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November 17, 2004

Mrs. Blanca S. Bayó  
Director, Commission Clerk and  
Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

**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. Bayó:

Enclosed is an original and fifteen copies of BellSouth  
Telecommunications, Inc.'s Direct Testimony of James R. Deyonker and Carlos  
Morillo, which we ask that you file in the captioned docket.

Copies have been served to the parties shown on the attached Certificate  
of Service.

Sincerely,

  
Nancy B. White

cc: All Parties of Record  
Marshall M. Criser III  
R. Douglas Lackey

DOCUMENT NUMBER-DATE

12310 NOV 17 3

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**CERTIFICATE OF SERVICE  
DOCKET NO. 40604-TL**

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via  
Electronic Mail and U.S. Mail this 17<sup>th</sup> day of November, 2004 to the following:

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**BELLSOUTH TELECOMMUNICATIONS, INC.**  
**DIRECT TESTIMONY OF JAMES R. (“Rod”) DEYONKER**  
**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**  
**DOCKET NO. 040604-TL**  
NOVEMBER 17, 2004

**Q.** PLEASE STATE YOUR NAME, YOUR POSITION WITH BELLSOUTH TELECOMMUNICATIONS, INC. (“BELLSOUTH”), AND YOUR BUSINESS ADDRESS.

**A.** My name is James R. (“Rod”) DeYonker. I am employed by BellSouth as Director – Regulatory & External Affairs for the nine-state BellSouth region. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

**Q.** PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR BACKGROUND AND EXPERIENCE.

**A.** Over the last 27 years as an employee in the BellSouth regulatory organization I have held a variety of positions including assignments working with traffic separations, independent telephone company settlements, cellular interconnection, local exchange service pricing and regulatory liaison with state (Alabama) Public Service Commission staff. I currently am the company’s regulatory subject matter expert for federal and state universal service fund matters and am responsible for assisting BellSouth’s retail business units in obtaining improved pricing flexibility consistent with the

1 competitive marketplace in which we operate.

2

3 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

4

5 A. The purpose of my testimony is to provide BellSouth's position on the  
6 operational aspects of the Florida Commission's consideration of  
7 enhancements to the existing Lifeline and Link-Up programs in Florida.  
8 Specific to the List of Proposed Issues, I will provide testimony for Issues 4  
9 and 5. Since the BellSouth positions for Issues 4 and 5 are so closely  
10 interrelated, I will respond to both Issues 4 and 5 concurrently. The BellSouth  
11 policy witness in this matter, Carlos Morillo, will provide testimony for Issues  
12 1, 2, 3 and 6.

13

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

16 *Issue 5(a): Should consumers be allowed to self-certify for program-based Lifeline*  
17 *and Link-Up eligibility? And Issue 5(b): If so, how much assistance should be*  
18 *provided for customers using self-certification?*

19

20 Q. WHAT ACTIONS WERE TAKEN BY THE COMMISSION IN ORDER NO.  
21 PSC-04-0781?

22

23 A. The Commission ordered the addition of two new eligibility criteria for the  
24 Lifeline/Link-Up program in Florida. These include those eligible under the  
25 National School Lunch Program and an income test of 135% of the poverty

1 level. The Commission's order also establishes a plan for self-certification that  
2 introduces a different level of credit depending upon the method used by the  
3 end user to qualify for participation in the Lifeline/Link-Up program.

4

5 Q. HOW IS THE LIFELINE/LINK-UP PROGRAM IN FLORIDA FUNDED?

6

7 A. The Lifeline/Link-Up Program in Florida is funded through the Federal  
8 Universal Service Fund and through direct contributions from BellSouth and  
9 other ETCs in the state. The primary goal of Universal Service is to promote  
10 the availability of basic telecommunications services to all Americans at  
11 affordable rates. The 2004 Federal Universal Service Fund, for example, is  
12 expected to distribute approximately \$6.5 billion to the following four  
13 programs: 1) high-cost fund (52%); 2) schools and libraries (35%); 3) low-  
14 income (12%); and, 4) rural healthcare (1%). In 2004, the federal low-income  
15 assistance portion, also known as Lifeline and Link-Up, is expected to provide  
16 approximately \$775 million in support of installation and local service charges  
17 to low-income subscribers across the country. In 2004, Florida consumers are  
18 expected to receive Lifeline/Link-Up discounts of approximately \$24.6 million  
19 from both federal (\$18.2 million) and state (\$6.4 million) credits .

