

1                                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                                   **DOCKET NO. 040604-TL**

3                                   **DIRECT TESTIMONY**

4                                   **OF**

5                                   **SANDRA A. KHAZRAEE**

6  
7    **Q.    What is Sprint's position regarding the offering of Lifeline service?**

8    **A.    Sprint supports Lifeline and believes it is a valuable service that, when effectively**  
9           **implemented, enhances universal service. However, Lifeline is not without costs and**  
10           **those costs are recovered directly or indirectly from Florida telecommunications**  
11           **services users. Sprint's objective is to implement an effective plan which minimizes**  
12           **costs to consumers but provides a safety net to maintain local telephone service for**  
13           **those who are economically disadvantaged. Thus, Sprint believes that the existing**  
14           **programs, already implemented in Florida, best serve the needs of all customers, that**  
15           **is, Lifeline, future Lifeline and non-Lifeline customers that ultimately bear the costs**  
16           **of the Lifeline program.**

17  
18    **Issue 1: Is the Commission authorized under state or federal law to order the actions**  
19    **set forth in Order No. PSC-04-0781-PAA-TL?**

20  
21    **Q.    Does the Commission have the authority to order the additional qualification**  
22           **criteria and methods set forth in Order No. PSC-04-0781-PAA-TL?**

23    **A.    Sprint's position is that the Commission does not have the authority to order the**  
24           **actions set forth in Order No. PSC-0400781-PAA-TL (which I will refer to in this**

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1 testimony as the “Lifeline PAA Order”). This is a legal issue that Sprint intends to  
2 fully address in its posthearing brief.

3

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

6

7 **Q. Are the actions taken by the Commission in the Lifeline PAA Order reasonable?**

8 **A.** No. Sprint believes the actions taken in this Order are not reasonable in several  
9 respects. The proposed actions are not reasonable because the Commission is  
10 ordering additional Lifeline qualification criteria for which there has been insufficient  
11 analysis. Thus, it is not known whether the result of these proposed actions will  
12 likely produce the expected outcomes or whether the costs of implementation are  
13 reasonable compared with the expected benefits. For instance, the Commission has  
14 proposed to order the inclusion of the National School Lunch (NSL) free lunch  
15 program as a qualifying program for Lifeline eligibility without determining how the  
16 plan would be implemented, what the implementation costs are, or who will bear  
17 these costs. There has also been no analysis to determine if any incremental Lifeline  
18 subscriptions would result from the addition of the NSL free lunch program,  
19 justifying the implementation and administration costs associated with implementing  
20 a program which already overlaps other qualifying Lifeline programs. In fact, given  
21 the overlap between existing qualifying benefit programs, it is arguable whether  
22 adding the NSL free lunch program actually increases the base of eligible households.  
23 The Lifeline PAA Order suggests that there are approximately 962,000 children

1 eligible to participate in the NSL program. One would assume that some smaller  
2 number of children would actually be qualified for the NSL free lunch program. That  
3 number would be further reduced by dividing by the number of children per  
4 household to arrive at a number of households who would be Lifeline eligible based  
5 on this qualifier. Many of those households are already eligible for Lifeline under  
6 existing qualifying programs. Children are automatically eligible for free school  
7 meals if their household receives Food Stamps or participates in TANF or if the  
8 consumer's household income is at or below 130% of the Federal Poverty Guidelines  
9 (FPG). Given that Sprint already offers Lifeline to households that qualify for food  
10 stamps or TANF or that are at 125% of FPG, it seems apparent that adding NSL Free  
11 Lunch program as a Lifeline qualifier will not significantly increase the pool of  
12 eligible Lifeline subscribers. Without knowing how the addition of this program  
13 would be administered, it is hard to determine if the costs of adding this as a qualifier  
14 would outweigh the slight benefits that would be received. The end result may be that  
15 adding NSL will result in implementation costs for a program that does nothing to  
16 increase the number of Lifeline eligible recipients.

