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December 4, 2008 – VIA OVERNIGHT MAIL

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COMMISSION
CLERK

Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 080234-TP
Implementation of Florida lifeline program involving bundled service packages
and placement of additional enrollment requirements on customers

Dear Ms. Cole:

Enclosed for filing in the above-referenced matter are an original and 15 copies of the
Direct Testimony of Paul B. Vasington on behalf of Verizon Florida LLC. Service has
been made as indicated on the Certificate of Service. If there are any questions
regarding this filing, please contact me at (678) 259-1449.

Sincerely,


Dulaney L. O'Roark III

tas

Enclosures

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FPSC-COMMISSION CLERK

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the foregoing were sent via U.S. mail on
December 5, 2008 to:

Charles Murphy/Timisha Brooks
Office of General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
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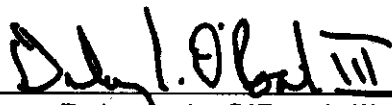
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Dulaney L. O'Roark III

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**In re: Implementation of Florida Lifeline program) Docket No. 080234-TP
involving bundled service packages and) Filed: December 5, 2008
placement of additional enrollment requirements)
on customers)
_____)**

**DIRECT TESTIMONY OF
PAUL B. VASINGTON
ON BEHALF OF
VERIZON FLORIDA LLC**

December 5, 2008

DOCUMENT NUMBER-DATE

11258 DEC-5 8

FPSC-COMMISSION CLERK

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

2 A. My name is Paul B. Vasington. I am a Director-State Public Policy for
3 Verizon. My business address is 185 Franklin Street, Boston,
4 Massachusetts 02110.

5

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
7 **BACKGROUND.**

8 A. I have a Bachelor of Arts in Political Science from Boston College and a
9 Master's in Public Policy from Harvard University, Kennedy School of
10 Government. I have been employed by Verizon since February 2005.
11 From September 2003 to February 2005, I was a Vice President at
12 Analysis Group, Inc. Prior to that, I was Chairman of the Massachusetts
13 Department of Telecommunications and Energy ("MDTE") from May
14 2002 to August 2003, and was a Commissioner at the MDTE from
15 March 1998 to May 2002. Prior to my term as a Commissioner, I was a
16 Senior Analyst at National Economic Research Associates, Inc. from
17 August 1996 to March 1998. Prior to that, I was in the
18 Telecommunications Division of the MDTE (then called the Department
19 of Public Utilities), first as a staff analyst from May 1991 to December
20 1992, then as division director from December 1992 to July 1996.

21

22 **Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.**

23 A. The purpose of my testimony on behalf of Verizon Florida LLC
24 ("Verizon") is to present evidence in support of its positions on Issues 1
25 and 3 in this docket, which address whether the Commission *may*

1 require certain Eligible Telecommunications Carriers (“ETCs”) to apply
2 the Lifeline discount to bundled service offerings that include basic
3 service functionality (Issue 1) and whether the Commission *should* do so
4 (Issue 3). Issues 1 and 3 concern Florida ETCs like Verizon that charge
5 federal End User Common Line charges. Issues 2 and 4 concern ETCs
6 that do not impose such charges, and accordingly I will not address
7 those issues.

8

9 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

10 A. First I will provide background on the Lifeline program and the universal
11 service policy that Lifeline was designed to promote. Next, I will explain
12 that federal law only requires ETCs to apply the Lifeline discount to
13 basic service and that Florida law does not authorize the Commission to
14 require ETCs to exceed that federal requirement. Finally, I discuss why
15 requiring ETCs to apply the Lifeline discount to bundled services would
16 disserve the public interest by putting ETCs at a competitive
17 disadvantage.

18

19 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF THE LIFELINE**
20 **PROGRAM.**

21 A. Lifeline is one component of the country’s low-income universal service
22 policies. Other universal service programs are high-cost support,
23 schools and libraries, and rural health care.¹ According to the Federal
24 Communications Commission (“FCC”), “Since 1985, the [FCC] ... in

¹ See <http://www.lifelinesupport.org/about/usac/>.