20

21 Q. EXPLAIN THE FOUR TIERS OF SUPPORT THAT COMPRISE THE  
22 \$13.50 CREDIT LIFELINE SUBSCRIBERS RECEIVE IN THE STATE OF  
23 FLORIDA.

24

25 A. --The first tier of federal Lifeline support is a waiver/credit of the federal

1 primary residential subscriber line charge (“SLC”), currently at \$6.50 per  
2 month.

3 --The second tier of federal support is a \$1.75 credit available to Lifeline  
4 subscribers as a result of all fifty states having approved a reduction in the  
5 portion of the intrastate rate paid by the end user as required by the FCC.

6 --Tier three of federal support is \$1.75, or one-half the \$3.50 monthly amount  
7 of the state-matching program. In some states, a state-funding program  
8 provides the “state matching” support. However, in Florida, ETCs provide the  
9 additional state match of \$3.50 in Lifeline state support. Florida ETCs are  
10 expected to contribute approximately \$6.4 million to the state match in 2004 of  
11 which BellSouth is expected to contribute an estimated \$4.4 million.

12 --The fourth tier of federal support provides for a credit of up to \$25.00 for  
13 subscribers living on tribal lands. Currently, BellSouth has no subscribers  
14 receiving this credit in Florida.

15

16 In summary, under the current support program in Florida, BellSouth’s  
17 Lifeline subscribers receive a monthly credit of \$13.50, consisting of \$10.00  
18 (\$6.50 + \$1.75 + \$1.75) in federal support and \$3.50 in state support provided  
19 by BellSouth.

20

21 Q. WHAT IS BELLSOUTH’S POSITION ON ADDING THE NATIONAL  
22 SCHOOL LUNCH PROGRAM TO THE PUBLIC ASSISTANCE  
23 PROGRAM CRITERIA?

24

25 A. BellSouth believes that adding the National School Lunch (“NSL”) program to

1 the existing eligibility criteria will not increase the base of Lifeline  
2 subscribership to any substantial degree since children automatically qualify to  
3 enroll in this program if the head of the household already participates in  
4 Temporary Aid to Needy Families (“TANF”) or receives food stamps. Since  
5 these two programs serve as qualifying criteria for low-income support in  
6 Florida, BellSouth believes that the addition of the NSL is unlikely to expand  
7 the base of subscribers appreciably. The FCC stated in its April 29, 2004  
8 order that the addition of TANF and NSL in federal default states (states that  
9 have no state matching program or have adopted the federal default criteria) is  
10 likely to improve participation in the Lifeline/Link-Up program, but was  
11 unable to provide any substantiating documentation to support this claim.<sup>1</sup>

12  
13 Q. WHAT IS BELLSOUTH’S POSITION ON THE ADDITION OF A SELF-  
14 CERTIFICATION OPTION?

15  
16 A. BellSouth does not support the Commission’s ordered plan to add a self-  
17 certification option to subscribers. Adopting the Commission’s plan would  
18 result in different levels of Lifeline benefits being paid depending on whether  
19 customers utilized the current ‘standard’ certification process providing a  
20 credit of \$13.50 per month, or choose the new self-certification option for a  
21 credit of \$8.25 per month. The proposed self-certification option would require  
22 ETCs to immediately apply the benefit upon receipt of a verbal assurance from  
23 the customer that they are participating in an eligible program. ETCs would

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<sup>1</sup> Report and Order and Further Notice of Proposed Rulemaking, WC Docket No. 03-109, *In the Matter of Lifeline and Link-Up*, FCC 04-87 (rel. April 29, 2004) ¶13.



