



Richard A. Chapkis
Vice President & General Counsel -
Southeast Region

201 North Franklin St., FLTC0717
P.O. Box 110
Tampa, FL 33601

Phone: 813-483-1256
Fax: 813-204-8870
richard.chapkis@verizon.com

December 17, 2004

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

RECEIVED-FPSC
DEC 17 AM 11:12
COMMISSION
CLERK

Re: Docket No. 040604-TL
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:

Please find enclosed for filing an original and 15 copies of Verizon Florida Inc.'s
Prehearing Statement in the above matter. Also enclosed is a diskette with a copy of
the Prehearing Statement in Word format. Service has been made as indicated on the
Certificate of Service. If there are any questions regarding this filing, please contact me
at 813-483-1256.

Sincerely,

Richard A. Chapkis

CMP Richard A. Chapkis

COM RAC:tas

CTR Enclosures

ECR

GCL

OPC

MMS

RCA

SCR RECEIVED & FILED

SEC *On*

OTH FPSC-BUREAU OF RECORDS

04 DEC 17 AM 11:02

DISTRIBUTION CENTER

DOCUMENT NUMBER-DAT

13245 DEC 17 04

FPSC-COMMISSION CLERK

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of Verizon Florida Inc.'s Prehearing Statement in Docket No. 040604-TL were sent via U. S. mail on December 17, 2004 to the parties on the attached list.

Richard A. Chapkis

Richard A. Chapkis

Adam Teitzman, Staff Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

ALLTEL Comm. Services Inc.
Betty Willis
One Allied Drive, B4F4ND
Little Rock, AR 72203-2177

GT Com
Mark Ellmer
P. O. Box 220
Port St. Joe, FL 32457-0220

Office of Public Counsel
Charles J. Beck
c/o The Florida Legislature
111 W. Madison Street
Room 812
Tallahassee, FL 32399-1400

TDS Telecom/Quincy Telephone
Thomas McCabe
P. O. Box 189
Quincy, FL 32353-0189

Nancy B. White
c/o Nancy Sims
BellSouth Telecomm.
150 S. Monroe Street
Suite 400
Tallahassee, FL 32301

Michael Gross
Florida Cable Telecomm.
246 E. 6th Avenue, Suite 100
Tallahassee, FL 32303

Sprint-Florida, Incorporated
Susan Masterton
P. O. Box 2214
Tallahassee, FL 32316-2214

Sprint Comm. Company
Charles Rehwinkel
315 S. Calhoun Street
Tallahassee, FL 32301

Rutledge Law Firm
Kenneth Hoffman
Martin McDonnell
Marsha Rule
P. O. Box 551
Tallahassee, FL 32302-0551

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

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

Michael B. Twomey
Post Office Box 5256
Tallahassee, Florida 32314-5256

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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

VERIZON FLORIDA INC.'S PREHEARING STATEMENT

Verizon Florida Inc. (Verizon) files this Prehearing Statement in accordance with Order Nos. PSC-04-1066-PCO-TL in this docket and Florida Public Service Commission Rule 25-22.038.

A. Witnesses

Verizon's witnesses for this proceeding and the issues to which they will testify are as follows:

1. Mr. Harold E. West, III: Issues 2, 4, 5A and 5B.
2. Dr. Carl R. Danner: Issues 4, 5A, and 6A.

Issues 1, 3, and 6 are purely legal in nature and will be addressed in Verizon's post-hearing brief.

B. Exhibits

Verizon will introduce the following exhibits:

1. Direct Testimony of Harold E. West, III on behalf of Verizon Florida, Inc, filed November 17, 2004.
2. Rebuttal Testimony of Harold E. West, III on behalf of Verizon Florida, Inc, filed December 17, 2004.
3. Direct Testimony of Carl R. Danner on behalf of Verizon Florida, Inc, filed November 17, 2004 and attached Exhibit No. CRD-1.

DOCUMENT NUMBER-DATE

13245 DEC 17 8

FPSC-COMMISSION CLERK

4. Rebuttal Testimony of Carl R. Danner on behalf of Verizon Florida, Inc., filed December 17, 2004 and attached Exhibit No. CRD-2.

