

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**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**

**REBUTTAL TESTIMONY OF  
THOMAS M. MCCABE**

**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**

DOCUMENT NUMBER-DAT  
13271 DEC 17 8  
FPSC-COMMISSION CLERK

1 TDS TELECOM d/b/a/ TDS TELECOM/QUINCY TELEPHONE , ALLTEL  
2 FLORIDA, INC., NORTHEAST FLORIDA TELEPHONE COMPANY d/b/a  
3 NEFCOM, AND GTC, INC. d/b/a GT COM

4 DIRECT TESTIMONY OF THOMAS M. MCCABE

5 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

6 DOCKET NO. 040604-TL

7  
8 **Q. PLEASE STATE YOUR NAME, YOUR EMPLOYER, AND YOUR  
9 BUSINESS ADDRESS.**

10 **A.** My name is Thomas M. McCabe. I am the External Relations Manager for TDS  
11 Telecom, 107 West Franklin, Street, P.O. Box 189, Quincy, FL 32353-0189.

12  
13 **Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN THIS  
14 PROCEEDING ON BEHALF OF THE “SMALL LECS”?**

15 **A.** Yes.

16  
17 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

18 **A.** The purpose of my rebuttal testimony is to address issues raised by BellSouth and  
19 the Florida Public Service Commission (“Commission”) Staff in their direct  
20 testimony regarding self-certification, and to address issues raised by Verizon in  
21 their direct testimony regarding the appropriate mechanism for recovery of the  
22 costs of the \$3.50 state credit for eligible Lifeline customers in Florida.

23

1 **Q. PLEASE SUMMARIZE FPSC WITNESS JOHN MANN'S TESTIMONY**  
2 **IN FAVOR OF REQUIRING ETCS TO PERMIT CUSTOMERS TO SELF-**  
3 **CERTIFY ELIGIBILITY FOR LIFELINE DISCOUNTS.**

4 **A.** According to Mr. Mann, the Commission's rationale for self-certification is two-  
5 fold. First, Mr. Mann asserts that self-certification may increase Florida's  
6 Lifeline subscribership. Florida is a net payer into the Federal Universal Service  
7 Program, so increasing Lifeline subscribership would bring more federal universal  
8 service funds back into the state. Mr. Mann also believes that the current  
9 verification process is too burdensome and time consuming for consumers.

10

11 **Q. DO YOU AGREE WITH MR. MANN'S RATIONALE FOR APPROVING**  
12 **SELF-CERTIFICATION?**

13 **A.** No. The fact that Florida is a net payer into the Federal Universal Service Fund  
14 only underscores the importance that appropriate checks and balances are in place  
15 to ensure that only eligible customers receive Lifeline credits. California's  
16 Lifeline program, on the other hand, is a perfect example of the potential fraud  
17 that comes with self-certification. The Commission correctly pointed out in its  
18 comments to the FCC in Docket No. WC-03-109 regarding self-certification that  
19 the integrity of the universal service fund must be protected and that appropriate  
20 accountability standards are necessary. If the level of fraud in the Federal  
21 Universal Service Programs continues to increase, Florida consumers are likely to  
22 see even more of their contributions flowing out of the state.

1 **Q. DO YOU AGREE WITH MR. MANN'S POSITION THAT THE**  
2 **CURRENT CERTIFICATION PROCESS IS TO TIME CONSUMING**  
3 **AND BURDENSOME TO THE CUSTOMER?**

4 **A.** No. There is no evidence to support Mr. Mann's contention that the ETC's  
5 process for verifying Lifeline eligibility "appears to be quite lengthy and time  
6 consuming for both the ETC and customers". To the contrary, the majority of  
7 Lifeline applications received by the Small LECs are processed the same day the  
8 customer provides verification of eligibility. Further, the "additional analyses"  
9 cited by Mr. Mann as time consuming or burdensome (determining whether the  
10 customer has an outstanding balance; requiring telephone service to be in the  
11 name of the customer who has been certified under one of the programs; and  
12 ensuring that the customer seeking Lifeline benefits receives benefits on only one  
13 telephone) are neither time consuming nor burdensome. In most cases this  
14 information is readily available to customer service representatives during initial  
15 processing of a Lifeline Service request, and will be reviewed regardless of  
16 whether the Commission adopts self-certification.

