



 ILLINOIS COMMERCE COMMISSION

May 20, 1999

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JUN 16 1999

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Jane Whong
Common Carrier Bureau - APD
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Illinois Matching funding for the Lifeline Program; In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45.

Dear Ms. Whong:

Enclosed please find a copy the Illinois Commerce Commission's April 21, 1999, Order amending Illinois' Lifeline Program. (Ill. C.C. Docket 98-0884). The amendment increases Illinois's current \$5.25 Lifeline assistance by adding state matching support of \$1.50 from the Illinois Universal Telephone Service Assistance Program. Pursuant to the FCC Universal Service Rules, the Illinois Commerce Commission's action will qualify Illinois eligible telecommunications carriers to collect an additional \$.75 from the Universal Service Administrative Company. (47 CFR § 54.403; see also In the Matter of Federal-State Joint Board on Universal Service, CC Docket 96-45; FCC 97-157, ¶¶ 353, 368).

On December 17, 1997, the Illinois Commerce Commission notified the FCC that its December 3, 1997, Order amending Ill. Adm. Code Part 757 incorporated the federal requirements for eligibility for the Lifeline and Link Up programs. Specifically, Section 757.420 allows eligible telecommunications carriers to file tariffs which will reduce intrastate access charges by \$1.75. Therefore, the Illinois Commission has established that it is in compliance with the FCC's Universal Service Rules.

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I would appreciate acknowledging receipt of the filing by returning a duplicate time stamped copy of this letter in the enclosed self addressed, stamped envelope.

Thank you for your attention to this matter.

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JUN 16 1999

**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY**

Sincerely,



**Myra L. Karegianes
General Counsel**

Enclosures

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

The Universal Telephone Assistance Corporation

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98-0884

Petition for determination of the amount and form of supplemental assistance to be provided by local exchange carriers, pursuant to 83 Ill. Adm. Code §757.200(b)

ORDER

By the Commission:

Procedural History

On December 15, 1998, the Universal Telephone Assistance Corporation ("UTAC") filed a petition requesting that the Commission determine, pursuant to 83 Ill. Adm. Code § 757.200(b), the amount and form of supplemental assistance to be provided by the Illinois local exchange carriers ("LECs") to each eligible subscriber under the Universal Telephone Service Assistance Program ("UTSAP"). Included with UTAC's Petition was a Motion for Leave to File Out of Time.

Pursuant to due notice, a hearing was held before a duly authorized Hearing Examiner of the Commission at its offices in Springfield, Illinois on March 11, 1999. Appearances were entered by counsel on behalf of UTAC and by Ms. Alcinda Jackson of the Commission Staff ("Staff"). Mr. Terry Henkel, UTAC's Secretary/Treasurer and Director - Regulatory Affairs, for Ameritech, presented testimony on behalf of UTAC. At the conclusion of the hearing, the record was marked "Heard and Taken."

Background Information: Part 757 Dockets

UTAC is a not-for-profit corporation, of which all Illinois LECs are members, formed pursuant to the requirements of 83 Ill. Adm. Code 757.215. The formation of UTAC and its organizational documents were approved by the Commission in Docket No. 93-0067, and UTAC remains subject to the jurisdiction of the Commission. The principal purpose of UTAC is to carry out the provisions of Sections 13-301 and 13-301.1 of the Public Utilities Act ("Act") (220 ILCS 5/13-301 and 5/13-301.1), as implemented by 83 Ill. Adm. Code 757, "Telephone Assistance Programs," ("Part 757").

All funding for UTSAP comes from voluntary contributions from customers of LECs. The LECs collect the contributions and report and transfer these amounts to UTAC. The LECs also report to UTAC any costs they have incurred that are directly related to administration of the program, which they are entitled to recover from UTSAP contributions.

UTAC's petition was filed pursuant to 83 Ill. Adm. Code 757.200(b) and (c). Section 757.200(b) requires that UTAC, as the UTSAP administrator, file annual petitions with the Commission "requesting the Commission to determine the amount of supplemental assistance, if any, the LECs shall provide each eligible new subscriber or eligible subscriber" under the UTSAP. The assistance to be provided under UTSAP is supplemental to the assistance provided under the federal Link-Up and Lifeline programs, pursuant to Subparts B and E of Section 757. Section 757.200(b) specifies that the UTSAP administrator shall file an annual petition on July 1 of each year. Although the instant petition was not filed on July 1 as called for by Section 757.200(b), UTAC requested leave to file the instant petition out of time. In support of its request, UTAC cites the importance of assisting low-income individuals in obtaining access to telecommunications services and the desire of UTAC's Board of Directors to enable customers to receive additional telephone assistance at the earliest possible time.

