

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

Lifeline and Link Up Reform and Modernization)	WC Docket No. 11-42
)	
Lifeline and Link Up)	
)	WC Docket No. 03-109
Federal-State Joint Board on Universal Service)	
)	CC Docket No. 96-45
Advancing Broadband Availability Through Digital Literacy Training)	WC Docket No. 12-23
)	
)	
)	

**REPLY COMMENTS OF VERIZON ON PETITIONS FOR
RECONSIDERATION AND COMMENTS ON REQUESTS
FOR WAIVERS**

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I. INTRODUCTION AND SUMMARY

The Commission’s recent *Lifeline Reform Order*² is fundamentally sound and puts the low income program on the right path for the future. However, a number of recent petitions for reconsideration³ of the *Order* and related waiver requests⁴ raise a handful of specific changes

¹ The Verizon companies participating in this filing are the regulated, wholly owned subsidiaries of Verizon Communications Inc., and Verizon Wireless (“Verizon”).

² *Lifeline and Link Up Reform and Modernization, et al.*, WC Docket Nos. 11-42 *et al.*, Report and Order and Further Notice of Proposed Rulemaking, FCC 12-11 (rel. Feb. 6, 2012) (“*Order*”).

³ Petition for Reconsideration and Clarification of General Communication, Inc., WC Docket No. 11-42 *et al.* (filed Apr. 2, 2012)(“GCI Petition”); Petition for Reconsideration of Sprint Nextel, WC Docket No. 11-42 *et al.* (filed Apr. 2, 2012)(“Sprint Nextel Petition”); Petition for Reconsideration and Clarification of TracFone Wireless, Inc., WC Docket No. 11-42 *et al.* (filed Apr. 2, 2012)(“TracFone Petition”); Petition for Reconsideration and Clarification of the United States Telecom Association, WC Docket No. 11-42 *et al.* (filed Apr. 2, 2012)(“USTelecom Petition”).

⁴ United States Telecom Association Petition for Waiver, WC Docket Nos. 11-42 *et al.* (filed April 25, 2012); *Comment Sought on USTelecom Petition for Waiver of Lifeline Rules*, WC Docket Nos. 11-42 *et al.*, Public Notice, DA 12-692 (rel. May 1, 2012). *See also, e.g.*, Petition for Waiver of the California Public Utilities Commission and the People of the State of California, WC Docket Nos. 11-42 *et al.* (filed April 26, 2012) (describing difficulties specific to that state); *Comment Sought on California PUC Petition for Waiver*, WC Docket Nos. 11-42 *et al.*, Public Notice, DA 12-719 (rel. May 15, 2012).

that are necessary to ensure the reforms achieve the Commission’s goals. Specifically, many of the petitioners highlight the unnecessary burdens associated with the requirements that subscribers with temporary addresses be re-verified every 90 days and for additional auditing. In addition, the United States Telecom Association (“USTelecom”) reconsideration petition and waiver request, and other waiver requests, raise a number of other changes that would better achieve the Commission’s goals. The Commission should grant the petitions and requests to the extent detailed below.

II. THE REQUIREMENT TO TRACK AND RE-VERIFY SUBSCRIBERS WITH TEMPORARY ADDRESSES IS BURDENSOME, EXPENSIVE, AND DOES NOT FURTHER THE COMMISSION’S GOALS

Four different petitions highlight the need to change the established re-verification procedure for subscribers with temporary addresses.⁵ This provision is burdensome, unsupported by the record, and likely infeasible.

Verizon agrees with the petitioners that these additional protections are unnecessary, for at least two reasons. First, the requirement is simply unjustified for wireline ETCs. Wireline customers cannot physically relocate without discontinuing service and restarting service at a new location, which would trigger a check of the eligibility database.⁶ Second, the *Order* already requires ETCs to recertify subscribers annually, and obligates subscribers to report to the ETC if they move.⁷ Together, these obligations sufficiently address any waste and fraud concerns regarding subscribers with temporary addresses; the 90 day recertification requirement is duplicative, and, as shown below, actually undercuts the Commission’s goals.

⁵ USTelecom Petition at 2-4; Sprint Nextel Petition at 2-6; TracFone Petition at 22-24; GCI Petition at 3-9. *See Order* ¶ 89; 47 C.F.R. § 54.410(d)(3)(iv); 47 C.F.R. § 54.410(g).

