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State of Florida



Public Service Commission

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COMMISSION
CLERK

-M-E-M-O-R-A-N-D-U-M-

DATE: January 20, 2005

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Competitive Markets & Enforcement (Casey, Bulecza-Banks) ^{MBB}
Office of the General Counsel (Teitzman, Scott) ^{KS} ^{DK} *MBB*

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.

AGENDA: 02/01/05 – Regular Agenda – Interested Persons May Participate

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: Attachments not available on-line.

FILE NAME AND LOCATION: S:\PSC\CMP\WP\040604.RCM.DOC

Case Background

On August 10, 2004, Proposed Agency Action Order No. PSC-04-0781-PAA-TL was issued for the purpose of adopting the National School Lunch program and an income-based eligibility criterion for consumers with incomes at or below 135% of the Federal Poverty Guidelines. Additionally, the Order allowed Florida consumers, who qualify for Lifeline assistance, the option of electing a self-certification process. The Order required Eligible Telecommunications Carriers (ETCs) to disclose to consumers both Lifeline certification processes available, along with the Lifeline credits available under each process. Additionally, ETCs were required, on an annual basis, to file reports identifying the number of applicants applying for Lifeline and Link-up, the number of applicants approved for Lifeline/Link-up, the method of certification the applicant used, and whether the approved applicant received \$8.25 or \$13.50 in assistance.

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FPSC-COMMISSION CLERK

On August 31, 2004, BellSouth Telecommunications, Inc. (BellSouth), Verizon Florida, Inc. (Verizon), the Florida Office of the Public Counsel (OPC) on behalf of the Citizens of Florida, Quincy Telephone Company d/b/a TDS Telecom, GTC, Inc. d/b/a GT COM and ALLTEL Florida, Inc., and Sprint-Florida, Inc. filed protests in response to Order No. PSC-04-0781-PAA-TL requesting a formal hearing pursuant to Section 120.57, Florida Statutes. Pursuant to the above-listed entities' protests, this matter was scheduled for an administrative hearing on January 20-21, 2005.

Subsequent to the protest, AARP, Northeast Florida Telephone Company d/b/a NEFCOM, the Florida Cable Telecommunications Association (FCTA), Florida Digital Network, Inc. (FDN), MCI, the Florida Competitive Carrier Association/Competitive Carriers of the South (FCCA/CompSouth), and AT&T filed petitions requesting intervention and were granted intervenor status in this docket.

Direct testimony in this docket was filed November 17, 2004 with rebuttal testimony filed December 17, 2004. BellSouth witness Deyonker's direct testimony included an alternate proposal for Lifeline self certification. After reviewing the witness' testimony, staff believed BellSouth's alternate proposal should be explored further. On January 5, 2005, after the prehearing in this docket, a meeting was conducted to discuss the proposals set forth in the direct testimony filed on behalf of BellSouth and to discuss the possibility of settling unresolved issues with BellSouth. Participation was limited to staff and BellSouth; however, interested parties were allowed to attend. At the conclusion of the meeting, staff requested that BellSouth submit its settlement proposal in writing to the Commission, with copies to the parties, by January 7, 2005. The parties were asked to file their comments regarding BellSouth's settlement proposal by January 11, 2005.

In their comments, Verizon and Sprint proposed settlement agreements similar to BellSouth's proposed settlement. A conference call was conducted on January 13, 2005, to discuss the settlement proposals with all parties. This recommendation addresses the BellSouth, Verizon, and Sprint proposed settlements and the comments of the parties.

Discussion of Issues

Issue 1: Should the Commission approve the BellSouth, Verizon, and Sprint proposed settlement agreements?