1 then be required to send a self-certification form to the customer to indicate  
2 which Florida-approved public assistance program that he/she was currently  
3 enrolled in and provide a signature as certification “under penalty of perjury”.  
4 If the customer returns the signed self-certification form to the ETC within 60  
5 days, the customer would continue to receive the Lifeline credit. If the ETC  
6 does not receive the signed self-certification form within the 60-day period, the  
7 customer would be presumed to be ineligible and the Lifeline credit would be  
8 removed from their account.

9

10 Q. WHAT STEPS WILL HAVE TO BE TAKEN IN ORDER FOR  
11 BELL SOUTH TO IMPLEMENT THE COMMISSION’S SELF-  
12 CERTIFICATION PLAN?

13

14 A. BellSouth will have to implement a process to address situations where  
15 customers are provided with Lifeline benefits on the basis of the Commission’s  
16 ordered self-certification option, but are subsequently deemed to be ineligible  
17 when they fail to return the self-certification form within 60 days. Such  
18 ineligible customers will have potentially received a Link-Up benefit of up to  
19 \$30.00 and a minimum Lifeline benefit of \$27.00. Additionally, unless  
20 modified, BellSouth’s billing system will automatically (and inappropriately)  
21 provide such ineligible Lifeline subscribers the Lifeline transitional discount  
22 for one year. In addition, the Commission’s Order will require ETCs to  
23 annually mail customers re-certification forms requiring all Lifeline recipients  
24 to return the forms within 60 days. Further, ETCs would be required to  
25 discontinue provision of Lifeline benefits to customers who do not respond to

1 the re-certification appeal. Finally, the Commission's Order supports adoption  
2 of the FCC's verification procedure whereby ETCs will perform annual  
3 verification of a statistically valid sample of customers provided benefits under  
4 self-certification.

5  
6 BellSouth believes it would be costly for ETCs to implement and administer an  
7 additional second tier benefit using a self-certification process. BellSouth and  
8 other ETCs would be required to invest in costly changes to billing systems in  
9 order to accommodate an additional level of support. BellSouth estimates that  
10 it would incur a one-time cost of approximately \$1 million, and would take  
11 approximately nine months to implement an additional tier of support based on  
12 the Commission's Order. BellSouth would have to add additional billing  
13 components for each program-based criteria since there would be two different  
14 levels of support, \$13.50 for the current program and \$8.25 for the additional  
15 self-certification tier. In addition, ETCs would experience increased  
16 administrative cost burdens to immediately apply benefits based upon a  
17 customer's verbal certification; to implement a re-certification process; and, to  
18 require implementation of a new statistically valid sample verification process.

19  
20 Q. DOES BELLSOUTH BELIEVE THAT THE SELF-CERTIFICATION  
21 PROCESS PROPOSED BY THE COMMISSION IS DISCRIMINATORY?

22  
23 A. Yes. BellSouth believes it would be discriminatory for eligible customers to  
24 receive different benefit amounts simply on the basis of which certification  
25 method is chosen by the customer. BellSouth also believes the Commission's

1 Order would be cumbersome and confusing for consumers and ETCs to  
2 interpret different forms of documentation resulting in two different levels of  
3 support. Subscribers selecting self-certification and an \$8.25 monthly credit  
4 would be required to re-certify annually and return the form to the ETC to  
5 remain in the low-income program. BellSouth believes the key to increased  
6 Lifeline subscribership is to streamline the process thereby simplifying the  
7 enrollment steps that subscribers must take.

8

9 Q. WHAT IS BELLSOUTH'S CURRENT PROCESS FOR CERTIFYING  
10 CUSTOMER ELIGIBILITY FOR LIFELINE AND LINK-UP BASED ON  
11 PROGRAM-BASED CRITERIA?

12

13 A. BellSouth's current certification process is simple for consumers and is  
14 working as designed. When an end user calls the BellSouth business office, the  
15 end user may advise the representative that he/she wants to apply for Lifeline,  
16 or during discussions with an end user, a BellSouth representative believes that  
17 the end user may qualify for Lifeline, the representative advises the customer  
18 about the availability of Lifeline/Link-Up. In either case, the representative  
19 will advise the customer to obtain and send proof of eligibility to BellSouth's  
20 Regional Support Center. Once BellSouth receives an end user's request for  
21 Lifeline, BellSouth tracks the request through the eligibility process. If the  
22 customer-provided documentation does not meet the eligibility criteria,  
23 BellSouth sends a letter to the customer advising what additional information  
24 is needed to process the request. An insert listing acceptable Lifeline  
25 qualifying eligibility programs and a return envelope are included with the

1 letter. The customer's records are documented as to what action was taken  
2 regarding the request.