Section 757.200(c) establishes three mechanisms by which the LECs, through UTSAP, may supplement the assistance provided to low income residents under the Link-Up and Lifeline programs. Specifically, the Commission may order that assistance through UTSAP be made by means of (1) a waiver of initial telephone service installation charges, in addition to the 50% waiver (up to \$30) provided under the Link-Up program, for eligible new subscribers; (2) a waiver of all or part of the local exchange service obligation (i.e., monthly bills for local exchange telephone service) of eligible subscribers or eligible new subscribers; or (3) a combination of (1) and (2).

On May 8, 1997, the Federal Communications Commission ("FCC") in the Matter of Federal-State Joint Board on Universal Service, 12 FCC Rcd. 8776 (1997), revised its rules governing the federal Lifeline support program. The federal program established by the FCC provides all eligible telephone subscribers with a credit of \$3.50 a month on their local exchange telephone service bill. An additional \$1.75 a month in federal support is available to customers in states, such as Illinois, that approve that reduction in the portion of the intrastate rate paid by the end user. Further, the FCC provided for additional federal support equal to one-half of any support generated from the intrastate jurisdiction, up to a maximum of \$7.00 a month in federal support. Qualifying Illinois subscribers currently receive \$5.25 a month in federal support. Illinois does not currently provide any support for the federal Lifeline program and, therefore, does not receive the additional federal matching funds.

On September 23, 1998, in Docket No. 98-0503, the Commission approved UTAC's petition, filed July 1, 1998, to provide supplemental assistance to cover, together with the federal Link-Up program 100% of an eligible telecommunications

carrier's connection charge and to cover 50% of a non-eligible telecommunications carrier's total connection charge for eligible new subscribers. At the time UTAC filed the petition in Docket 98-0503, the federal Lifeline program had been in operation only a few months, and UTAC was unable to estimate long-term participation rates. UTAC believed that it would be in a better position to determine how much money it could contribute on a monthly basis as state support for the Lifeline program once the participation level stabilized. UTAC, therefore, did not propose that UTSAP funds be used to provide monthly assistance in its July 1, 1998 petition.

UTAC states that an "eligible telecommunications carrier" is a telecommunication carrier that is eligible to receive federal Universal Service support throughout the service area for which it is designated as an eligible telecommunication carrier, and that to be eligible, the carrier must offer federal Universal Service support mechanisms such as the Lifeline and Link-Up programs, and it must advertise the availability of and charges for these services. Under the federal Telecommunications Act of 1996, state commissions are responsible for determining which common carriers meet the federal requirements for eligibility. The parties represent that all incumbent LECs in Illinois are eligible telecommunications carriers. In addition to all the incumbent LECs, the Commission, in Docket No. 98-0681, has recently designated MGC Communications, Inc., a competitive LEC, an eligible telecommunications carrier.

UTAC further states that under the federal Lifeline program and the Commission's regulations, an "eligible subscriber" is a telecommunication subscriber currently participating in one of five low-income programs: Medicaid, Food Stamps, Supplemental Security Income, Federal Public Housing, or Low Income Home Energy Assistance.

Supplemental Assistance Proposed in 98-0884: Staff Recommendation

In its Petition, UTAC recommends that the Commission authorize Illinois LECs to provide \$1.50 in monthly telephone assistance to qualified low-income telephone subscribers under the UTSAP, which assistance would be in the form of state support to the federal Lifeline program in the case of eligible telecommunications carriers. For qualifying subscribers of eligible telecommunications carriers, the UTSAP credit would be in addition to the \$5.25 credit available under the federal program. Moreover, as stated above, the federal Lifeline program will match by 50% any amount contributed by the UTSAP. Therefore, the \$1.50 contributed by the UTSAP would result in qualifying subscribers of eligible telecommunications carriers receiving total monthly telephone assistance of \$7.50 (federal Lifeline's \$5.25 plus UTAC's \$1.50 plus \$.75 federal match). Eligible customers of non-eligible telecommunications carriers would receive monthly assistance in the form of a \$1.50 credit toward their monthly local exchange bill.

