BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of Lifeline and Link Up Reform and Modernization Federal-State Joint Board on Universal Service Lifeline and Link Up.	WC Docket No. 11-42 CC Docket No. 96-45 WC Docket No. 03-109

COMMENTS OF THE CALIFORNIA PUBLIC UTILITIES COMMISSION AND THE PEOPLE OF THE STATE OF CALIFORNIA IN FURTHER INQUIRY INTO FOUR ISSUES IN THE UNIVERSAL SERVICE LIFELINE / LINK UP REFORM AND MODERNIZATION PROCEEDING

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I. INTRODUCTION

The California Public Utilities Commission and the People of the State of California (CPUC or California) submit these Comments in the Federal Communications Commission's (FCC) Further Inquiry into four issues in the *2011 Lifeline and Link Up NPRM*[1] on reform and modernization of the federal Lifeline/Link Up program.[2] The Commission seeks further comment on these four issues: 1) designing and implementing a Lifeline/Link Up broadband pilot program to evaluate whether and how Lifeline/Link Up can effectively support broadband adoption by low-income households; 2) limiting the availability of Lifeline support to one discount per residential address; 3) revising the definition of Link Up service, as well as the possible reduction of the $30 reimbursement amount for Link Up support; and 4) improving methods for verifying continued eligibility for the program. California files these limited comments on some of the issues raised in this *Further Inquiry*.

II. DISCUSSION

1. Broadband Pilot Program

b. Consumer Eligibility for Pilot Program

The FCC seeks additional focused comment specifically on whether to maintain the current eligibility requirements for consumers participating in the pilot program that are currently used in the low-income program, or whether to adopt stricter or more

[1] In the Matter of Lifeline and Link Up Reform and Modernization, Federal-State Joint Board on Universal Service, Lifeline and Link Up, Notice of Proposed Rulemaking ,WC Docket No. 11-42, CC Docket No. 96-45, WC Docket No. 03-109, (FCC 11-32), rel. March 4, 2011.

[2] Further Inquiry into Four Issues in the Universal Service Lifeline/Link Up Reform and Modernization Proceeding; WC Docket Nos. 11-42, 03-109, CC Docket No. 96-95, rel. August 5, 2011 (*Further Inquiry*).

permissive eligibility requirements for those consumers. It asks how adjusting the eligibility criteria might affect its ability to maximize broadband adoption while providing support that is sufficient, but not excessive. The FCC also asked how increasing the income eligibility threshold would it help the pilot programs yield better data on how to accomplish our goals of maximizing adoption in low-income communities?[3]

The CPUC supports raising the threshold income for the Broadband Lifeline/Link Up Pilot Program to 150% above Federal Poverty Guidelines (FPG). In fact the CPUC has supported raising the threshold income eligibility guideline from the current 135% to 150% of FPG for the federal Lifeline/Link Up program as well.[4] California's state LifeLine program is based on the 150% of FPG.

For the broadband pilot program, it may be necessary to increase the income threshold level for the eligibility standard as the monthly cost of Internet access service is usually higher than the monthly cost of voice telephone service. Also, the ability to access the Internet includes the additional cost of purchasing or leasing a computer or a handheld personal computing device. Increasing the income threshold level may allow for more consumer participation in the pilot program, especially if the Commission decides not to provide computers and/ or training as part of the pilot program. Participants with a higher income level may have the additional disposal income to procure the equipment and training necessary to participate in the pilot. If the

[3] *Further Inquiry* at p. 2.

[4] See Comments of the People of the State of California and The California Public Utilities Commission, *In the Matter of Lifeline and Link-Up*; Notice, WC Docket No. 03-109, rel. March 12, 2007, at pp. 2-3.

Commission does decide to subsidize equipment and training as part of the pilot program, allowing consumers with higher income levels to be eligible for the pilot program may lessen the amount of subsidy necessary to do so, though this has implications for lower income consumers. The FCC could also use information from a broadband pilot program with a higher income eligibility threshold level than the current Lifeline/Link Up program to compare take rates among consumers based on level of income. This type of information may help the FCC determine the optimal threshold level for a permanent Broadband Lifeline/Link Up program.

Whether the income eligibility guidelines are increased or not, both a permanent Broadband Lifeline/Link Up program, if adopted, and the Lifeline/Link Up program for telephone service should have the same eligibility requirements. Different eligibility guidelines would be confusing to the consumer, and be difficult for providers, the Universal Service Administrative Company (USAC), and the states to administer. Separate income eligibility thresholds would also increase the administrative costs.

c. Barriers to Consumer Participation in Pilots

The FCC notes that the National Association of Regulatory Utility Commissioners (NARUC) supports a Lifeline/Link Up broadband pilot program and urges the Commission not to require Lifeline/Link Up broadband service pilot program participant subscribers to change local telephone service providers, purchase bundled broadband and voice services, or otherwise be penalized when they purchase Lifeline and Link/Up broadband services and enabling access devices.[5] The Commission asks commenters to address whether and how the Commission could implement those recommendations. California agrees with NARUC. It is likely that most low-income consumers wishing to participate in the pilot program will already have a preferred provider of local voice service. Requiring these consumers to change their voice service to another provider could result in consumer hesitance and a lower participation in the pilot program. If a consumer is forced to change to the broadband provider for voice service the consumer could face increased charges such as an early termination fee if the consumer's current voice provider is a wireless carrier or a new initiation charge for transferring to the new provider. Also some consumers may not want to disconnect their legacy wireline voice service if the pilot participant broadband provider only offers Voice over Internet Protocol (VoIP) service which is still inferior to the legacy PSTN regarding its reliance on working energy source.

