye.j.willis@alltel.com

GT Com
Mr. Mark Ellmer
P.O. Box 220
Port St. Joe, FL 32457-0220
mellmer@fairpoint.com

Nancy B. White
c/o Nancy H. Sims
150 S. Monroe Street, Ste. 400
Tallahassee, FL 32301
nancy.white@bellsouth.com

R. Douglas Lackey
Suite 4300
675 W. Peachtree St., NE
Atlanta, GA 30375
douglas.lackey@bellsouth.com

Office of Public Counsel
c/o The Florida Legislature
Harold McLean/Charles J. Beck
111 West Madison Street, Room 812
Tallahassee, FL 32399-1400
beck.charles@leg.state.fl.us

TDS Telecom/Quincy Telephone
Mr. Thomas M. McCabe
P.O. Box 189
Quincy, FL 32353
thomas.mccabe@tdstelecom.com

Michael A. Gross
VP Reg. Affairs & Reg. Counsel
Florida Cable Telecomm. Assoc.
246 East 6th Avenue
Tallahassee, FL 32303
mgross@fcta.com

Richard A. Chapkis, Esq.
Verizon Florida, Inc.
One Tampa City Center
201 North Franklin Street
P.O. Box 110, FLTC0007
Tampa, FL 33601-0110
richard.chapkis@verizon.com

Verizon Florida, Inc.
Mr. David Christian
106 East College Avenue
Tallahassee, FL 32301-7748
david.christian@verizon.com

AARP
c/o Michael B. Twomey, Esq.
P.O. Box 5256
Tallahassee, FL 32314-5256

James L. White
Vice President-Regulatory and Gov. Affairs
ALLTEL Communications, Inc.
6867 South Point Drive North, Suite 103
Jacksonville, FL 32216

AARP Department of State Affairs
Senior Legislative Representative
Coralette Hannon, Esq.
6705 Reedy Creek Road
Charlotte, NC 28215-6096

Blooston Law Firm
Benjamin Dickens, Esq.
Mary J. Sisak, Esq.
2120 L Street, NW, Suite 300
Washington, DC 20037

NEFCOM
Ms. Deborah Nobles
TTSC
505 Plaza Circle, Suite 200
Orange Park, FL 32073



KENNETH A. HOFFMAN