Mr. Henkel testified that currently between 45,000 and 48,000 Illinois customers participate in the federal Lifeline program. Mr. Henkel further testified that UTAC

believes that raising the monthly assistance from \$5.25 to \$7.50, together with the 100% waiver of the connection fee already provided by the UTSAP and Link-Up programs, will represent an attractive inducement to those eligible subscribers who may have felt that the \$5.25 credit was not sufficient incentive to subscribe to telephone service in light of their budgetary constraints.

According to Mr. Henkel, UTAC proposed the amount of supplemental monthly assistance be set at \$1.50 because the UTAC Board seeks to provide supplemental monthly assistance at a level that will enable it to (a) serve all reasonably anticipated customers, (b) sustain the program for the foreseeable future, and (c) provide a meaningful addition to the present Lifeline program.

Mr. Henkel said UTAC projected that the fund balance in its account would be \$3,666,000 at the end of 1998. According to Mr. Henkel, the UTAC Board determined that, of this total, \$300,000 should remain in reserve as a contingency for unanticipated changes in the program. This would leave a net of \$3,366,000 which could be drawn upon. Mr. Henkel testified that contribution levels currently exceed expense levels (excluding monthly waiver expense) by approximately \$700,000 per year, creating an additional revenue source of \$3,500,000 over a five year period. This amount, coupled with the current fund balance, would provide a total of \$6,866,000 over a five year period to be used toward a monthly waiver program. According to Mr. Henkel, at a monthly subsidy of \$1.50, the total cost for one customer for five years would be \$90 (60 months times \$1.50), that that with \$6,866,000 in funds available, supplemental monthly support of \$1.50 for approximately 76,000 customers over the five year period could be provided. Mr. Henkel stated that UTAC believes participation levels may approach, but should not exceed, 76,000 subscribers.

A five-year period, according to Mr. Henkel, would allow the monthly Lifeline program to mature from its inception in January 1998. Mr. Henkel stated that it is expected that over this period, UTAC's publicity efforts would ensure that all eligible customers who wish to participate in the Lifeline program have the opportunity to do so. In Mr. Henkel's view, it is difficult to project beyond five years what additional forces may come to bear on providing service to eligible customers.

Mr. Henkel testified that the Illinois LECs have committed to implement the supplemental monthly assistance program within six months from the date of the Commission's Order.

In order to ensure the availability of federal funds to match 50% of the UTSAP support for the Lifeline program, UTAC's petition requests that the Commission direct the Staff to file information with the Administrator of the FCC's universal service support mechanisms, and that the Commission approve an additional reduction in the amount paid by eligible Illinois customers of \$2.25. Mr. Henkel testified that Commission Staff must file information regarding state Lifeline support with the FCC's Administrator of universal service support mechanisms, pursuant to 47 C.F.R. § 54.401(d), in order for

Illinois customers to receive the additional 50% (\$.75) match from federal funds. Likewise, according to Mr. Henkel, 47 C.F.R. § 54.403(a) requires that the Commission approve an additional reduction equal to the state contribution times 1.5 (\$2.25) to ensure the availability of federal matching funds.

At the hearing, Ms. Alcinda Jackson of the Commission's Consumer Services Division recommended that UTAC's petition be granted. Ms. Jackson also requested that Exhibit 3 (a sample tariff for use by eligible telecommunications carriers) and Exhibit 4 (a sample tariff for use by non-eligible telecommunications carriers) be attached to the Commission's Order to be used as guidelines for the carriers in Illinois. Ms. Jackson additionally recommended that the Order be served on all LECs in Illinois, including both incumbent LECs and competitive LECs.

Findings and Ordering Paragraphs

The Commission, having considered the entire record herein, is of the opinion and finds that:

- (1) the Commission has jurisdiction over UTAC and its member LECs, and over the subject matter herein;
- (2) the recitals of fact and conclusions reached in the prefatory portion of this order are supported by the record and are hereby adopted as findings of fact;
- (3) UTAC has demonstrated good cause to file its petition out of time;
- (4) the amount of supplemental monthly assistance applied to local exchange telephone service bills of subscribers of eligible and non-eligible telecommunications carriers should be \$1.50; such supplemental monthly assistance shall be in addition to the supplemental connection assistance approved by the Commission in Docket No. 98-0503;
- (5) in the case of eligible telecommunications carriers, such supplemental monthly assistance shall be in the form of a state contribution to the federal Lifeline program;
- (6) pursuant to 47 C.F.R. § 54.403(a), the Commission should approve an additional reduction in the amount paid by eligible Illinois customers of \$2.25 to ensure the availability of federal matching funds;
- (7) the Commission Staff should be directed to file information with the Administrator of the FCC's universal service support mechanism as required by 48 C.F.R. § 54.401(d) within 30 days from the date of this Order;