Requiring the consumer to order a bundled voice/broadband service from the pilot program broadband provider could also result in a higher cost service than purchase of broadband service only. Low income consumers have limited disposable income. Any additional cost that they perceive as unnecessary likely will reduce participation in the program.

Additionally requiring the consumer to order a bundled voice/broadband service from the pilot program broadband provider will limit the consumer's choices, since not all voice providers are affiliated with/ or connected with a broadband service provider.

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[5] *Further Inquiry* at pp. 2-3.

Furthermore, if the FCC does not mandate that pilot program consumer participants buy voice and Internet access from the pilot program service provider, the FCC will gain valuable information about whether consumers want voice and Internet access provided by the same provider. This information which will help shape the parameters of any permanent program.

2. One-Per-Residence Limitation for Lifeline Discount

Defining "Household" or "Residence"

The Commission seeks comment on whether a one-per household or one-per-family rule would provide an administratively feasible approach to providing Lifeline/Link Up support, and how the Commission could implement such a rule.[6]

The CPUC supports a one-per rule. The one-per household approach will provide an acceptable level of Internet access to low-income families without over burdening the fund that would result from a one-per individual rule. For our state LifeLine program, California uses the one-per-household rule; however there may be more than one household at a single address. In this way, each family unit in the building, if eligible, may receive state LifeLine discounts.

Because of the varying unique living arrangements, such as group living facilities and residential homes with more than one "household" or family unit, requiring all participants to use similar documentation requirements when signing up applicants would be an effective means of assuring compliance. Rules could be established to require each applicant to provide some form of documentation (such as a letter from the facility) that

[6] *Id*., p. 4 (footnote omitted).

he/she is living in a group or shared living facility with a unique room/bed/apartment number along with income or participation in a public assistance program.

3. Link Up

The FCC notes that in response to the NPRM, "Sprint states that the costs associated with initiating phone service have fallen, noting that "the ever-increasing level of automation has reduced the cost of initiating service," and proposes that Link Up support be limited or eliminated."[7] The Commission seeks comment on this proposal.

Service initiation cost serves as a disincentive for low income consumers to purchase telephone service. Irrespective of Sprint's statement that "the ever-increasing level of automation has reduced the cost of initiating service," the connection non-recurring charge for customers is still high. In California, $40.00 for AT&T California, $49.00 for SureWest and $46.00 for Verizon in California. Without Link Up discounts or the California LifeLine connection charge subsidies, LifeLine customers could not afford telephone service. (Customers in California pay $10.00, the FCC reimburses the carrier for up to $30.00, and California reimburses the carrier for the remainder of the new service connection charge.) If the FCC is considering reducing or eliminating the Link Up subsidy, then it should also consider capping carriers' connection rates to eliminate the possibility of creating a new barrier to low income consumers' access to telephone service.

The Commission also seeks comment on whether the Commission should provide reimbursement for Link Up only for service initiations that involve the physical

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[7] *Id*, p. 6 (footnotes omitted)

installation of facilities by the provider at the consumer's residence.[8] The CPUC agrees that reimbursement to a service provider for service initiation discounts required by the Link Up program should only be for service initiations that involve installation of equipment and /or facilities. However, we do not support elimination of the required discount to the Link Up customer for any provider charges for installation/connection. Eliminating such discounts will only serve as a barrier to low income consumers' access to telephone service.

4. Verification of Consumer Eligibility for Lifeline - Sampling Methodology.

In the *2011 Lifeline and Link Up NPRM*, the FCC proposed to amend section 54.410 of its rules to establish a uniform methodology for conducting verification sampling that would apply to all ETCs in all states. Specifically the *NPRM* asked commenters to consider two proposals for modifying the existing sampling methodology to more effectively balance the need for an administratively feasible sampling methodology with the Commission's obligation to ensure that ineligible consumers do not receive Lifeline/Link Up benefits. Commission now seeks further comment on its modifying the existing sampling methodology.[9]

The FCC should consider requiring ETCs to sample a random sample of their Lifeline customers at the time of verification. In California, CPUC rules require that the third party administrator send verification (renewal) forms to all state LifeLine participants once a year. Three percent of the verification customers are sent audit forms

[8] *Id.*, p. 7.

[9] *Id*., p7-8.

(renewal forms with documentation required). The audit forms require the customer to provide documentation of income or program participation documentation. The administrator reviews the documents provided and makes a determination of the consumers' eligibility. The random sample method is simple and the FCC can make a determination of the percent of verifications that are appropriate to audit (3%, 5% or higher). The Commission should require all carriers and /or states to audit the same percentage of federal Lifeline verifications.

III. SUMMARY

We thank the Commission for this opportunity to comment further on the structure of a broadband Lifeline/Link Up pilot program, and on reform and modernization of the current federal Lifeline/Link Up program for telephone service. The CPUC has supported a pilot program or programs in order to assess the costs and parameters of such a program. Widespread adoption of broadband service is an important goal in both California and at the federal level. Effort to ensure that low income customers are not left behind in this communications revolution must be taken now. We urge the FCC to initiate the pilot programs or programs in the near future.

Respectfully submitted,

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