17  
18 **Q. Does Sprint agree that expanding the eligibility criteria for Lifeline and Link-Up**  
19 **is the most effective way to materially increase subscribership to these**  
20 **programs?**

21 **A.** No. Sprint does not believe that expanding the eligibility criteria for Lifeline and  
22 Link-Up is necessarily the most effective way to materially increase subscribership.  
23 As explained in the previous response, with the overlap between programs, many of

1 the consumers eligible for Lifeline are eligible under multiple programs. Adding  
2 additional programs to those already approved may not significantly increase the pool  
3 of eligible households. Sprint believes that a more effective way to increase Lifeline  
4 and Link-Up subscribership is to continue with outreach efforts that are externally  
5 funded. The Commission, in its August 23, 2004 comments to the FCC, appears to  
6 agree with this and said "We are of the opinion that efforts to increase subscribership  
7 within the existing standard should occur prior to any discussion of increasing the  
8 eligibility standard itself." Commissioner Jaber also voiced this concern in her  
9 dissenting vote on the Lifeline PAA Order when she said, "I do not believe that just  
10 increasing the base of eligibility is going to improve the penetration rate."

11  
12 **Q. What other alternatives for increasing Lifeline subscribership does Sprint**  
13 **believe would be more effective?**

14 **A.** Sprint believes that the most effective means of increasing Lifeline subscribership is  
15 through agencies administering existing qualifying programs, outreach programs and  
16 education. Efforts that are coordinated with the agencies that approve the consumers'  
17 participation in the qualifying programs would seem to be the most effective means  
18 of reaching potential Lifeline subscribers. The Staff's November 22, 1993,  
19 recommendation to deny Southern Bell's request to offer a Lifeline Assistance  
20 Program included a statement summing up a Commission discussion at the April 23,  
21 1985, Internal Affairs in which the Commissioners expressed the belief "that Lifeline  
22 was a social welfare program and was best handled by the appropriate social agency  
23 or agencies."

1

2 **Q. What recent actions have been taken to increase Lifeline outreach in Florida?**

3 **A.** In April 2003, the Department of Children and Families (DCF) implemented a change  
4 which facilitated the Lifeline enrollment process for their clients. This change was the  
5 culmination of coordinated efforts between the FPSC, OPC, DCF and the ILECs to  
6 introduce a Lifeline sign-up process that would be efficient for the customers, DCF  
7 and the ILECs without introducing unnecessary administrative cost. DCF changed  
8 the award letters that they provide to their clients so that the letters include a  
9 statement advising that a client is eligible for Lifeline and they also include the  
10 applicable effective dates. Sprint accepts this letter in one of two ways. Either the  
11 Lifeline applicant can mail this letter to the Sprint office which handles Lifeline  
12 orders or DCF can email a copy directly to Sprint's Lifeline business office group.

13

14 During the past year, the Commission has also coordinated outreach efforts with the  
15 ILECs and various social service agencies to improve Lifeline outreach. A number of  
16 social service agencies receive Lifeline applications from the FPSC for distribution to  
17 their clients and can schedule a Commission staff presentation to their staff and/or  
18 clients.

19

20 **Q. Has Sprint participated in programs to increase Lifeline outreach?**

21 **A.** Yes. Sprint has undertaken several different efforts to educate and inform potential  
22 Lifeline customers about the Lifeline and Link-Up programs. In Florida, Sprint issues  
23 bill inserts semi-annually advising customers of Lifeline and Link-Up assistance and

1 includes Lifeline information in all telephone directories. Information is provided  
2 through call centers and retail locations as well. Sprint has held customer  
3 appreciation celebrations in various communities throughout Sprint's local service  
4 territory and provided information on Sprint's available services, including Lifeline.  
5 Sprint has also partnered with Linking Solutions to hold Lifeline awareness events in  
6 communities through Sprint's local service territory. These events are grass roots  
7 events which are designed to get information on Lifeline and its enrollment processes  
8 into the hands of people who are most likely to qualify for the benefit. Finally, Sprint  
9 has made available Lifeline brochures to various elected officials to provide/distribute  
10 to their constituents. In conjunction with this effort, Sprint has run radio and weekly  
11 newspaper public service announcements utilizing elected officials to promote  
12 Lifeline through local grassroots media outlets. As a result of these efforts, Sprint's  
13 Lifeline customer enrollments have increased from 10,706 in 2002 to 14,937 in 2003  
14 and 19, 274 as of September 2004.