- (8) all eligible telecommunications carriers shall file tariffs within 30 days of the date of this Order, to become effective no later than six months from the date of this Order, said tariffs to contain the information shown in the guideline form attached as Appendix A hereto;
- (9) all non-eligible telecommunications carriers shall file tariffs within 30 days of the date of this Order, to become effective no later than six months from the date of this Order, said tariffs to contain the information shown in the guideline form attached as Appendix B hereto.

IT IS THEREFORE ORDERED that UTAC is granted leave to file its petition out of time.

IT IS FURTHER ORDERED that UTAC shall provide supplemental monthly telephone assistance to eligible low-income telephone subscribers under the Universal Telephone Service Assistance Program in the amount of \$1.50 per month, which assistance shall be in the form of state support to the federal Lifeline program in the case of eligible telecommunications carriers, and which shall be in addition to the connection fee assistance approved by the Commission in Docket No. 98-0503.

IT IS FURTHER ORDERED that all Illinois LECs shall file tariffs in compliance with Findings (8) and (9).

IT IS FURTHER ORDERED that the Commission Staff shall file information with the Administrator of the FCC's Universal Service support mechanisms as required by 47 C.F.R. § 54.401(d) within 30 days from the date of this Order.

IT IS FURTHER ORDERED that, pursuant to 47 C.F.R. § 54.403(a), the amount paid by eligible Illinois subscribers shall be reduced by an additional \$2.25.

IT IS FURTHER ORDERED that a copy of this Order shall be served on all local telecommunications carriers.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this 21st day of April, 1999.

(SIGNED) RICHARD L. MATHIAS

Chairman

(SEAL)

FOR USE BY NON-ELIGIBLE
TELECOMMUNICATIONS CARRIERS

Ill. C.C. No. _____
Section _____
Revised Sheet No. _____
Canceling _____ Revised Sheet No. _____

General Exchange Tariff

A. Telephone Assistance Programs

1. General

- a. To qualify for low income assistance, the applicant must participate in any of the following assistance programs. The Illinois Department of Human Services will certify the applicants' participation in assistance programs (a) and (b), below for purposes of determining eligibility.
 - (a) Medicaid
 - (b) Food Stamps
 - (c) Supplemental Security Income (SSI)
 - (d) Federal Housing Assistance
 - (e) Low-Income Home Energy Assistance (LIHEAP)
- b. The low-income programs are funded through voluntary contributions from Illinois customers.
- c. The Telephone Company's verification through the Department of Human Services or, in lieu of electronic verification, applicant's signature on the form contained in Part 757, shall constitute proof of income eligibility.
- d. The low-income assistance shall be available to only one access line per low-income household.

2. Supplemental Link-Up Assistance

- a. A one-time credit of 50% of the connection charge will be applied to each new eligible customer.

3. Supplemental Lifeline Assistance

- a. Eligible customers may receive a discount of \$1.50 on their monthly telephone service.

Issued:

Effective:

III. C.C. No. _____
Section _____

Revised Sheet No. _____

Canceling _____ Revised Sheet No. _____

General Exchange Tariff

4. Voluntary Contributions

- a. Customers wishing to participate in the funding of UTSAP may do so by electing to contribute, on a monthly basis, a fixed amount to be include by the company on the customer's telephone bill. The voluntary contribution shall not reduce the customer's total monthly bill amount due the Company for telephone services or other charges.

(1) Residential customers may elect to contribute:

- (a) \$0.50
- (b) \$1.00
- (c) \$2.00
- (d) \$5.00

(2) Business customers may elect to contribute:

- (a) \$1.00
- (b) \$5.00
- (c) \$10.00
- (d) \$25.00

- b. Customers may elect to discontinue or change the amount of monthly contribution on their bill at any time upon providing a least 30 days notice to Company.
- c. Failure by the customer in any month to remit the entire billed amount shall reduce the UTSAP contribution accordingly.