Recommendation: Yes. The Commission should approve the BellSouth, Verizon, and Sprint proposed settlement agreements. BellSouth, Verizon, and Sprint should file tariffs reflecting the Commission decision within 15 days of the issuance of a Commission Order, with the tariffs becoming effective 30 days from the filing of the tariffs, and remain in effect through the evaluation period after one year. The instant docket should be held in abeyance for a period of at least one year from the effective date of the tariffs. A review of the simplified certification process should be held after six months from the effective date of the tariffs, or earlier if necessary. At the review, or when the Florida Supreme Court rules on consolidated Case Nos. SC04-9, SC-04-10, and SC04-946 (the access rate reform cases), whichever is earlier, the parties will revisit the issue of adding the National School Lunch Program and an income-based criterion of 135% of the Federal poverty level as additional eligibility criteria. BellSouth, Verizon, and Sprint should commit to working with staff and OPC to include a school outreach effort in the Lifeline education program. BellSouth, Verizon, and Sprint should notify staff of any modifications to the simplified certification process 60 days prior to any modifications, unless extraordinary circumstances warrant less notification, and will notify staff 90 days prior to any cancellation of the simplified-certification process. (Casey, Bulecza-Banks)

Staff Analysis: As mentioned in the case background, BellSouth witness Deyonker's direct testimony included an alternate proposal for Lifeline self certification. BellSouth's alternate proposal would allow eligible Lifeline subscribers to enroll in the Lifeline program by simply signing a document certifying "under penalty of perjury" that the customer participates in one of the Florida Lifeline eligible programs and identifying the qualifying program. All a customer will have to do is request the form from BellSouth, and it will be sent to the applicant within three business days. Forms will also be available through various outreach programs. Once the form is received by BellSouth, the customer would be enrolled in the Lifeline program and receive a \$13.50 Lifeline credit each month. This process is in contrast to the present process whereby Lifeline applicants must provide proof that they are enrolled in one of the qualifying programs.

Subsequent to receiving BellSouth's settlement proposal, Verizon and Sprint also submitted proposed settlement agreements reflecting a simplified certification process. The BellSouth, Verizon, and Sprint settlement proposals are attached to this recommendation. The following are highlights of the settlement proposals:

- Tariffs would be filed within 15 days of a Commission Order implementing the simplified certification process for a period of one year from the effective date of the tariff, which will be 30 days after the filing. The Lifeline/Link-Up credit would apply after the customer signs on a document certifying "under penalty of perjury" that the customer participates in one of the Florida Lifeline eligible programs and identifies the qualifying program.
- Docket No. 040604-TL would be held in abeyance in its entirety for all parties for a period of one year.

- A review of the simplified certification process would be held after six months with the findings of the first six months being presented to staff and the parties to the docket. If circumstances arise that warrant a review earlier than six months, such a review would be held with the staff and parties to the docket.
- At the six-month review or when the Florida Supreme Court rules on consolidated Case Nos. SC04-9, SC04-10 and SC04-946 (the access rate reform cases), whichever is earlier, the parties would revisit the issue of adding the National School Lunch Program and an income-based criterion of 135% of the federal poverty level as additional eligibility criteria.
- BellSouth, Verizon, and Sprint would commit to working with the staff and the OPC to include a formal school outreach effort in the Lifeline education program.

The following are comments received from the parties in this docket regarding the proposed settlements of BellSouth, Verizon, and Sprint:

Office of Public Counsel:

OPC accepts the Bellsouth, Verizon, and Sprint proposals.

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, Smart City Telecommunications, LLC d/b/a Smart City, ITS Telecommunications Systems, Inc. and Frontier Communications of the South, LLC (the "Small LECs")

The Small LECs support the BellSouth, Verizon, and Sprint proposals with the understanding and caveat that the Small LECs reserve their right to pursue the establishment by the Commission of a competitively neutral interim state universal service fund or state lifeline funding mechanism to recover the state \$3.50 credit to lifeline customers, either in this docket or in a separate docket. The Small LECs have agreed to participate in a school outreach effort for the Lifeline education program.

The Competitive Carriers of the South, Inc., AT&T Communications of the Southern States, LLC, MCImetro Access Transmission Services, LLC, and MCI WorldCom Communications, Inc., and Florida Digital Network, Inc. d/b/a FDN Communications (collectively the "Joint CLECs")

The Joint CLECs do not object to the BellSouth, Verizon, or Sprint proposals.