⁶ USTelecom Petition at 2-3;

⁷ *See* Sprint Petition at 5 (citing 47 C.F.R. § 54.410(d)(3)(iii)).

As several petitioners argue, the costs of the 90 day recertification requirement will be high, both to ETCs and to Lifeline subscribers, and far outweigh any possible benefits.⁸ ETCs would be forced to undertake expensive IT changes to treat subscribers with temporary addresses differently than other subscribers.⁹ More importantly, ETCs would have to operate expensive re-verification programs, which would likely require multiple attempts every 90 day period to reach a subscriber via phone or mail before receiving a response.¹⁰ As TracFone notes, such attempts would have to commence almost immediately after enrollment in order to have the best chance of connecting with the subscriber before the 90 day deadline.¹¹

The total cost of these re-verification efforts will depend on the number of Lifeline subscribers using temporary addresses, but it is clear that the costs will be significant.¹² One ETC estimated a cost of \$800,000 annually assuming only 5% of its Lifeline subscribers use temporary addresses.¹³ Such costs would reduce the funds ETCs have to promote the program to eligible individuals, undercutting the Commission's goal of ensuring universal telephone service to low-income households.

Even more importantly, the costs to Lifeline subscribers with temporary addresses are likely to be high. The Commission itself initially estimated the total burden on subscribers to be

⁸ As GCI has argued, the Commission failed to analyze the relative burdens and benefits of the 90 day re-verification requirement, and therefore the requirement does not satisfy the Paperwork Reduction Act. *See* GCI Comments to OMB at 8-9.

⁹ Sprint Petition at 4 (estimating a cost of \$350,000); *See* Letter from John Nakahata *et al.*, Counsel for General Communication, Inc., to Nicholas Fraser, Office of Management and Budget, *re* OMB Control Number 3060-0819 (filed Mar. 23, 2012) (“GCI Comments to OMB”), available at <http://apps.fcc.gov/ecfs/document/view?id=7021903111>; TracFone Petition at n.31.

¹⁰ TracFone Petition at 23; Sprint Petition at 4-5 (arguing that the suggested “txt message” approach would not work, and other methods are very costly).

¹¹ TracFone Petition at 23.

¹² Sprint Nextel Petition at 3-4.

¹³ Sprint Petition at 3-4.

approximately 1 million hours.¹⁴ Such subscribers need the consistent connection of Lifeline service, yet because of the difficulty of contacting and receiving a response from them, many would face suspension and termination from the Lifeline program even though they would likely still be eligible for the benefit.¹⁵

Not only are the costs of a 90 day re-verification obligation high, the relative benefits are unclear. If, as the Commission states, the number of Lifeline subscribers with temporary addresses is small, the cost savings to the fund from the procedure is also likely to be small. If the number of such subscribers is large, the costs to complete outreach every 90 days would also increase.¹⁶ In either case, the savings from the re-verification is very likely to be outweighed by the significant costs described above. Moreover, the *Order* does not define or explain what constitutes a “temporary” address, which ensures inconsistent implementation and further undermines the utility (if any) of the requirement.

III. THE REQUIREMENT FOR LARGE ETCs TO ENGAGE IN INDEPENDENT AUDITS IS UNNECESSARY AND EXPENSIVE, AND SHOULD BE REMOVED

Verizon agrees with several petitioners that the *Order*’s requirement that “every ETC providing Lifeline services and drawing \$5 million or more in the aggregate on an annual basis ... from the low-income program hire an independent audit firm to assess the ETC’s overall

¹⁴ FCC Supporting Statement, OMG Control No. 3060-0819, at ¶12.g (Mar. 2012), *available at* http://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=201203-3060-002. As GCI has argued, the Commission drastically underestimates the burden of this requirement. *See* GCI Comments to OMB at 9-11. The Commission withdrew its request for emergency PRA approval of this requirement; the Commission should follow through and eliminate the 90 day re-verification requirement. *See* Notice of OMB Action dated April 13, 2012, ICR Reference Number 201203-3060-002 (noting under “Terms of Clearance” that the temporary address confirmation and recertification rules had been removed from the FCC’s information request), *available at* http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=201203-3060-002.