15

16 **Q. Are the actions by the Commission in the Lifeline PAA Order non-**  
17 **discriminatory?**

18 **A.** No. The establishment of a second level of Lifeline support based solely on the means  
19 by which the customer enrolled appears to be discriminatory. This is primarily a legal  
20 issue which Sprint intends to fully address in its posthearing brief.

21

1 **Q. Is Florida's status as a net payer into the federal Universal Service Fund an**  
2 **appropriate or sufficient justification for the actions taken by the Commission in**  
3 **the Lifeline PAA Order?**

4 **A.** No. While Sprint certainly understands the Commission's desire to increase the  
5 benefits Florida receives from the federal USF, that desire does not necessarily reflect  
6 the essential purpose of Lifeline. When the Lifeline Assistance Plan was first adopted  
7 by the FCC in 1984, the stated purpose of the plan was to make telephone service  
8 more accessible to customers who might otherwise not be able to afford service. If  
9 every state designed its Lifeline plans around a desire to maximize USF receipts, it  
10 would clearly result in abuse of the program and a need for increased USF funding.  
11 As has been noted, California instituted a self certifying Lifeline program and  
12 currently has more Lifeline subscribers than eligible households, indicating the  
13 existence of abuse. Perhaps it would be more appropriate for the FCC to invest in  
14 efforts to reduce abuse in other states, as a mechanism for reducing the amount  
15 Florida is required to pay into the federal USF. That's not to say that Florida should  
16 not continue outreach and education programs in an effort to reach more of the  
17 customers who are currently eligible to receive Lifeline under the existing programs.

18

19 **Issue No. 3: Should the Commission address the Lifeline and Link-Up issues in**  
20 **rulemaking pursuant to Section 120.54, Florida Statutes?**

21

22 **Q. Does the Florida Administrative Procedures Act require that the Commission**  
23 **address Lifeline and Link-Up issues through rulemaking?**

1    **A.**    Yes, Sprint believes that the actions taken by the Commission in the Lifeline PAA  
2            Order constitute a rule as defined in section 120.52(15), Florida Statutes, and,  
3            therefore, that rulemaking, pursuant to s. 120.54, Florida Statutes, is required. This is  
4            primarily a legal issue that Sprint intends to fully address in its posthearing brief.

5  
6    **Q.**    **Are there practical benefits to addressing these Lifeline issues through the**  
7            **rulemaking process?**

8    **A.**    To the extent that the implementation of changes to the Lifeline program will impact  
9            the company financially and operationally, these impacts must be quantified and  
10           justified by the expected results. Because the Commission did not go through the  
11           rulemaking process in proposing these changes to the Lifeline program, the  
12           Companies did not have an opportunity to analyze and provide a Statement of  
13           Estimated Regulatory Costs. In my testimony relating to Issue 4, I discuss Sprint's  
14           high level look at the estimated costs to implement some of the changes required by  
15           the Lifeline PAA Order.

16  
17    **Issue 4: What are the economic and regulatory impacts of implementing the actions**  
18    **taken by the Commission in Order No. PSC-04-0781-PAA-TL?**

19  
20    **Q.**    **What are the economic, operational, and administrative impacts to Sprint of**  
21            **implementing the additional qualification criterion of the National School Lunch**  
22            **free lunch program?**



1    **A.**    The Lifeline PAA Order is silent on specifics with regard to how this additional  
2           qualification criterion would be implemented. Therefore, Sprint does not have  
3           sufficient information to develop an estimate of implementation associated costs  
4           associated with the NSL. It is anticipated that administration of this criteria may be  
5           more costly than the costs of the other qualifiers. Because there are many school  
6           districts throughout the state of Florida and each has its own rules and procedures,  
7           Sprint's centralized Lifeline processing office would need to work with as many as 39  
8           different school boards in order to implement this program.

