

FLORIDA PUBLIC SERVICE COMMISSION
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MEMORANDUM

December 4, 1997

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FPSC - Records/Reporting

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF COMMUNICATIONS (MARSH)
DIVISION OF LEGAL SERVICES (COX) *WPC mcb*

RE: DOCKET NO. 970644-TP - ESTABLISHMENT OF ELIGIBLE
TELECOMMUNICATIONS CARRIERS PURSUANT TO SECTION 214(e) OF
THE TELECOMMUNICATIONS ACT OF 1996

DOCKET NO. 970744-TP - IMPLEMENTATION OF CHANGES IN THE
FEDERAL LIFELINE ASSISTANCE PROGRAM CURRENTLY PROVIDED BY
TELECOMMUNICATIONS CARRIERS OF LAST RESORT

AGENDA: 12/16/97 - REGULAR AGENDA - PROPOSED AGENCY ACTION -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: January 1, 1998 - This is the effective date
of changes in the federal Lifeline Assistance
Plan.

SPECIAL INSTRUCTIONS: S:\PSC\CMU\WP\970644A.RCM

CASE BACKGROUND

The Telecommunications Act of 1996 (the Act) initiated sweeping changes in the telecommunications industry. Among those changes was the introduction of Eligible Telecommunications Carriers (ETCs). ETCs are defined in Section 214(e) of the United States Code (47 U.S.C. 214).

(1) A common carrier designated as an eligible telecommunications carrier . . . shall be eligible to receive universal support . . . and shall, throughout the service area for which the designation is received--

(A) offer the services that are supported by Federal universal service support mechanisms under section 254(c), either using its own facilities or a combination of its own facilities and resale of

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another carrier's services (including the services offered by another eligible telecommunications carrier); and

(B) advertise the availability of such services and the charges therefor using media of general distribution.

The Act provides that state commissions may designate ETCs either on their own motion or upon request.

The FCC determined in its Report and Order on Universal Service (CC Docket No. 96-45, FCC Order 97-157, Released May 8, 1997) (Order) that the supported services to be provided by all ETCs must include voice grade access to the public switched network, a certain amount of free local usage, dual tone multi-frequency signaling or its functional equivalent, single-party service, access to emergency services, access to operator services, access to interexchange service, and access to directory assistance. In addition, ETCs must provide Lifeline and Link Up to eligible subscribers. As part of their Lifeline plans, ETCs must offer voluntary toll limitation services in exchange for reduced or zero deposits.

The Order instituted several changes in the existing Lifeline program. Many of the changes were adopted to make the program consistent with the Act, particularly with regard to competitive neutrality. The current program is a function of jurisdictional separations and applies only to incumbent LECs; thus, it is not competitively neutral. Other changes were instituted in an attempt to increase subscribership levels among low-income consumers.

Beginning January 1, 1998, a baseline federal support amount of \$3.50 will be available in all states, the District of Columbia, and all territories and possessions, regardless of whether any intrastate support is provided. The baseline amount of federal support will increase from the current \$3.50 waiver of the Subscriber Line charge (SLC) to \$5.25, provided the state approves the additional support to be passed through in intrastate rates. The federal jurisdiction will also provide additional Lifeline support equal to one-half of any intrastate support, up to an additional \$1.75. A total of \$7.00 in federal universal support can be received for each Lifeline subscriber.

By Order No. PSC-97-1262-FOF-TP, issued October 14, 1997, the FPSC designated the incumbent LECs as ETCs and adopted certain changes to the Lifeline program. In its Order, the FPSC recognized

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that the ability of LECs to offer a full range of toll limitation services may be limited, particularly in the area of toll control. Toll control allows the subscriber to choose a pre-set spending limit. The FCC allows the states to grant limited waivers of toll limitation requirements; accordingly, the FPSC ordered ETCs to file petitions requesting waivers if they are unable to provide any portion of the toll limitation services.

All LECs filed petitions asking for a waiver of the requirement to provide toll control. However, all LECs are able to provide toll blocking. This recommendation addresses the petitions.

DISCUSSION OF ISSUES

ISSUE 1: Should the FPSC approve the LECs' petitions for waiver of the requirement to provide toll control services?

RECOMMENDATION: Yes. Staff recommends that the current ETCs, which includes all incumbent LECs, be granted waivers from implementation of toll control for a period of one year, beginning January 1, 1998. During that time, all ETCs must provide voluntary toll blocking at no charge to Lifeline subscribers, in exchange for a zero deposit, as previously set forth in FPSC Order PSC-97-1262-FOF-TP. (MARSH)

STAFF ANALYSIS: One of the new federal requirements for Lifeline is that Lifeline consumers be provided toll limitation services on a voluntary basis, without charge. This is due to the belief that one of the primary reasons subscribers lose access to telecommunications services is disconnection for failure to pay toll bills.