1 cooperation with state regulators and local telephone companies, has
2 administered two programs designed to increase subscribership by
3 reducing charges to low-income consumers. The Commission's Lifeline
4 program reduces qualifying consumers' monthly charges, and Link Up
5 provides federal support to reduce eligible consumers' initial connection
6 charges by up to one half."² The Universal Service Administrative
7 Company ("USAC") describes the low-income programs as follows:
8 "Lifeline, Link Up, and Toll Limitation Service (TLS) support provide
9 discounts that make basic, local telephone service more affordable for
10 more than 7 million Americans."³

11 The Florida Public Service Commission authorized the state's first
12 Lifeline Program in 1994 in Order No. PSC 94-0242-FOF-TL, which
13 approved Southern Bell's Lifeline tariff. The following year, Lifeline
14 became available from the other Florida ILECs. The Florida legislature
15 and PSC have since taken additional steps to enhance eligibility and
16 outreach for Lifeline programs, and have made the offering of Lifeline a
17 prerequisite for designation of a carrier as an ETC.

18

19 **Q. PLEASE DESCRIBE UNIVERSAL SERVICE POLICY.**

20 A. The policy of universal service "means that acceptable quality tele-
21 communications services are available at affordable rates to as many
22 individuals as is practical. Universal service policy aims to achieve

² FCC 97-157, ¶ 329.

³ <http://www.lifelinesupport.org/li/low-income/benefits/default.aspx>

1 universal telephone service.”⁴ A National Regulatory Research Institute
2 primer for state utility commissioners on universal service policy notes
3 that universal service policy is based on three general benefits of
4 ubiquitous telephone service: network externalities, public interest or
5 equity, and economic infrastructure and development arguments.⁵

6 Network externalities represent the increased value of telephone service
7 derived from greater availability of the service. In other words, “the
8 value of the network to each user depends on how many other users
9 can be reached via the network. Thus, the network becomes more
10 valuable as additional subscribers are added.”

11 Public interest or equity considerations are based on the view of
12 telephone service as a basic necessity for safety and general societal
13 benefits.

14 Economic infrastructure and development arguments are based on the
15 premise that greater availability of telephone service is correlated with
16 greater economic growth and development.

17 It is important to note here that all of the rationales for and benefits of
18 universal service policy concern the goal of universal customer
19 connections to communications networks. Whether customers are able
20 to afford all of the bells and whistles that are made available from that
21 access is not a question of “universal service.” I will develop this point in
22 more detail later in the testimony.

23

⁴ National Regulatory Research Institute, “Commissioner Primer: Universal Service,” May 2006, at 2.

⁵ *Id.* at 4-5.

1 **ISSUE 1:** UNDER APPLICABLE LAW, MAY THE COMMISSION
2 REQUIRE FLORIDA ETCS THAT CHARGE FEDERAL END
3 USER COMMON LINE CHARGES, OR EQUIVALENT
4 FEDERAL CHARGES, TO APPLY THE LIFELINE DISCOUNT
5 TO BUNDLED SERVICE OFFERINGS WHICH INCLUDE
6 FUNCTIONALITY THAT IS COMPARABLE TO THAT
7 DESCRIBED AT 47 CFR 54.101(a)(1)-(9) OR SECTION
8 364.02(1), FLORIDA STATUTES?

9
10 **Q. DOES FEDERAL LAW REQUIRE THAT THE LIFELINE DISCOUNT**
11 **BE APPLIED TO BUNDLED SERVICES?**

12 **A.** No. Although I am not an attorney, I understand that federal regulations
13 define "Lifeline" to mean "a retail local service offering" that is (i)
14 available only to qualifying low-income consumers, (ii) provides the
15 applicable discount, and (iii) includes the services or functionalities
16 enumerated in C.F.R. § 54.101. The services and functionalities listed
17 in section 54.101 are as follows:

- 18 1. Voice grade access to the public switched network
- 19 2. Local usage
- 20 3. Dual-tone multi-frequency signaling or its functional equivalent
- 21 4. Single party service or its functional equivalent
- 22 5. Access to emergency services
- 23 6. Access to all operator services
- 24 7. Access to interexchange service
- 25 8. Access to directory assistance

1 9. Toll limitation for qualifying low-income customers

2 This list substantially corresponds to the components of basic service
3 under Florida law in section 364.02(1), Florida Statutes. Although the
4 FCC does not prohibit Lifeline customers from ordering additional
5 vertical services on an a la carte basis,⁶ it does not require ETCs to offer
6 vertical services to Lifeline customers, nor does it require ETCs to apply
7 the Lifeline discount to bundled services.

