

from their basic service customers the percentage of Lifeline costs that basic service revenues represent of its total Connecticut gross revenues (intrastate and interstate). Furthermore, the Department will permit the remainder of Lifeline Program costs to be recovered from the telecommunications companies' remaining services to the extent that each company determines the market will allow.

The Department believes that in order for the Lifeline Program to be competitively neutral, program participants must have the freedom of choice in terms of service providers and the ability to move unimpeded by restrictive policies among various telecommunications services providers. The Department also believes that the existing Lifeline Program permits the application of Lifeline credits to customers' bills without regard to their provider of basic service. The Department will require, as discussed below, that the Lifeline Program Administrator be responsible for the development of procedures and oversee that program participants continue to have the ability to move from carrier to carrier for telephone service.

Sprint has also proposed a Lifeline Program cost recovery mechanism. Specifically, Sprint proposes establishing a per line surcharge, based on the number of eligible Lifeline participants each provider serves, and remit to an independent third-party administrator, any excess funds to be distributed to other participants in the Lifeline fund. Sprint states that an end user based funding arrangement is economically efficient and competitively neutral, unlike the existing program that requires service providers to contribute to the fund based on market share irrespective of the number of Lifeline participants such provider serves or the amount of payments made to intermediaries. Sprint Comments, pp. 2 and 3. As noted above, the Department has provided the LECs (with the exception of limiting the Lifeline Program costs that can be recovered from local exchange customers) and competitive service providers with the flexibility in recovering the costs of providing TRS and Lifeline allocated to the respective companies. The Department finds that this flexibility is removed if telecommunications companies are required to bill subscribers directly and is, therefore, not in the best interests of the public. Accordingly, the Department hereby rejects the Sprint proposal for end user billing.

In the Decision in Docket No. 93-08-07, the Department stated its intention to conduct a true-up proceeding in order to review the actual costs of providing the Lifeline credit and recalculate the assessments for the coming year, following the close of each fiscal year on June 30th. The Department determined that the annual true-up would also serve to incorporate into the funding formula and allocation mechanism any additional companies not previously included. The Department intends to continue with these proceedings.²¹

²¹ During these proceedings, the Department will also review any future state or federal decisions to rescind, modify or otherwise change the requirements of lifeline programs to ensure continued compliance.

H. LIFELINE PROGRAM OUTREACH

The AG and OCC (Public Parties) and NECTA contend that enhanced outreach and education programs are necessary to reach prospective Lifeline Program participants. For example, the AG states that Connecticut has not achieved universal service in all areas of the state. The AG recommends the Department examine why there may be telecommunications "have nots," including exploring such things as whether other disadvantaged groups of telephone subscribers that should be eligible for lifeline assistance can be identified, and whether dissemination of information concerning the Lifeline Program can be improved. AG Position Paper, p. 7. OCC concurs with the AG that additional or alternative outreach efforts may be appropriate. OCC proposes that the Department obtain additional information from census data and other sources to determine whether additional targeted outreach efforts are likely to be effective. OCC Comments, p. 7. Additionally, NECTA suggests that the experience in neighboring states indicates that the availability of a Lifeline subsidy, without additional outreach efforts, may not be sufficient to ensure the participation of a substantial number of eligible households. NECTA Position Paper, p. 5. The Department is sensitive to the issues presented by the Public Parties and NECTA and agrees that additional outreach efforts may be required to achieve maximum participation by eligible Connecticut residents in the Lifeline Program and the State's CTCAP.

Lightpath suggests that competition among local service providers is the most effective means of ensuring outreach. Lightpath Position Paper, p. 4. The Department disagrees. Additional information such as Connecticut telephone penetration rates as well as further identification of prospective program participants is required to maximize participation. To be effective, an outreach program of this nature will require an aggressive informational program be developed and implemented to maximize participation. A Lifeline Program outreach program has been initiated as a result of Docket No. 93-08-07, involving SNET and the Connecticut Department of Social Services (DSS). The Department believes that the information developed from the DSS and SNET outreach efforts ordered in Docket No. 93-08-07 can form the basis from which an expanded Lifeline outreach program can be implemented. Finally, the Department believes that the Lifeline Program Administrator would be the most logical choice in overseeing any program outreach efforts. In the Department's opinion, Lifeline Program outreach efforts would complement the administrator's role as overseer of the program. Therefore, the Department will require the entity chosen as Administrator to evaluate and propose to this Department for review any additional outreach efforts deemed necessary to ensure compliance with Public Act 94-83.

I. LIFELINE ADMINISTRATOR

The majority of the participants have expressed support for appointment of an independent administrator to manage the Lifeline Program.²² Both OCC and Lightpath

²² See for example, SNET Position Paper, p. 4; MCI Position Paper, p. 6; TCG Position Paper, p. 7; NECTA Position Paper, pp. 7 and 8; and Lightpath Position Paper, p. 2.

differ from the majority and recommend that the Department itself administer the program with internal resources. As noted above, the participants have cited appropriate reasons as to why the Lifeline Program should be administered by a neutral third party. For example, SNET states that it could not continue in this role, because it cannot credit other providers' customers. Likewise, TCG supports the selection of an independent administrator over the Lifeline Program because it removes the appearance of bias in the collection of and disbursement of subsidies.