9

10   **Q.**    **What are the economic and administrative impacts to Sprint of implementing**  
11           **the additional qualification criterion of 135% of the federal poverty guidelines?**

12   **A.**    The Office of Public Counsel (OPC) currently qualifies the customers under Sprint's  
13           125% of FPG program. Therefore, assuming that OPC would also qualify the  
14           additional customers who qualify under the 135% of FPG, the actual administrative  
15           costs should only increase to the extent that a larger number of Lifeline orders would  
16           need to be written and worked. The largest impact of this change will be the \$3.50 per  
17           month per line which Sprint contributes on each Lifeline account multiplied by the  
18           increased number of Lifeline eligible subscribers.

19

20   **Q.**    **What are the economic and administrative impacts to Sprint of implementing**  
21           **self-certification, as proposed in the Lifeline PAA Order?**

22   **A.**    Sprint estimates that implementation of a billing change to add a second Lifeline  
23           program, i.e., the \$8.25 self certify program, would require approximately \$800,000

1 and take six months to implement. This includes an estimated 1,000 – 1,200  
2 programming hours to amend Sprint’s CRB (customer records billing) system to  
3 allow two different Lifeline credit levels. There would be additional requirements to  
4 implement a tracking code in order to track the Type I (\$13.45 credit) and Type II  
5 (\$8.25 credit) Lifeline customers in the systems. Additionally, to the extent customers  
6 initially request the Type I credit and subsequently convert to the Type II credit,  
7 additional expenses are incurred for processing the request a second time and issuing  
8 a second service order to convert from Type I to Type II. Sending out annual  
9 verification letters would also add administrative costs as this would be a manual  
10 effort to review the responses and determine the company’s appropriate course of  
11 action based on those responses. Possible requirements for ETCs to disclose to  
12 consumers both Lifeline certification processes along with the Lifeline credits  
13 available under each process will also increase the company’s costs. This will  
14 increase the amount of time that representatives must spend on customer contact  
15 calls.

16  
17 **Q. Are there other costs with implementation of the Lifeline PAA Order?**

18 **A.** Additional costs would also be incurred to implement the reporting requirements in  
19 the Lifeline PAA Order; however, Sprint has yet quantified these costs.

20  
21 **Issue 5: a. Should consumers be allowed to self certify for program-based**  
22 **Lifeline and Link-Up eligibility?**

1                   **b.     If so, how much assistance should be provided for customers using**  
2                   **self-certification?**

3

4   **Q.    Does Sprint disagree with certain assumptions stated in the Lifeline PAA Order**  
5                   **concerning the efficiencies of current Lifeline enrollment processes?**

6   **A.**    Yes. For instance, on page 6, the Lifeline PAA order states that “ETCs often perform  
7                   additional analyses and have additional requirements to determine whether the  
8                   consumer will be given Lifeline credits. Some ETCs evaluate whether the consumer  
9                   has an outstanding balance on a previous account.” The Order appears to imply that  
10                  these are requirements which the ETC applies only to potential Lifeline customers,  
11                  thereby making it more difficult for these customers to obtain service. This is not the  
12                  case. Sprint follows the same procedure for all potential customers with regard to  
13                  whether there is an outstanding balance on a previous account.

14

15                  In addition, on page 7, the Lifeline PAA order states that “ETCs often require that  
16                  telephone service be in the name of the consumer who has been certified under on of  
17                  the state-approved programs.” This is an FCC requirement which Sprint believes is a  
18                  valid means of reducing fraud.

19

20                  Also, on page 7, the Lifeline PAA Order states that “ETCs often research to  
21                  determine whether a consumer is currently receiving Lifeline benefits on one  
22                  telephone line per residence, at the consumer’s principal place of residence. This  
23                  process appears to be quite lengthy and time-consuming for both the ETC and the

1 consumer.” Sprint is not sure what evidence lead to this conclusion but does not  
2 believe that the Lifeline procedures currently in place at Sprint are lengthy or time-  
3 consuming.