Verizon reserves the right to introduce additional exhibits at the hearing or other appropriate points.

C. Verizon's Basic Position

The Commission should not adopt the Proposed Agency Action (PAA) Order.

The proposed unfunded expansion of the Lifeline program does not satisfy the basic principle that the Commission's actions must be grounded in statutory authority. There is nothing in Chapter 364 that gives the Commission the power to expand the Lifeline eligibility criteria, create a self-certification process and impose these unfunded mandates on incumbents. Indeed, the PAA Order does not cite any authority, nor is there any statute in Chapter 364 that even suggests – let alone expressly states – that the Commission has the power to expand the Lifeline eligibility criteria or create a self-certification process. Accordingly, the Commission cannot adopt the proposed rules set forth in the PAA Order because the Legislature has not granted the Commission that power.

If the Commission nevertheless chooses to conduct a proceeding to consider whether to expand the Lifeline eligibility criteria and create a self-certification process, even though it lacks the power to do so, the Commission should initiate a rulemaking. The proposals adopted by the Commission in the PAA Order constitute a rule as defined in Section 120.52(15), and therefore require these proposals to be addressed in a rulemaking. Moreover, it would be beneficial to address these proposals in a rulemaking. The Commission and the parties would benefit from receiving and analyzing a Statement

of Estimated Regulatory Costs. Moreover, the Commission and the parties would benefit from being able to discuss and negotiate issues more openly in a workshop environment.

If the Commission nevertheless considers the proposals at issue – either in the context of a rulemaking or in the instant proceeding – it should not adopt them.

The self-certification proposal has the very real potential to harm consumers and the industry. First, it creates a very real potential for waste, fraud and abuse. Second, it is very likely to lead to customer confusion and misunderstandings. Third, it will impose additional costs on the industry, which may ultimately be borne by consumers. Fourth, it will not hasten or simplify the Lifeline application process for *legitimate* Lifeline applicants.

Moreover, the proposals to expand the Lifeline eligibility criteria will do little to accomplish the Commission's objective of increasing telephone subscribership because most customers who would qualify through the proposed expanded criteria already qualify through one of the other existing eligibility criteria. That said, Verizon remains committed to expanding the income-based Lifeline eligibility criterion from 125% to 135% of the Federal Poverty Guidelines coincident with the implementation of its rate rebalancing plan and it stands by that commitment.

If the Commission ultimately decides to adopt the proposals at issue here, notwithstanding that it lacks the power to do so and these proposals will do more harm than good, the Commission should address the issue of cost recovery. In today's competitive environment, Eligible Telephone Carriers should be allowed to recover Lifeline-related costs if there is a rapid and dramatic expansion to Lifeline enrollment, particularly one related to program changes. In furtherance of this goal, the Commission should

encourage carriers to petition the Commission when and if they believe the circumstances warrant the implementation of a limited and targeted cost recovery mechanism.

D & F. Verizon's Positions On Specific Questions of Fact and Policy

Verizon considers each of the following issues to be a mixed question of fact and policy.

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

VERIZON'S POSITION: The proposed actions are unreasonable, but not discriminatory. The proposed actions are unreasonable because the vast majority of people who would receive Lifeline support under the proposed criteria are people who already have telephone service, and thus the Commission's proposals will do little, if anything, to advance the Commission's goal of increasing telephone subscribership. The proposed agency actions, however, are not discriminatory. Although self-certifying customers would receive \$8.25 in support, and customers certified by third parties would receive \$13.50 in support, each applicant has the opportunity to apply for the full \$13.50 Lifeline credit. The difference in support amounts is justified because the customers certified through third parties will participate in a verification process that substantially reduces the potential for waste, fraud and abuse.

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?

VERIZON'S POSITION: Implementing the proposed agency actions will have several deleterious effects. First, the proposed self-certification process creates the very real

potential for waste, fraud and abuse. Because the cost of the federal fund is ultimately borne by consumers, such fraud, waste and abuse could threaten the sustainability of the fund, and the affordability of telecommunications services for all Americans. Second, the proposed self-certification process has the very real potential to lead to customer confusion and misunderstandings. Third, the proposed additions will certainly impose additional costs on the industry, which may ultimately be borne by consumers, without significantly advancing the Commission's goal of increasing telephone penetration.