8

9 **Q. A FEW STATES HAVE MANDATED LIFELINE FOR BUNDLES.**
10 **DOESN'T THAT SUGGEST THAT IT IS REQUIRED BY FEDERAL**
11 **RULES?**

12 A. It actually proves just the opposite. The fact that a few states have
13 mandated the Lifeline discount for bundles and most have not
14 demonstrates that such a discount is not required by the federal rules. If
15 federal rules required that the discount be offered for bundled service,
16 surely the FCC would have taken action against the large number of
17 states that do not mandate it, as well as the large number of companies
18 that have chosen not to offer it in those states. In fact, the USAC web-
19 site provides a tool to check to see whether a particular company in a
20 particular state offers Lifeline on more than just basic services, and the
21 FCC's Lifeline web site directs customers to use that tool.⁷ Therefore, it
22 is clear that federal rules do not mandate the Lifeline discount for
23 bundles.

⁶ In the Matter of Lifeline and Link-up, WC Docket No. 03-109 (released April 29, 2004) at § 53.

⁷ <http://www.lifelinesupport.org/li/low-income/lifelinesupport/browser/>;
http://www.lifeline.gov/lifeline_Consumers.html.

1 Whether federal rules *preclude* a state mandate the Lifeline discount for
2 bundles is still an open question. That issue was raised in an FCC
3 Petition by Sprint seeking a declaration that a Kansas Corporation
4 Commission order allowing customers to apply the Lifeline discount to
5 any service violates federal law.⁸ The FCC has not yet ruled on that
6 petition.

7

8 **Q. WOULD A GOVERNMENT MANDATE REQUIRING A LIFELINE**
9 **DISCOUNT FOR BUNDLES PROMOTE UNIVERSAL SERVICE**
10 **POLICY?**

11 A. No. As I mentioned earlier, universal service policy is entirely based on
12 the goal that all customers should be connected to communications
13 networks. As the FCC has stated, the underlying public policy goal of
14 the Lifeline and Link-up programs is the “preservation and advancement
15 of universal service.”⁹ Support to low-income customers for the initial
16 connection to the telephone network and for continuing that connection
17 are the major hallmarks of these programs. A requirement that the
18 Lifeline discount be applied to bundles would represent a broad
19 expansion of the Lifeline program in a manner that would not advance
20 these public policy goals underlying Lifeline service.

21 For example, in addition to unlimited direct-dialed local and regional
22 calling, Verizon’s Freedom Essentials Package includes unlimited direct-

⁸ Petition of Sprint Spectrum, L.P. for a Declaratory Ruling that the KCC’s October 2, 2006 Order in Docket No. 06-GIMT-446-GIT, violates federal law, WC Docket Nos. 03-109 and 07-138 (filed June 8, 2007).

⁹ See e.g., In the Matter of Lifeline and Link-up, WC Docket No. 03-109 (released April 29, 2004) at §3.

1 dial long distance calls to the United States and Canada and Puerto
2 Rico, up to three vertical features (such as Home Voice Mail, Caller-ID
3 and Call Waiting) and a single bill. None of these additional services
4 and functionalities is necessary to enhance or further the goal of
5 universal service in Florida. While applying the Lifeline discount to
6 bundles might make it less expensive for some Lifeline customers who
7 desire to subscribe to packages, those bundles are already discounted
8 and there simply is no public policy dictating that bundled services be
9 further discounted by a Lifeline credit.