The Department concurs that designating a neutral third party would be desirable to objectively administer the Lifeline Program. The independent administrator shall be responsible for, subject to the Department's oversight and approval, the collection of carrier contributions; disbursement of support funds; review and adjustment of the funding requirement; the development of terms and conditions under which Lifeline Program participants may move from one carrier to another; and resolution of disputes regarding the fund. As discussed above, the Lifeline Program administrator will also be responsible for overseeing program outreach and education programs. At the conclusion of this proceeding, the Department will issue a Request For Proposal to prospective program administrators concerning administration of the State's Lifeline Program. Until such time as the Administrator is selected by the Department, Connecticut's LECs shall continue to administer their respective Lifeline Programs. Only in the event the Department receives responses that it concludes to be too costly, or inconsistent with the terms and conditions of the Act, will the Department explore the possibility of administering the Lifeline Program itself.

V. FINDINGS OF FACT

1. In its Decision in Docket No. 94-07-08, the Department determined that the basic service offering is a meaningful achievement standard for measuring Universal Service Penetration.
2. Public Act 94-83 requires the Department to establish a Lifeline Program funded by all telecommunications companies on an equitable basis, as determined by the Department, sufficient to provide low income households or individuals with a level of telecommunications service or package of services that supports participation in the economy and society of the state.
3. Lifeline service was first determined by the Department in its July 7, 1993 Decision in Docket 91-10-06, as a means of maintaining the current level of universal telephone service in Connecticut.
4. The existing Department authorized Lifeline Program: provides customers with the ability to choose among local service options; makes use of federal funds; permits participation by subscribers without interruption; is competitively neutral; and would permit the application of Lifeline credits to customers' bills regardless of their provider of basic service.

5. With some modification, the current Lifeline Program will meet Connecticut residents' basic telecommunications service needs consistent with Public Act 94-83.
6. Pursuant to Public Act 94-83, all telecommunications companies will fund the state's Lifeline Program.
7. Providers of CMRS (including cellular service and paging service), PCS, SMR service, and other wireless telecommunications services are telecommunications companies as defined by Public Act 94-83.
8. The Department is not prohibited from regulating terms and conditions of commercial mobile radio services.
9. The contribution to the Lifeline Program is a term and condition of providing telecommunications service that is placed on all telecommunications companies doing business in Connecticut.
10. Funding the Lifeline Program based on a "net" revenue concept proposed by some participants would violate Section 5(a)(2) of the Act that all service providers be treated on an equal basis.
11. Funding the Lifeline Program based on net intrastate revenues concept would unfairly reduce non-LEC assessments while placing a greater funding burden on the LECs and their customers.
12. It is inequitable to recover Lifeline Program costs entirely from one body of customers.
13. The Lifeline Program will have a positive impact on the range of services offered by telecommunications companies.
14. In order for the Lifeline Program to be competitively neutral, program participants must have the ability to exercise choice in terms of service providers and they have the ability to move unimpeded among various providers.
15. Lifeline Program outreach efforts are a natural complement to the administrator's role as overseer of the program.
16. A neutral third party should be designated to administer the Lifeline Program and shall be responsible for, subject to the Department's oversight and approval, the collection of carrier contributions; disbursement of support funds; review and adjustment of the funding requirement; the development of terms and conditions under which Lifeline Program participants may move from carrier to another; resolution of disputes regarding the fund; and for overseeing program outreach and education programs.

IV. CONCLUSION AND ORDERS**A. CONCLUSION**

The Department has affirmed herein its commitment to the current Lifeline Program, but has identified those areas that must change in light of Public Act 94-83. This Decision shall govern the state's Lifeline Program. Given the findings made in this Decision which were based on the record of this proceeding, no further docket regarding funding of the Lifeline Program is necessary at this time.

B. ORDERS

1. All telecommunications companies, including, but not limited to, providers of CMRS (including cellular service and paging service), PCS, SMR service, and other wireless telecommunications services shall contribute to the funding of the Lifeline Program.
2. Each telecommunications company providing service in the State shall remit payment to the Lifeline Program Administrator for its respective portion of Lifeline Program costs.

**DOCKET NO. 94-07-09 DPUC EXPLORATION OF THE LIFELINE PROGRAM
POLICY ISSUES**

This Decision is adopted by the following Commissioners:

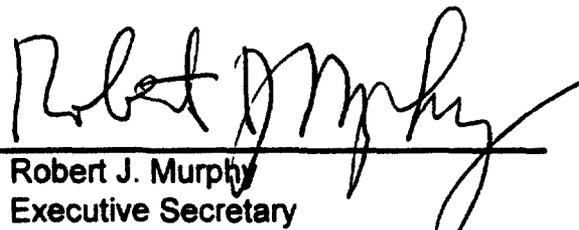
Michael J. Kenney

Heather F. Hunt

Thomas M. Benedict

CERTIFICATE OF SERVICE

The foregoing is a true and correct copy of the Decision issued by the Department of Public Utility Control, State of Connecticut, and was forwarded by Certified Mail to all parties of record in this proceeding on the date indicated.



Robert J. Murphy
Executive Secretary
Department of Public Utility Control

MAY 04 1995
Date