4

5 **Q. Does Sprint categorically object to self-certification as a mechanism for**  
6 **qualifying for Lifeline and Link-Up?**

7 **A.** No. Sprint does not categorically object to self-certification as a mechanism for  
8 qualifying for Lifeline and Link-Up. However, the self-certification process proposed  
9 in the Lifeline PAA Order poses several unnecessary economic and administrative  
10 issues for Sprint. In contrast, Sprint believes that its current process is a suitable  
11 facsimile of a self-certification process and is a win-win for the customer and the  
12 company in that the process gives the customer the maximum Lifeline credit benefit  
13 without significantly increasing the costs of administering the program. Under  
14 Sprint’s current processes, when a consumer calls the company to request service and  
15 indicates that they are Lifeline eligible, the company will create a service order and  
16 will send the customer the Lifeline application. The service order is worked based on  
17 the due date requested by the customer. The customer may complete the application  
18 and mail or fax it to the Sprint centralized processing office along with proof of  
19 eligibility. Once the company receives the completed application, the customer  
20 receives retroactive Lifeline and Link-Up credit back to the day the service was  
21 installed, provided the completed application is received within 60 days. Sprint does  
22 not take any action to disconnect the customer’s service for non-payment during that  
23 initial 60 day period.

1   **Q.    What are Sprint’s concerns with the self-certification mechanism proposed in**  
2   **the Lifeline PAA Order?**

3   **A.    Sprint has several concerns with the self-certification mechanism proposed in the**  
4   **Lifeline PAA Order. Although the process is almost the same as the one currently**  
5   **used by Sprint, one difference is that under the proposed self-certification mechanism**  
6   **Sprint would be required to implement the Lifeline credit on the customer’s account**  
7   **prior to receiving the customer’s completed self-certification form. Therefore, under**  
8   **the Commission’s proposed process, Sprint might put Lifeline credits on a**  
9   **subscriber’s account and then have to remove the credit if the form is not received in**  
10   **the requisite 60 days.**

11  
12    Another problem Sprint has with the self-certification proposal involves the customer  
13    contact protocols. The Lifeline PAA Order requires ETCs to disclose both the \$8.25  
14    and \$13.50 Lifeline assistance programs, and the means for qualifying for both, when  
15    speaking with prospective participants. This will increase call time for the  
16    representatives and many customers may not appreciate having to spend the  
17    additional time on the call listening to information about a program they may not  
18    qualify for or don’t want. A more fundamental problem however is that Sprint is not  
19    sure how the determination is to be made that the representative is speaking with a  
20    “prospective participant.”

21  
22    Finally, Sprint has concerns about the Lifeline PAA Order’s requirement for annual  
23    recertification of all self-certifying customers because it imposes unnecessary

1 additional costs on Sprint. Sprint believes that an annual verification process  
2 involving a sample of Lifeline customers is sufficient without requiring annual  
3 recertification of all self-certifying customers.

4

5 **Q. Should there be two tiers of support based on the method of qualification for**  
6 **Lifeline?**

7 A. No, such a bifurcation of support is discriminatory and imposes unnecessary  
8 administrative burdens and expenses on Sprint. Having two different Lifeline  
9 programs will require Sprint to implement unique tracking codes for each Lifeline  
10 alternative and provide the representatives with two sets of procedures. The customer  
11 contact protocols required would also be more burdensome and the representatives  
12 would spend more call time explaining the differences in the two levels of Lifeline  
13 support.

14

15 **Q. What administrative burdens and expenses would the customer contact**  
16 **protocols proposed by the Commission impose on Sprint?**

17 A. If Sprint call center representatives are required to inform all callers about the  
18 Lifeline discounts, explaining the difference in credits for self-certification versus  
19 program certification, Sprint estimates that these explanations will increase average  
20 call times by 45 seconds and increase call center costs, i.e., additional representatives,  
21 by \$1,456,175.