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

VERIZON'S POSITION: No. As stated above, the self-certification proposal has the very real potential to harm consumers and the industry. First, it creates a very real potential for waste, fraud and abuse. Second, it is very likely to lead to customer confusion and misunderstandings. Third, it will impose additional costs on the industry, which may ultimately be borne by consumers. Fourth, it will not hasten or simplify the Lifeline application process for *legitimate* Lifeline applicants. Accordingly, the problems and costs associated with this proposal significantly outweigh the purported benefits.

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

VERIZON'S POSITION: The Commission should not adopt the self-certification proposal and therefore should not provide Lifeline assistance in the absence of third-party verification.

ISSUE 6A: What is the appropriate state lifeline funding mechanism and how should it be implemented and administered?

VERIZON'S POSITION: ETCs should be allowed to recover Lifeline-related costs if there is a rapid and dramatic expansion to Lifeline enrollment, particularly one related to program changes. Carriers should be permitted to petition the Commission when and if they believe the circumstances warrant a limited and targeted cost recovery mechanism to be implemented. Once circumstances warrant, the best approach to Lifeline funding would be with general tax revenues. This would avoid the administrative expense and inefficiency of layering another program to fund Lifeline on top of existing systems of taxation (with their existing administrative infrastructure). Absent a mechanism based on general tax revenues, the most efficient funding mechanism would be for each carrier that offers Lifeline service to surcharge the basic rates of its own customers for the costs of providing that service (including relevant administrative costs).

E. Verizon's Positions On Specific Questions of Law

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?

VERIZON'S POSITION: No. The Commission derives its power from the Legislature, and the Legislature has not authorized the Commission to expand the Lifeline eligibility criteria or implement self-certification.

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

VERIZON'S POSITION: Yes. If the Commission chooses to conduct a proceeding to consider whether to expand the Lifeline eligibility criteria and create a self-certification process, even though it lacks the power to do so, the Commission should initiate a rulemaking. As stated above, the proposals adopted by the Commission in the PAA Order constitute a rule as defined in Section 120.52(15), and therefore require these proposals to be addressed in a rulemaking.

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

VERIZON'S POSITION: Yes. Section 364.025, Florida Statutes, authorizes the Commission to establish a state Lifeline funding mechanism. That section provides that: "each telecommunications company should contribute its fair share to the support of the universal service objectives and carrier-of-last-resort obligations. For a transitional period not to exceed January 1, 2009, the interim mechanism for maintaining universal service objectives and funding carrier-of-last-resort obligations shall be established by the commission, pending the implementation of a permanent mechanism."

G. Stipulated Issues

There are no stipulated issues at this time.

H. Pending Motions And Other Matters

Verizon has no motions or other matters pending.

I. Pending Requests For Confidentiality

Verizon has one pending request for confidentiality:

Request for Confidential Classification, filed December 14, 2004, in connection with Verizon's responses to Citizens' First Set of Requests for Production of Documents.

J. Procedural Requirements

Verizon is unaware of any requirements set forth in the Commission's Procedural Order that cannot be complied with at this time.

K. Pending FCC Or Court Actions

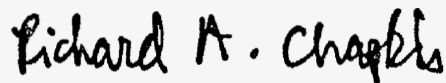
Verizon is unaware of any pending FCC or court actions that may preempt Commission action in this docket or that may affect the Commission's ability to resolve any of the issues presented in this docket. Verizon cannot, however, definitively speak to this issue without knowing what action the Commission may eventually take in this proceeding.

L. Witnesses

Verizon has no objections to any witness's qualifications as an expert at this time.

Respectfully submitted on December 17, 2004.

By:



RICHARD A. CHAPKIS
201 North Franklin Street, FLTC0717
P. O. Box 110 (33601)
Tampa, FL 33602
Tel: 813-483-1256
Fax: 813-204-8870
e-mail: richard.chapkis@verizon.com

Attorney for Verizon Florida Inc.