

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of )  
 )  
Request for Review by AT&T Inc. ) WC Docket No. 03-109  
Of Decision of Universal Service Administrator )

**REPLY COMMENTS OF VERIZON<sup>1</sup>**

The Universal Service Administrative Company's audit conclusion that AT&T was required to claim and seek reimbursement on a pro-rata basis for discounted services provided to low income consumers under the federal Lifeline program should be reversed.

Carriers are reimbursed from the Universal Service Fund for providing certain discounted services to low income customers that participate in the federal Lifeline program. To seek reimbursement, carriers submit monthly worksheets, FCC Form 497, to the Universal Service Administrative Company ("USAC"). Carriers that desire to pro-rate reimbursement claims for Lifeline customers that initiate or discontinue service during the month have the option to do so on Line 9 of Form 497. The plain language used on Form 497 and the attendant Worksheet Instructions makes clear that pro-rating is optional to the carrier. The language proceeding Line 9 on the Form says: "Check box to the right *if* partials or pro rata amounts are used. Indicate dollar amount, *if applicable*, on line 9." Lifeline and Link Up Worksheet, FCC Form 497 (October 2000) (emphasis added). Similarly, the Worksheet Instructions indicate that: "*If* claiming partial or pro-rata dollars, check the box on line 9. Enter the dollar amount (*if*

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<sup>1</sup> The Verizon companies participating in this filing ("Verizon") are the regulated, wholly owned subsidiaries of Verizon Communications Inc.

*applicable*) for all partials or pro-rated subscribers. ... ” Instructions for Lifeline and Link Up Worksheet, FCC 497 Instructions, at 4 (October 2000).

In addition, as AT&T explained in its Request for Review, in this same docket the Commission considered and rejected mandatory pro-rata Lifeline reimbursement claims. *See Wireline Competition Bureau Announces Effective Date of Revised Form 497 Used to File Low Income Claims with USAC*, 19 FCC Rcd 18574 (2004); and *Wireline Competition Bureau Announces Delayed Effective Date for Revised Form 497 Used for Low-Income Universal Service Support Until Further Notice*, 20 FCC Rcd 4395 (2005).

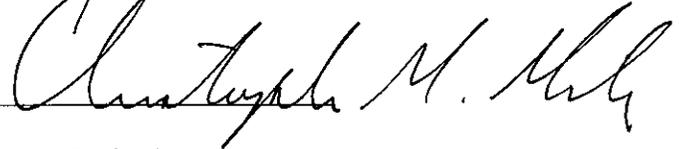
Moreover, for carriers such as AT&T and Verizon with very large bases of Lifeline customers, the administrative complexity and cost associated with pro-rating Lifeline reimbursement claims would be extreme. Lifeline customer counts are dynamic. To track Lifeline counts on a granular level, carriers would, at a minimum, have to pull data every day and calculate pro-rated support for each Lifeline customer. Complex modifications to carrier billing systems (likely costing millions of dollars) would be necessary, and such a process for even a small number of Lifeline customers would be complicated and expensive. For large carriers such as AT&T and Verizon, with millions of Lifeline customers, such a process is simply not practical.

On the other hand, reporting the number of Lifeline customers on a fixed day each month is generally equivalent to pro-rata reporting. Using this methodology, some partial month customers are included in the count while other partial month customers are excluded. There is no reason to believe that, over time, reporting on this basis would either overstate or understate a carrier’s monthly count of eligible Lifeline customers. This method is more efficient and less

complicated to administer, equally accurate, and easier to audit than the pro-rata approach advocated by USAC and its auditors.

For these reasons, USAC's conclusion that AT&T was required to pro-rate Lifeline reimbursement claims should be reversed.

Respectfully submitted,

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May 29, 2008