22

1 **Q. What administrative burdens and expenses would the annual recertification**  
2 **process proposed by the Commission impose on Sprint?**

3 **A.** Estimated costs for Sprint to conduct the annual recertification required in the  
4 Lifeline PAA Order are \$4 to \$5 per account, excluding any service order activity.  
5

6 **Q. What self-certification and verification methodologies does the FCC impose for**  
7 **ETCs in states that do not mandate Lifeline support?**

8 **A.** FCC Rule 54.409 requires ETCs in nonmandated states to obtain a qualifying Lifeline  
9 consumer's signature on a document certifying, under penalty of perjury, that the  
10 consumer receives benefits from one of the qualifying programs. The consumer must  
11 also agree to notify the ETC if the consumer ceases to participate in the qualifying  
12 program. In addition, FCC Rule 54.410 requires ETCs in nonmandated states to  
13 verify continued eligibility through a statistically valid random sample of their  
14 Lifeline customers. These customers must certify, under penalty of perjury, that they  
15 continue to participate in Lifeline qualifying programs.  
16

17 **Q. What verification would Sprint recommend if self-certification were**  
18 **implemented in Florida?**

19 **A.** If self-certification of Lifeline is implemented in Florida Sprint recommends  
20 generally following the FCC rules for nonmandated states. Using that process Sprint  
21 believes that verification requirements need not be burdensome given that the  
22 customers initially have signed certifications affirming that they qualify for Lifeline  
23 service. Thus, verification can be minimized and managed by each company. Sprint

1 would determine when and what type verification it should conduct; most likely the  
2 company would use a sampling process on a relatively small number of Lifeline  
3 accounts. If the results of the sample indicate there is significant abuse, the sample  
4 could be expanded to a greater number of customers. However, the Company would  
5 determine the verification needs rather than have some specified program.

6

7 **Q. Do any of the other states in which Sprint is an ILEC subject to Lifeline and**  
8 **Link-Up requirements require self-certification?**

9 **A.** Yes. Self-certification is currently required in four Sprint states. These states are  
10 Indiana, Kansas, Minnesota and Missouri.

11

12 **Q. What is Sprint's experience in those states?**

13 **A.** Sprint has found that the gains in subscribership in the self-certify states have not, on  
14 average, outpaced the gains seen in Florida. Minnesota and Kansas have had a  
15 slightly higher percent gain in Lifeline subscribers in the past year than Florida has  
16 but Indiana and Missouri have had lower gains than Florida.

17

18 **Q. What alternative would Sprint suggest to the self-certification process proposed**  
19 **by the Commission?**

20 **A.** Sprint believes its existing processes for Lifeline service provides an adequate form  
21 of self-certification for new service Lifeline subscribers and existing service Lifeline  
22 applicants, whether income or program based. The process for new Lifeline customer  
23 begins when the customer calls the Company for new service and the representative



1 identifies the customer as Lifeline eligible or the customer requests Lifeline service.  
2 When the documentation is received, the order is backdated to the date the customer's  
3 service was installed. For an existing Sprint customer, when the request is received  
4 from the OPC or the DCF, we process and implement these orders within a week's  
5 time.

6

7 **Q. Do Sprint's existing processes accomplish the same goals as self-certification?**

8 **A.** Yes, Sprint believes its processes as stated above are efficient, adequate and  
9 consistent with the FCC rules for Lifeline eligibility documentation necessary to  
10 minimize abuse of the program.

11

12 **Issue 6: Is the Commission authorized under state or federal law to establish a**  
13 **state Lifeline funding mechanism? If so,**

14 **a. Should a state lifeline funding mechanism be established?**

15 **b. What is the appropriate state lifeline funding mechanism and how**  
16 **should it be implemented and administered?**

17

18 **Q. Is the Commission authorized to establish a state Lifeline funding mechanism?**

19 **A.** No, the Commission does not have the authority to establish a Lifeline funding  
20 mechanism beyond the current mechanism in which the ILECs provide \$3.50 per  
21 customer in monthly Lifeline support. This is primarily a legal issue that Sprint  
22 intends to fully address in its posthearing brief.

23

1 **Q. Should the Commission establish a state Lifeline funding mechanism?**

2 A. Even if the Commission had the authority, Sprint believes that the Commission  
3 should not establish a separate funding mechanism. The majority of the Lifeline  
4 discounts are already recovered by the companies from the Universal Service Fund.  
5 Establishing a State fund would create a collection, distribution, tracking and auditing  
6 program that would likely exceed the value of the fund. And, it would be nothing  
7 more than an expensive system for redistribution of revenues among the companies  
8 that are contributing to the fund.

9

10 **Q. Does that conclude your testimony?**

11 A. Yes it does.

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