10

11 **Q. WOULD A GOVERNMENT MANDATE REQUIRING LIFELINE**
12 **DISCOUNTS FOR BUNDLES INCREASE CONNECTIONS TO**
13 **COMMUNICATIONS NETWORKS?**

14 A. No. Mandating Lifeline discounts for bundles would not increase
15 subscribership because its principal effects would be to encourage
16 Lifeline customers who already have basic service to upgrade to
17 nonbasic service packages and to make the Lifeline discount available
18 to Lifeline-eligible customers who are already subscribing to nonbasic-
19 service packages. In other words, the mandate would not increase
20 network subscribership, but would merely provide a Lifeline discount to
21 additional customers who already have telephone service.

22 There may be customers for whom the Lifeline discount is the only
23 protection between having service and not having service, i.e.,
24 customers who cannot afford to pay the full retail price of basic service.
25 However, it is illogical to think that these customers will drop telephone

1 services or not subscribe in the first place if they are not allowed to pay
2 even more for a Lifeline-discounted bundle. If the customer cannot
3 afford to pay the full retail price of basic service, then, by definition, that
4 customer would not be able to afford to pay even more for a Lifeline-
5 discounted bundle. The customer may rightly perceive more *value* from
6 the discounted bundle, but universal service policies are supposed to
7 make network access affordable, not more valuable.

8

9 **Q. DOES THE FACT THAT OTHER STATES HAVE MANDATED**
10 **LIFELINE DISCOUNTS FOR BUNDLED SERVICES MEAN THAT THE**
11 **COMMISSION MAY FOLLOW SUIT?**

12 A. No. As I have already mentioned, the FCC is considering whether a
13 state may require Lifeline discounts to be applied to bundled services.
14 Even if the FCC concludes that such a requirement is permissible,
15 however, whether a particular state commission could require such a
16 discount would depend on its authority under state law. As I discuss
17 below, Florida law does not authorize the Commission to require a
18 Lifeline discount on bundled services.

19

20 **Q. WHAT LIFELINE DISCOUNT DOES FLORIDA LAW REQUIRE ETCs**
21 **TO PROVIDE?**

22 A. Again, I am not an attorney, but I understand that Florida law requires
23 ETCs to provide the Lifeline discount on basic service only. Section
24 364.10(2)(a) provides that an ETC is required to "provide a Lifeline
25 Assistance Plan to qualified residential subscribers, as defined in a

1 commission-approved tariff or price list.” Under federal regulations,
2 state commissions are required to file or require ETCs to file information
3 with the federal universal service fund administrator “demonstrating that
4 the carrier’s *Lifeline plan* meets the criteria set forth” in federal law.¹⁰
5 The Florida requirement that ETCs provide a Lifeline Assistance Plan
6 thus implements the federal requirement that ETCs have Lifeline plans
7 that meet federal criteria. As I already have explained, the federal
8 definition of Lifeline is limited to a retail local service offering that
9 includes the services or functionalities that substantially correspond to
10 basic service in Florida.¹¹ The Florida requirement that ETCs provide a
11 Lifeline Assistance Plan therefore means that they must adopt a Lifeline
12 program in which they apply the Lifeline discount to basic service.

13
14 **Q. DOES FLORIDA LAW AUTHORIZE THE COMMISSION TO REQUIRE**
15 **ETCs TO EXCEED THE FEDERAL REQUIRMENT OF APPLYING**
16 **THE LIFELINE DISCOUNT TO BASIC SERVICE?**

17 A. No. Florida law does not authorize the Commission to require ETCs to
18 exceed that federal requirement.

19
20 **Q. COULD THE COMMISSION REQUIRE ETCs TO APPLY THE**
21 **LIFELINE DISCOUNT TO BUNDLES THAT INCLUDE BASIC**
22 **FUNCTIONALITY?**

¹⁰ 47 C.F.R. § 54.401(d)(emphasis added).