Florida Cable Telecommunications Association (FCTA)

The FCTA sees no problem with the BellSouth, Verizon, or Sprint proposals.

Staff Conclusion: Staff believes that the BellSouth, Verizon, and Sprint settlement proposals are a step in the right direction on how best to achieve the goals of maximum participation in the Lifeline and Link-Up programs. The settlement proposals will bring the Lifeline simplified certification process benefits to the citizens of Florida quickly, making enrollment much easier for the applicants. The one-year trial period will allow all parties to assess the costs associated with the simplified certification process and determine the corresponding benefits in terms of increased subscribership.

BellSouth, Verizon, and Sprint have agreed to file tariffs reflecting the Commission decision within 15 days of the issuance of a Commission Order, and make the tariffs effective 30 days from the filing date of the tariffs. They have also agreed to submit copies of their draft simplified certification letters to staff for review.

BellSouth, Verizon, and Sprint have agreed to meet with staff after the one-year trial period of the simplified certification process to evaluate the program and determine if any changes are necessary. However, if BellSouth, Verizon, or Sprint believe any changes are necessary during the course of this trial period, they should notify staff of any planned modifications to the simplified certification process 60 days prior to any modifications, unless extraordinary circumstances warrant less notification, and should notify staff 90 days prior to any planned cancellation of the simplified-certification process.

The proposals do not include the National School Lunch program and an income-based criterion of 135% of the Federal Poverty Level as additional eligibility criteria; however, the parties agree to revisit the issue of adding these additional criteria at the program review six months after the effective date of the tariffs implementing the simplified certification process, or earlier if the Supreme Court acts on the access rate reform cases. BellSouth, Verizon, and Sprint presently enroll Lifeline applicants based on an income-based criterion of 125% of the Federal Poverty Level. Should the Supreme Court uphold the Commission's Order on the access rate reform cases, BellSouth, Verizon, and Sprint have all previously agreed, in the access rate reform case dockets, to increase the eligibility criteria for income-based criterion to 135% of the Federal Poverty Level.

Based on the above, staff recommends that the Commission approve the BellSouth, Verizon, and Sprint proposed settlement agreements. BellSouth, Verizon, and Sprint should file tariffs reflecting the Commission decision within 15 days of the issuance of a Commission Order, with the tariffs becoming effective 30 days from the filing of the tariffs, and remain in effect through the evaluation period after one year. The instant docket should be held in abeyance for a period of at least one year from the effective date of the tariffs. A review of the simplified certification process should be held after six months from the effective date of the tariffs, or earlier if necessary. At the review, or when the Florida Supreme Court rules on consolidated Case Nos. SC04-9, SC-04-10, and SC04-946 (the access rate reform cases), whichever is earlier, the parties will revisit the issue of adding the National School Lunch Program and an income-based criterion of 135% of the Federal poverty level as additional eligibility criteria. BellSouth, Verizon, and Sprint should commit to working with staff and the OPC to include a school outreach effort in the Lifeline education program. BellSouth, Verizon, and Sprint should notify staff of any modifications to the simplified certification process 60 days

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Date: January 20, 2005

prior to any modifications, unless extraordinary circumstances warrant less notification, and will notify staff 90 days prior to any cancellation of the simplified-certification process.

Issue 2: Should this docket be closed?

Recommendation: No. If the Commission approves Issue 1, this docket should be kept open to monitor the Lifeline simplified certification process trial period. If the Commission does not approve Issue 1, a hearing tract should be reinstated with hearing dates of February 21-22, 2005. (Teitzman, Scott)

Staff Analysis: No. If the Commission approves Issue 1, this docket should be kept open to monitor the Lifeline simplified certification process. If the Commission does not approve Issue 1, a hearing tract should be reinstated with hearing dates of February 21-22, 2005.