17  
18 The Small LECs do not believe that verification of eligibility for the program  
19 based Lifeline criteria is any more time consuming or burdensome to the  
20 consumer than that which is required under Florida Statutes, Chapter 364.10(3)(a)  
21 for income based eligibility. Under the Commission's proposed self-certification  
22 proposal, customers will still be required to complete an affidavit attesting to their  
23 eligibility and must return the form to the company in person, mail or fax. The

1 Small LECs do not believe including actual documentation of eligibility is any  
2 more time consuming or burdensome to the customer.

3  
4 **Q. BELLSOUTH WITNESS MR. DEYONKER OFFERS AN ALTERNATIVE**  
5 **LIFELINE SELF-CERTIFICATION PROGRAM. DO THE SMALL LECs**  
6 **SUPPORT THIS PROPOSAL?**

7 **A.** No. The Small LECs believe that eligibility should be determined at the front end  
8 of the Lifeline application process. Under BellSouth's proposal, however, it may  
9 be a year from the time the customer signs up before eligibility is verified. The  
10 company then would have to back-bill ineligible customers, thus creating  
11 additional administrative expenses and damaging customer relations. The Small  
12 LECs agree with the testimony of Verizon witness Mr. West that self-certification  
13 could lead to customer confusion and irritation. (Verizon witness Mr. West page  
14 15, lines 10-24, and page 16, lines 1-20).

15  
16 Although the Small LECs do not support BellSouth's alternative self-certification  
17 proposal on the front-end of the application process, we do believe that the  
18 proposal is worth exploring for re-certification.

19  
20 **Q. BELLSOUTH WITNESS MR. DEYONKER AND SPRINT WITNESS MS.**  
21 **KHARZAEI BOTH ARGUE THAT THE COMMISSION DOES NOT**

1           **HAVE THE AUTHORITY TO IMPLEMENT A COST RECOVERY**  
2           **MECHANISM FOR LIFELINE. DO YOU AGREE?**

3    **A.**    No. As stated in my direct testimony, Section 364.025(1) and (2), Florida  
4           Statutes, gives the Commission the specific authority to establish an interim  
5           universal service fund. The Small LECs believe that implementation of an  
6           interim universal service fund is overdue, particularly in the case of Lifeline  
7           service. Regardless of whether the Commission expands the Lifeline eligibility  
8           criteria, the Small LECs believe that a competitively neutral funding mechanism  
9           for Lifeline is necessary and appropriate.

10  
11   **Q.**    **AS AN OPTION FOR FUNDING LIFELINE, VERIZON WITNESS MR.**  
12           **DANNER RECOMMENDS THAT COMPANIES BE PERMITTED TO**  
13           **LEVY A SURCHARGE TO FUND ITS OWN LIFELINE DISCOUNTS.**  
14           **DO YOU AGREE WITH THIS APPROACH?**

15   **A.**    No. Mr. Danner identifies two options that are available to the Commission to  
16           fund Lifeline: (1) an industry-wide pool or fund, or (2) a surcharge levied by each  
17           local exchange company to fund its own Lifeline discounts. Mr. Danner correctly  
18           points out in his testimony that the second (surcharge) option creates competitive  
19           disadvantages.

20  
21           The Small LECs agree with Mr. Danner that it is not fair or appropriate to place  
22           the responsibility of funding a social program on the incumbent local exchange

1 company (Page 22, Lines 1-8), particularly in a competitive marketplace, which is  
2 why the Small LECs believe the implementation of a state universal service fund  
3 is necessary.

4  
5 **Q. DO THE SMALL LECs SUPPORT MR. DANNER'S FIRST (INDUSTRY-  
6 WIDE POOL) OPTION TO FUND LIFELINE?**

7 **A.** Yes. The Small LECs support the creation of an industry-wide pooling  
8 arrangement or fund as the best approach to ensure competitive neutrality.  
9 Furthermore, the Small LECs believe that all contributors to the fund should be  
10 allowed to implement a surcharge on the end user bill. This method of supporting  
11 Lifeline would be similar to the method by which the Telephone Relay System, an  
12 existing social program, is funded.

13  
14 **Q. DO YOU AGREE WITH MR. DANNER THAT A POOLING  
15 ARRANGEMENT OR FUND IS DISADVANTAGEOUS DUE TO  
16 ADMINISTRATIVE COSTS?**

17 **A.** No. While I agree that a state universal service fund will result in administrative  
18 costs, there also would be additional administrative costs associated with Mr.  
19 Danner's company-specific surcharge option. Additionally, most, if not all,  
20 communications providers already have processes in place to contribute to federal  
21 and state universal service programs.