¹¹ See 47 C.F.R. § 54.401(a). Similarly, ETCs that do not charge federal End-User Common Line charges or equivalent federal charges are required to apply the Lifeline discount “to reduce their lowest tariffed (or otherwise generally available) residential rate for the services enumerated in C.F.R. § 54.101 (a)(1) through (a)(9).” 47 C.F.R. § 54.403(b).

1 A. No. My understanding is that such a requirement would violate Florida
2 law, which clearly distinguishes between basic and nonbasic services.
3 Under Florida law, a service must either be a basic service or a
4 nonbasic service; it cannot be both. Florida law provides that basic
5 service consists of the following elements:

6 voice-grade, flat-rate residential, and flat-rate single-line
7 business local exchange services which provide dial tone,
8 local usage necessary to place unlimited calls within a
9 local exchange area, dual tone multifrequency dialing, and
10 access to the following: emergency services such as
11 "911," all locally available interexchange companies,
12 directory assistance, operator services, relay services, and
13 an alphabetical directory listing. For a local exchange
14 telecommunications company, the term shall include any
15 extended area service routes, and extended calling service
16 in existence or ordered by the commission on or before
17 July 1, 1995.¹²

18 Nonbasic service is defined as "any telecommunications service
19 provided by a local exchange telecommunications company other than a
20 basic local telecommunications service, a local interconnection
21 arrangement described in s. 364.16, or a network access service
22 described in s. 364.163."¹³ In other words, a nonbasic service is any
23 retail service consisting of a different set of elements than basic service.

¹² Fl. Stat. § 364.02(1).

¹³ Fl. Stat. § 364.02 (10).

1 Thus, by definition, when a telecommunications service offered as a
2 bundle (that is, as a group of services offered at a single price) consists
3 of the basic service elements and additional elements, that service is
4 nonbasic.

5 Florida's statutory scheme confirms that a local carrier's retail service
6 offering must either be a basic service or a nonbasic service and cannot
7 be a combination of the two. Under Florida law, a local carrier electing
8 alternative regulation may adjust its basic service rates 1% less than the
9 rate of inflation only once in any 12 month period, after giving 30 days
10 notice of its intention to do so.¹⁴ For a nonbasic service, the carrier may
11 change its rates on one day's notice and it may increase its rates up to
12 6% or 20% within a 12-month period, depending on whether it faces
13 competition in an exchange area.¹⁵ This dichotomy requires that a
14 service fall into one category or the other. Otherwise, most service
15 packages would be hybrids subject to both basic and nonbasic
16 regulation, requiring them to be broken down into basic and nonbasic
17 components and priced and tariffed under different rules. The
18 legislature obviously did not intend the statute to be applied in such an
19 unworkable and irrational manner and, not surprisingly, the Commission
20 has not interpreted it that way.

21

22 **Q. IS THERE COMMISSION PRECEDENT THAT CONFIRMS YOUR**
23 **READING OF THE STATUTORY DISTINCTION BETWEEN BASIC**

¹⁴ Fl. Stat. § 364.051(2)(c)(3).

¹⁵ Fl. Stat. § 364.051(5)(a).

1 **AND NONBASIC SERVICES?**

2 A. Yes. The Commission consistently has interpreted “nonbasic service” to
3 include service packages comprised of the basic service elements and
4 other elements. The Commission has approved price cap plans with
5 nonbasic service categories that include packages combining basic
6 service elements and other elements such as vertical features, voice
7 mail and intrastate long distance service. The Commission has not
8 required that such service packages be divided into basic and nonbasic
9 components that are given different regulatory treatment. To the
10 contrary, the Commission has treated these packages as nonbasic
11 services for *all* purposes, and has applied the nonbasic pricing and
12 tariffing rules to them in their entirety. This consistent interpretation by
13 the Commission confirms that service bundles may not be treated as
14 basic service for some purposes and nonbasic service for others.

15

16 **Q. WHAT IS THE SIGNIFICANCE OF YOUR CONCLUSION THAT**
17 **SERVICE BUNDLES THAT INCLUDE BASIC SERVICE**
18 **FUNCTIONALITY MUST BE TREATED AS NONBASIC SERVICES?**

19 A. Because such bundles are nonbasic services under Florida law, the
20 Commission may not require that ETCs apply the Lifeline discount to
21 them.