Docket No. 040604-TL
Date: January 20, 2005

Attachment A
Legal Department

Nancy B. White
General Counsel - Florida

BellSouth Telecommunications, Inc.
150 South Monroe Street
Room 400
Tallahassee, Florida 32301
(305) 347-5558

January 7, 2004

Via Electronic Mail and First Class U.S. Mail

Mrs. Blanca S. Bayó
Director, Division of the 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:

On January 4, 2005, BellSouth met with the Staff of the Florida Public Service Commission to discuss the proposal made by BellSouth in the direct testimony of Mr. Rod DeYonker in connection with the above captioned docket. During the course of the discussion, the Staff requested that BellSouth set forth, in writing, its formal proposal.

BellSouth hereby proposes the following:

1. BellSouth would file a tariff to implement BellSouth's simplified certification process for a period of one year. BellSouth's simplified certification process would enable all eligible customers to receive the full Lifeline and Link-Up (if applicable) credit. The Lifeline/Link-Up credit would apply after BellSouth receives the customer's signature on a document certifying "under penalty of perjury" that the customer participates in one of the Florida Lifeline eligible programs and identifies the qualifying program.
2. During the course of the year, Docket No. 040604-TL would be held in abeyance in its entirety, as to all parties.

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Attachment A

3. A review of the simplified certification process would be held six months into the year. BellSouth would provide its findings of the first six months to Staff and the parties to the docket.
4. If circumstances arise that warrant a review earlier than six months (e.g. indications of significant fraud), such a review would be held with the Staff and parties to the docket.
5. At the review or when the Florida Supreme Court rules on consolidated Case Nos. SC04-9, SC04-10 and SC04-946 (the rate rebalancing case), whichever is earlier, BellSouth and the Staff would revisit the issue of adding the National School Lunch Program and an income-based criterion of 135% of the federal poverty level as additional eligibility criteria.
6. BellSouth would commit to working with the Staff and the Office of Public Counsel to include a formal school outreach effort in the Lifeline education program.
7. If this proposal is accepted by the Commission in its entirety, BellSouth would file its tariff to implement the proposal within forty-five (45) days of an Order formally approving the abeyance.

It is BellSouth's understanding that the parties are to file responses to this proposal by January 11, 2005 and that a follow-up call will be held with Staff on January 13, 2005.

Sincerely,


Nancy B. White

cc: All Parties of Record
Adam Teitzman
Kira Scott

Docket No. 040604-TL
Date: January 20, 2005

David M. Christian
Vice President - Regulatory Affairs



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January 11, 2005 – VIA ELECTRONIC MAIL

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard,
Tallahassee, Florida 32399-0850

Dear Ms. Bayo,

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

VERIZON RESPONSE TO BELLSOUTH SETTLEMENT PROPOSAL

On January 7, 2004, BellSouth filed its settlement proposal in the above-referenced docket. Verizon Florida Inc. (Verizon) supports BellSouth's settlement proposal, and, in the interest of compromise, proposes to join in the one-year trial described in BellSouth's letter pursuant to the following terms and conditions:

1. Verizon proposes to file a tariff to implement Verizon's version of BellSouth's simplified certification process for a period of one year. This process would enable all eligible customer to receive the full Lifeline and Link-Up (if applicable) credit. The Lifeline/Link-Up credit would apply after Verizon receives the customer's signature on a document certifying "under penalty of perjury" that the customer participates in one of the Florida Lifeline eligible programs and identifies the qualifying program.
2. During the course of the year, Docket No. 040604-TL would be held in abeyance in its entirety, as to all parties.
3. A review of the simplified certification process would be held after six months of the trial period. Verizon would provide its findings of the first six

months worth of data to Staff and the parties to the docket. If fraud levels appear controllable, the Commission would conduct an annual review. This review would include the findings of an initial verification after the first six months. Verizon currently has incorporated a verification procedure in conjunction with the Dept. of Children and Families (DCF) whereby Verizon provides DCF with a list of enrolled Lifeline subscribers. DCF then verifies the current list with its own internal database and informs Verizon of the enrolled customers who are no longer eligible for Lifeline. Verizon does not propose using a secure web-based system as BellSouth has indicated.