Issued:

Effective:

FOR USE BY ELIGIBLE TELECOMMUNICATIONS CARRIER

Ill. C. C. No. ___
Revised Sheet ___
Cancelling ___ Revised Sheet No. ___

General Exchange Tariff

1. Telephone Assistance Programs

A. Link Up Program

1. General

- a. The Link Up Program is a federally funded program established to provide assistance low-income households. Under the program eligible customers may receive a fifty percent reduction of service connection charges up to \$30.00.
- b. Participation in any of the following assistance programs is required to establish eligibility. The Illinois Department of Human Services will certify the applicant's participation in assistance programs (1), (2) and (3) below for purposes of determining eligibility.
 - (1) Medicaid
 - (2) Food Stamps
 - (3) Supplemental Security Income (SSI)
 - (4) Federal Housing Assistance
 - (5) Low-Income Home Energy Assistance (LIHEAP)
- c. The Telephone Company's verification either through the Department of Human Services or, in lieu of electronic verification, applicant's will sign the form contained in Part 757 as Exhibit E, shall constitute proof of income eligibility.
- d. The Link Up Program connection charge reduction shall be available to only one access line per low-income household.
- e. The fifty percent Link-Up discount shall apply only to service connection charges up to \$30.00.
- f. A participant in the Link Up Program shall have the option to defer payment of the remaining installment charges over a minimum period of twelve months. Monthly payments to retire the outstanding balance shall be required, but no interest or carrying charges shall apply.

2. Supplemental Link Up Telephone Assistance Program

- a. In addition to the fifty percent discount described in A.1.a above, a one-time credit of up to 100% of the remaining connection charge will be applied to each new eligible subscriber, as defined in A.1.B above
- b. The supplemental Link Up Program is funded through voluntary contributions from Illinois customers as described in C. following.

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FOR USE BY ELIGIBLE TELECOMMUNICATIONS CARRIER

Ill. C. C. No. ___
Revised Sheet ___
Cancelling Revised Sheet ___

General Exchange Tariff

I. Telephone Assistance Programs (con't)

B. Lifeline Telephone Assistance Program

1. General

- a. The Lifeline Program is a federally funded program established to provide monthly assistance to low income households. Eligible subscribers may receive a discount on monthly local exchange access service of \$1.75. In addition, the Federal subscriber Line Charge of \$3.50 will be waived for a total monthly credit of \$5.25.
- b. The eligibility criteria for the Lifeline Program shall be the same as that provided under the Link Up Program as specified in Paragraphs A.1.b., c. and d. above.
- c. Lifeline service shall not be disconnected for nonpayment of toll charges.
- d. Qualifying low-income subscribers who voluntarily elect toll blocking, where available, will not be required to pay a service deposit in order to initiate Lifeline service. This service will only be provided at the customer's request.

2. Supplemental Lifeline Telephone Assistance Program

- a. The supplemental Lifeline Program is funded through voluntary contributions from Illinois customers as described in C. following. In addition to the Federal Lifeline discounts noted in B.1.a. above, an additional discount of \$1.50 will be applied to each eligible subscriber as defined in A.1.b. preceding.
- b. In addition to the Lifeline Telephone Assistance discount, additional Federal Lifeline support in the amount of one-half of the State Lifeline support, or \$0.75, will be made available to a qualifying low-income customer.
- c. The eligibility criteria for the supplemental Lifeline Program shall be the same as that provided under Link Up Program as specified in A. preceding.

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III. C. C. No. _____
Revised Sheet _____
Cancelling Revised Sheet _____

General Exchange Tariff

I. Telephone Assistance Programs (con't)

C. Universal Telephone Assistance Program (UTSAP) Voluntary Funding

- a. Customers wishing to participate in the funding of UTSAP may do so by electing to contribute, on a monthly basis, a fixed amount to be included by the Company on the customer's monthly bill. The voluntary contribution shall not reduce the customer's total monthly bill amount due the Company for telephone services or other charges.

Residential customers may elect to contribute:

- (a) \$0.50
- (b) \$1.00
- (c) \$2.00
- (d) \$5.00

Business customers may elect to contribute:

- (a) \$1.00
- (b) \$5.00
- (c) \$10.00
- (d) \$25.00

- b. Customers may elect to discontinue or change the amount of monthly contribution on their bill at any time upon providing, at least 30 days notice to Company.
- c. Failure by the customer in any month to remit the entire billed amount shall reduce the UTSAP contributions accordingly.

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