3

4

5

6 While the current certification process for customers qualifying based on their  
7 participation in eligible programs is simple and effective, BellSouth has an  
8 alternative to the Commission's ordered self-certification option. I will  
9 describe that alternative later in my testimony.

10

11 Q. WHAT ARE BELLSOUTH'S PROCEDURES FOR CERTIFYING  
12 CUSTOMER ELIGIBILITY FOR LIFELINE AND LINK-UP BASED ON  
13 AN INCOME-BASED CRITERION?

14

15 A. Through a variety of different avenues, low-income consumers are directed to  
16 the Office of Public Counsel ("OPC") to determine if they are eligible to  
17 receive a credit on local telephone service and installation based on total  
18 household income. The OPC currently enrolls customers in Lifeline/Link-Up if  
19 their household income is no more than 125 percent of the federal poverty  
20 guidelines. The OPC requires the potential Lifeline recipient to provide proof  
21 of the total household income and a completed application signed under  
22 penalty of perjury that the information represents the total household income.  
23 On a weekly basis, the OPC provides BellSouth a list of applicants who qualify  
24 for the Lifeline/Link-Up programs through an income-based criterion.  
25 BellSouth adds the Link-Up/Lifeline benefits to the customer's order if records

1 indicate a match with OPC records. BellSouth then replies to the OPC,  
2 indicating the status of the implementation of the Link-Up/Lifeline credit for  
3 each customer on the list.

4

5 Q. DOES BELLSOUTH HAVE AN ALTERNATIVE PROPOSAL FOR SELF-  
6 CERTIFICATION?

7

8 A. Yes. BellSouth supports utilization of a new self-certification procedure for all  
9 customers claiming eligibility based on their participation in a qualifying  
10 assistance program. By adopting BellSouth's self-certification proposal all  
11 eligible customers will receive the benefit payment that is currently at \$13.50.  
12 This is the larger benefit of the two options in the Commission's order. Since  
13 all eligible customers receive the same amount, it is non-discriminatory.  
14 BellSouth's proposal would apply the Lifeline/Link-Up benefit only after the  
15 Company receives the customer's signature on a document certifying "under  
16 penalty of perjury" that they participate in one of the Lifeline eligible programs  
17 in Florida and they identify the qualifying program.<sup>2</sup> This proposal would  
18 streamline the potentially time-consuming and arguably "limiting" aspect in  
19 the current procedure whereby customers are required to return evidence of  
20 participation in a qualifying program along with the signed form.

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<sup>2</sup> See 47 C.F.R. § 409(b) stating that an ETC must obtain the consumer's signature on a document certifying, under penalty of perjury, to qualify for Lifeline/Link-Up support based on program based criteria.

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Q. HOW WOULD BELLSOUTH'S PROPOSED METHOD BE IMPLEMENTED?

A. Rather than employ the Commission's ordered re-certification and statistically valid sample verification processes, BellSouth's alternative would employ a more robust verification process to maintain the integrity of the Lifeline program in Florida to better ensure that only eligible subscribers receive benefits. Under BellSouth's verification process, at least annually, ETCs would create and post a file of customers receiving Lifeline benefits to a secure website. A representative of the state or agency would access the secure site and verify the program-based eligibility of the customers by comparing the list with the official records of the applicable qualifying program. The state representative would create an 'exception' list of customers who are not found to be participating in the program. The ETC would then notify only the potentially ineligible customers and request that they reply with appropriate evidence of their participation in a qualifying program. The Lifeline credit would be removed from customers who do not satisfactorily reply within 60 days. BellSouth's alternative proposal would eliminate any discrimination concerns; it would simplify and streamline the certification and verification procedures for customers; and, it would be easier and less costly for ETCs to implement and administer than would be the Commission's Order.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

1. A. Yes.