22

23 **ISSUE 3: SHOULD THE COMMISSION REQUIRE EACH FLORIDA ETC**
24 **THAT CHARGES FEDERAL END USER COMMON LINE**
25 **CHARGES, OR EQUIVALENT FEDERAL CHARGES, TO**

1 **APPLY THE LIFELINE DISCOUNT TO ITS BUNDLED**
2 **SERVICES WHICH INCLUDE FUNCTIONALITY THAT IS**
3 **COMPARABLE TO THAT DESCRIBED AT 47 CFR**
4 **54.101(a)(1)-(9) OR SECTION 364.02(1), FLORIDA**
5 **STATUTES?**

6 **Q. WOULD A MANDATE FOR A LIFELINE DISCOUNT ON BUNDLES**
7 **BE CONSISTENT WITH PUBLIC POLICY?**

8 A. It would not be. Such a mandate would ignore the current state of
9 competition in Florida and would not promote efficient competition.
10 Also, this requirement would discriminate between ETCs and other
11 voice service providers.

12

13 **Q. WHAT IS THE CURRENT STATE OF COMPETITION IN FLORIDA?**

14 A. The Commission's 2008 report on the status of competition concluded:

15 Florida's communications market continues to evolve as
16 new technologies and services become more widely
17 accepted. Estimates of wireless substitution for wireline
18 service have increased from prior years, and this trend is
19 expected to continue in the near future. In the most recent
20 reporting period, Florida cable companies expanded the
21 number of markets in which they offer voice services.
22 Finally, Vonage, a nationally known VoIP provider,
23 reported an increased number of Florida subscribers since
24 the last edition of the report; however, that number was
25 filed as confidential. These facts, coupled with continued

1 residential access line losses by ILECs, suggest an active
2 market for voice communications services in many areas
3 of Florida.¹⁶

4 The report also shows that from June 2004 to December 2007, Verizon
5 experienced a 32% decrease in residential access lines, more than
6 other ILECs in Florida.¹⁷

7 A NERA report from earlier this year provides this description of
8 competition in Verizon's Florida ILEC territory:

9 In areas served by Verizon: cable telephony is available to
10 over 93 percent of cable homes passed, cable modem
11 service is available to 100 percent of cable homes passed
12 and wireless service (from three or more carriers) is
13 available to virtually all households. As these options have
14 expanded since 2001, Verizon residential access lines
15 have declined by about 616,000 lines (or 36.5 percent),
16 from 1.69 million to 1.07 million, and Verizon's network
17 usage has similarly experienced a decline.¹⁸

18

19 **Q. DO VERIZON'S COMPETITORS HAVE TO OFFER LIFELINE?**

20 A. Only if they are designated as ETCs, which cable companies are not.
21 Cable companies do not have to offer a Lifeline discount on any of their

¹⁶ Florida Public Service Commission's Division of Competitive Markets and Enforcement, "Report on the Status of Competition in the Telecommunications Industry: As of December 31, 2007," at 3.

¹⁷ *Id.* at 34, Figure 3-9.

¹⁸ William E. Taylor and Harold Ware, "Intermodal Competition in Florida Telecommunications," NERA Economic Consulting, March 2008, at 12.

1 services. As of early this year, Bright House, one of Verizon's major
2 competitors, provided 500,000 of the state's roughly 750,000 cable
3 voice lines.¹⁹

4
5 **Q. WOULD A MANDATE FOR A LIFELINE DISCOUNT FOR BUNDLES**
6 **PUT VERIZON AT A COMPETITIVE DISADVANTAGE?**

7 A. Without question. Verizon is not reimbursed for \$3.50 of the discount it
8 provides Lifeline customers. Verizon thus would have to fund a subsidy
9 for bundled services that Bright House and other competitors do not
10 have to bear, on top of all of the other advantages competitors have in
11 terms of avoiding legacy regulations.