4. Similarly, if circumstances arise that warrant a review earlier than six months (e.g. indications of significant fraud), such review would be held with the Staff and parties to the docket.
5. At the review or when the Florida Supreme Court rules on consolidated Case No. SC04-9, SC04-10 and SC04-946 (the rate rebalancing case) whichever is earlier, Verizon and the Staff may revisit the issue of adding the National School Lunch Program and an income based criterion of 135% of the federal poverty level as additional eligibility criteria.
6. Verizon would commit to working with the Staff and the Office of Public Counsel to include a formal public school outreach effort in the Lifeline education program.
7. If this proposal and BellSouth's proposal are accepted by the Commission in their entirety, Verizon would file its tariff to implement the proposal within forty-five (45) days of an Order formally approving the abeyance of the docket.

Through this proposal, Verizon seeks to minimize litigation on unproven and costly Lifeline enrollment practices. Adopting this proposal will enable the Commission to collect and analyze data that may provide valuable insight into the effectiveness of establishing new Lifeline procedures. In agreeing to this proposal Verizon does not waive any of its rights or public policy positions filed in testimony or rebuttal testimony in Docket No. 040604. Please call me if you have any questions or wish to discuss.

Sincerely,

s/ David M. Christian
Vice President – Regulatory Affairs



Susan S. Masterton
Attorney

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January 11, 2005

Via Electronic Mail and First Class U.S. Mail

Mrs. Blanca S. Bayo
Director, Division of the 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. Bayo:

On January 4, 2005, BellSouth and the Staff of the Florida Public Service Commission met to discuss BellSouth's proposal for implementation of a simplified certification process in connection with the above captioned docket. During the course of the discussion, the Staff requested that BellSouth file a copy of its proposal in the docket by January 7th and that the other parties to the docket file a response to BellSouth's proposal by January 11, 2005.

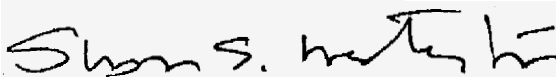
In response to BellSouth's proposal, Sprint similarly proposes to implement a simplified Lifeline certification process. Sprint's response generally conforms to BellSouth's proposal as set forth in its January 7, 2005 letter, as follows:

1. Sprint would file a tariff to implement a simplified Lifeline certification process for a period of one year. Sprint's simplified certification process would enable all customers eligible under one of the existing qualifying programs to receive the full Lifeline and Link-Up (if applicable) credit. The Lifeline/Link-Up credit would apply after Sprint receives the customer's signature on a document certifying "under penalty of perjury" that the customer participates in one of the Florida Lifeline eligible programs and identifies the qualifying program.
2. During the course of the year, Docket No. 040604-TL would be held in abeyance in its entirety, as to all parties.
3. A review of the simplified certification process would be held six months into the year. Sprint would provide its findings of the first six months to Staff and the parties to the docket.

4. If circumstances arise that warrant a review earlier than six months (e.g. indications of significant fraud), such a review would be held with the Staff and parties to the docket.
5. At the review or when the Florida Supreme Court rules on consolidated Case Nos. SC04-9, SC04-10 and SC04-946 (the rate rebalancing case), whichever is earlier, Sprint and the Staff would revisit the issue of adding the National School Lunch Program and an income-based criterion of 135% of the federal poverty level as additional eligibility criteria.
6. Sprint would commit to working with the Staff and the Office of Public Counsel to include a formal school outreach effort in the Lifeline education program.
7. If this proposal is accepted by the Commission in its entirety, Sprint would file its tariff to implement the proposal within ninety (90) days of an Order formally approving the abeyance.

In the Direct Testimony of witness Rod DeYonkers, BellSouth proposes a verification process that involves posting a list of all Lifeline customers to a secure website, which will then be reviewed by personnel at the applicable state agencies. BellSouth would then follow up with customers who are not identified by the agencies as participating in Lifeline eligible programs. Sprint is currently assessing its ability, from an administrative and cost perspective, to participate in such a process. However, to ensure that sufficient verification procedures are in place to prevent fraud and abuse of the self-certification enrollment process, Sprint commits as part of this proposal to conduct annual verification through a random sampling of Lifeline customers.

Sincerely,



Susan S. Masterton

Cc: All Parties of Record
Adam Teitzman
Kira Scott