1 **Q. MR. DANNER SUGGESTS THAT A GENERAL TAX ON WIRELINE**  
2 **SERVICES IS THE BEST METHOD OF FUNDING LIFELINE**  
3 **BENEFITS. DO YOU AGREE?**

4 **A.** No. A general tax on wireline service is not an equitable method of funding a  
5 social program such as Lifeline. All providers of communications services are  
6 competing for the same customers. Limiting funding obligations to one class of  
7 communications providers creates an unfair competitive advantage. The Small  
8 LECs support the establishment of a universal service fund to which all  
9 communications providers are required to contribute in a competitively neutral  
10 manner. The Commission has estimated that there are 11 million wireline access  
11 lines in Florida, along with 9 million wireless access lines. Requiring all  
12 communications providers to contribute on a competitively neutral basis, using  
13 access lines as a methodology for determining contributions, will dilute the  
14 financial impact of the fund by spreading the costs among all required  
15 contributing carriers.

16  
17 **Q. IN AN ATTEMPT TO ADDRESS THE COMPETITIVE**  
18 **DISADVANTAGES OF REQUIRING COMPANIES TO SELF-FUND**  
19 **LIFELINE, MR. DANNER RECOMMENDS THAT THE COMMISSION**  
20 **REQUIRE ALL CERTIFICATED WIRELINE CARRIERS TO OFFER**  
21 **LIFELINE SERVICE. DO YOU BELIEVE THIS WILL CREATE**  
22 **COMPETITIVE NEUTRALITY?**



1 A. No. This approach will not equalize the burden of funding Lifeline, especially in  
2 rural markets. Wireless and VoIP providers are the primary source of competition  
3 in rural markets. The Commission does not have the authority to establish  
4 wireless rates and thus cannot establish an affordable wireless rate for low-income  
5 subscribers. Nor can VoIP provide a viable low-income telephone service  
6 because customers must first purchase broadband access.

7

8 The Small LECs agree with Mr. Danner that some competing technologies may  
9 attempt to avoid offering or contributing to Lifeline, however we believe the best  
10 approach to share the cost of funding social programs such as Lifeline is through a  
11 state funding arrangement.

12

13 **Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.**

14 A. The Small LECs disagree with the testimony of Verizon Witness Mr. Danner that  
15 companies should be permitted to self-recover Lifeline support through  
16 surcharges on their end-user bills. The best method of providing a competitively  
17 neutral Lifeline cost recovery mechanism is a state universal service fund, which  
18 the Commission should establish regardless of whether it expands Lifeline  
19 eligibility criteria. The Commission has statutory authority to establish such a  
20 fund, to which all providers of communications services should be required to  
21 contribute. Furthermore, we believe that using access lines as a basis for sizing

1 the assessment is easier than assessing recovery based on a portion of intrastate  
2 revenues.

3

4 Further, the Small LECs do not support self-certification for Lifeline service. We  
5 believe that it is important to ensure that the proper checks and balances are in  
6 place in order to prevent fraud and abuse of the Lifeline program. Although we  
7 do not support BellSouth's proposal for self-certification on the front-end of the  
8 application process, we do believe the suggestion is worth evaluating to minimize  
9 the impacts of re-certification on customers and companies.

10 Q. **DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

11 A. Yes.

12

13

14

15

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U.S. Mail on this 17th day of December, 2004 to:

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  
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  
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

Michael B. Twomey, Esq.  
P.O. Box 5256  
Tallahassee, Florida 32314-5256  
miketwomey@talstar.com

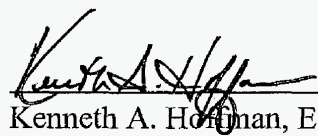
James L. White  
Vice President - Regulatory & Gov. Affairs  
ALLTEL Communications, Inc.  
6867 South Point Drive North, Suite 103  
Jacksonville, Florida 32216  
James.White @alltel.com

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

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

R. Mark Ellmer  
Director-Accounting/Revenue Requirements  
GT COM  
P.O. Box 220  
Port St. Joe, Florida 32456  
rme@gtcom.net

  
Kenneth A. Hoffman, Esq.  
Martin P. McDonnell, Esq.  
Marsha E. Rule, Esq.  
Rutledge, Ecenia, Purnell & Hoffman, P.A.  
P.O. Box 551  
Tallahassee, Florida 32301  
(850) 681-5788 (Telephone)  
(850) 681-6515 (Facsimile)