There are two types of toll limitation services. With voluntary toll blocking, customers may choose to have all toll calls blocked. With toll control services, customers may limit in advance their toll usage per billing cycle. A customer's deposit can be eliminated in exchange for participation in toll blocking. ETCs may not collect service deposits from customers who select toll blocking. The service deposit should be reduced appropriately for those customers who selected toll control.

As outlined in FCC Order 97-157, ¶388, waivers may be granted by the states to carriers that are technically incapable of

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providing toll limitation services while they upgrade their switches to enable them to provide such services. The FCC made it clear that

this is not an exception to eligible telecommunications carriers' general obligation to provide toll-limitation services; rather, it is a transitional mechanism to allow eligible telecommunications carriers a reasonable time in which to replace existing equipment that technically prevents the provision of service. (Order, ¶388)

Presently, Florida LECs can provide toll blocking, but not toll control. Staff believes that carriers desirous of receiving federal support should provide the services upon which that support is contingent. Carriers who cannot provide all toll limitation services should provide a plan and time line to the FPSC for their provision. The FCC has agreed that carriers providing voluntary toll limitation should be compensated from universal service support mechanisms for the incremental cost of providing toll-limitation services. (Order, ¶386) No intrastate funding for toll-limitation services is available in Florida.

All Florida LECs filed petitions for initial waivers for implementation of toll control services. ALLTEL, GTEFL, Northeast, and Vista-United requested a one-year waiver. Sprint requested a two-year waiver. BellSouth, GTC, Frontier, Indiantown, and Quincy requested waivers, but did not specify a period of time.

The companies alleged that toll control functionality is not generally available from their switch vendors at this time. Additionally, they contend that the billing systems for toll calls would have to be extensively overhauled. To describe this situation, BellSouth stated in its petition:

Toll limitation services require the ability, on the part of the local exchange company, to monitor the toll charges of each subscriber. In order to accomplish this, the local exchange company must receive recording and rating information on an hourly basis from every interexchange carrier used by the subscriber during each billing cycle, including those interexchange carriers for whom BellSouth does not bill. Without this information, the local exchange company has no way of knowing the amount of toll usage that has been incurred by the subscriber during the billing cycle. (BellSouth petition, October 23, 1997, pp. 2-3)

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Several companies also pointed out that petitions have been filed with the FCC asking it to reconsider its toll limitation requirements. Although the requirements for federal funding may be changed, the FPSC may wish to retain toll control as part of Florida's lifeline plan. The FPSC has expressed support of the toll limitation requirements as currently framed in the FCC's Order. Accordingly, staff believes ETCs should continue with plans for implementation of full toll limitation services regardless of the FCC's decision on the matter.

Staff believes it is appropriate to grant waivers to allow companies time to make necessary plans for implementation of full toll limitation services. As noted above, only Sprint requested a waiver for more than one year. Staff believes it would be appropriate for all ETCs to be on the same schedule initially as this would allow waivers to be tracked and processed in an efficient manner.

Staff recommends that the current ETCs, which includes all incumbent LECs, be granted waivers from implementation of toll control for a period of one year, beginning January 1, 1998. During that time, all ETCs must provide voluntary toll blocking at no charge to Lifeline subscribers, in exchange for a zero deposit, as previously set forth in FPSC Order PSC-97-1262-FOF-TP.

ISSUE 2: Should these dockets be closed?

RECOMMENDATION: If no person whose substantial interests are affected files a protest within 21 days of the issuance of the Order, the Order will become final.

Docket No. 970744-TP should remain open pending the outcome of the outstanding petitions of OPC and the FPSC. Docket No. 970644-TP should be closed. (MARSH, COX)

STAFF ANALYSIS: If the Commission adopts staff's recommendation in Issue 1, any person whose substantial interests are affected will have 21 days from the issuance date of the order to file a timely protest to the Commission's Proposed Agency Action.

Regardless of whether a protest is filed on the Order, Docket No. 970744-TP should remain open for the following reasons. On October 30, 1997, OPC filed a protest of Proposed Agency Action

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Order No. PSC-97-1262-POF-TP, issued October 14, 1997, and requested a Section 120.57(2) hearing. The petition specifically addresses the \$1.75 of additional Lifeline funding that the FPSC did not approve in its order. On the same issue, the FPSC filed a petition with the FCC asking for clarification of the state matching requirements for that \$1.75. OPC filed comments with the FCC on the FPSC's petition which supported approval of Florida's Lifeline plan as meeting state matching requirements. No response has been received from the FCC. Pending resolution of these matters, Docket No. 970744-TP should remain open.

With regard to Docket No. 970644-TP, no protests were filed on issues specific to ETCs, the subject of that docket. The protest period ended November 4, 1997. Accordingly, Docket No. 970644-TP should be closed.