12 The Commission previously has recognized the anticompetitive effects
13 of asymmetric Lifeline policies, particularly the requirement that ETCs
14 fund the Lifeline discount through their rates. In 1997, the FCC noted
15 that "[t]he Florida PSC points out that this method of generating Lifeline
16 support from the intrastate jurisdiction could result in some carriers (i.e.,
17 ILECs) bearing an unreasonable share of the program's costs."²⁰ In
18 1999, the Commission again recognized this problem, stating:

19 Although the absence of explicit state level funding of
20 Lifeline may have been appropriate under rate of return
21 regulation, where a LEC could apply for rate increases if
22 needed, we believe that in the long term this policy is likely

¹⁹ Florida Public Service Commission's Division of Competitive Markets and Enforcement, "Report on the Status of Competition in the Telecommunications Industry: As of December 31, 2007," at 48-49.

²⁰ FCC Universal Service Order, at ¶ 361.

1 not sustainable in a competitive environment. Local
2 exchange companies with qualifying customers could
3 provide a disproportionate share of the state matching
4 funds for those customers, while providers with no Lifeline
5 customers would contribute nothing. The provider serving
6 the most low-income customers thus would be
7 disadvantaged.²¹

8 Contrast Florida's situation with that in California -- one of the states that
9 is considering applying the Lifeline discount to bundles.²² If the
10 California Public Utilities Commission ("CPUC") decides to mandate the
11 discount, then funding would come from an explicit customer surcharge:
12 "California LifeLine is funded by an all-end-user surcharge billed and
13 collected by telecommunications carriers which, in turn, remit the
14 surcharge monies to a financial institution as directed by the
15 Commission or its representatives."²³ Similarly, in North Carolina,
16 Oregon, and Texas, Verizon is required to offer Lifeline discounts on
17 bundles, but is fully reimbursed for all Lifeline discounts, either from a
18 state universal service fund, or (in North Carolina) as a credit against
19 state taxes. No state where Verizon is an ILEC requires the company to
20 offer Lifeline on bundles without full reimbursement.

²¹ Florida Public Service Commission Report on Universal Service and Lifeline Funding Issues, at 26 (February 1999).

²² It should be noted that California has not yet mandated Lifeline for bundles. The Fall 2008 version of the CPUC's Lifeline brochure notes that it is only available for "Flat Rate Local Telephone Service" and "Measured Local Telephone Service." See ftp://ftp.cpuc.ca.gov/Telco/LifeLine%20Marketing%20%26%20Outreach%20Materials/English_Brochure_F2008.pdf.

²³ <http://www.cpuc.ca.gov/PUC/Telco/Public+Programs/ults.htm> (underlining in the original as an embedded link).

1 **Q. ARE YOU TESTIFYING THAT IT IS A BAD IDEA TO OFFER A**
2 **LIFELINE DISCOUNT TO CUSTOMERS WHO CHOOSE**
3 **BUNDLES?**

4 A. Not at all. But it should be left to a business decision and not a
5 government mandate. Especially in this highly competitive environment,
6 government mandates on low-income discounts should be limited to the
7 minimal steps necessary to achieve universal service goals. As I
8 discussed earlier, the mandate for a Lifeline discount on bundles goes
9 well beyond any universal service policy goals and would further distort
10 the competitive marketplace. Therefore, the costs outweigh the
11 benefits. Unlike some other carriers, Verizon has chosen not to offer a
12 Lifeline discount on its bundled service, but Verizon may make a
13 different decision in the future. It is a common feature in competitive
14 markets for carriers to adopt different business and marketing plans.
15 But just because some carriers choose one particular policy does not
16 mean that it would be appropriate for government to mandate that all
17 carriers do so, absent a compelling policy rationale.

18

19 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

20 A. A mandate for applying the Lifeline discount to bundled services is not
21 required by federal law, would not promote universal service policy
22 goals, conflicts with Florida state law, and would disserve the public
23 interest by putting ETCs at a competitive disadvantage. Therefore, the
24 Commission should reject the requirement that the Lifeline discount be
25 applied to service bundles.

1 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?
2 A. Yes.
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