¹⁵ TracFone Petition at 24; GCI Comments to OMB at 11, n.34.

¹⁶ Sprint Petition at 3.

compliance with the program’s requirements”¹⁷ is unnecessary to achieve the Commission’s goals and would be expensive. In any case, the Commission ought to eliminate the related requirement that ETCs submit draft audit reports as unnecessary and not useful.

The requirement that larger ETCs conduct third party audits is unnecessary to prevent fraud and abuse. As USTelecom notes, most ETCs are public corporations that already face independent audits evaluating “overall compliance with the [Lifeline] program’s requirements.”¹⁸ In addition, ETCs are already subject to audit or investigation by a number of bodies, including the Commission’s Office of Inspector General and the Enforcement Bureau, as well as USAC’s Beneficiary and Contributor Audit Program (“BCAP”) and Payment Quality Assurance (“PQA”) program.¹⁹ The Commission offers insufficient justification for adding yet another review (likely by auditors that have comparatively little experience with the Lifeline program) of ETC compliance. An additional audit would simply serve as an extra burden on ETCs and USAC resources.²⁰

The California Public Utilities Commission (“PUC”) was the lone commenter to support the audit requirement.²¹ The California PUC largely reiterates the rationale set forth in the *Order*, which as discussed is flawed.²² Additionally, the California PUC states that the

¹⁷ *Order* ¶ 291; 47 C.F.R. § 54.420(a).

¹⁸ GCI Petition at 9.

¹⁹ USTelecom Petition at 9-10.

²⁰ As GCI argues, requiring auditors to evaluate regulatory compliance is very likely to lead to a “logjam” of FCC proceedings or unresolved audits. GCI Petition at 10.

²¹ Opposition of the California Public Utilities Commission, WC Docket No. 11-42 *et al.*, at 9-10 (filed May 7, 2012) (“California PUC Opposition”).

²² GCI Petition at 9-10; USTelecom Petition at 9-10; Opposition and Comments of CTIA- The Wireless Association®, WC Docket No. 11-42 *et al.*, at 5-6 (filed May 7, 2012); Comments on Petitions for Reconsideration of Sprint Nextel Corporation, WC Docket No. 11-42 *et al.*, at 3

Commission “should not eliminate the audit requirement because California – and likely many other states – does not have the resources to conduct audits of these large multi-state carriers on a regular basis.”²³ But these same “large multi-state carriers” are already subject to regular audits by several bodies, none of which are currently funded by the states. This new requirement would unnecessarily increase program administrative costs²⁴ and duplicate existing compliance efforts.

If the Commission does retain a third party audit requirement, it should at minimum eliminate the requirement to submit draft audit reports to the Commission and USAC.²⁵ Draft audit reports will be of little use to the Commission and USAC. In fact, as petitioners indicate, draft audit reports are tentative and inconclusive and therefore will in many cases be affirmatively misleading. The *Order* does not offer any justification for the submission of drafts, and Verizon agrees with petitioners that the requirement to submit a draft should be eliminated.²⁶

IV. THE COMMISSION SHOULD CLARIFY HOW ETCs SHOULD COMPLY WITH THE LIFELINE ORDER WHERE MANDATES APPLY TO STATES OR THIRD PARTIES NOT UNDER ETC CONTROL

The *Order* places certain obligations on ETCs that can only be fulfilled if third parties take timely action. Verizon agrees with USTelecom that the Commission should clarify that, to the extent the states or third parties do not take such timely action, ETCs cannot be held liable.²⁷ Of particular concern are the floor for Lifeline eligibility and the modifications to state automatic enrollment programs.

(filed May 7, 2012); Joint Comments of United States Cellular *et al.*, WC Docket No. 11-42 *et al.*, at 5 (filed May 7, 2012);

²³ California PUC Opposition at 10.

²⁴ See GCI Comments to OMB at 13 (estimating conservatively that the annual cost to ETCs of the audit requirement totals at least \$1.2 million).

²⁵ *Order* ¶ 294; Section 0.457(d)(1)(iii); 0.459(a)

²⁶ GCI Petition at 11.

²⁷ USTelecom Petition at 7-8.

Some states' eligibility criteria do not meet the new baseline, or "floor" for Lifeline eligibility,²⁸ and will need to be modified by legislation or regulation. The Commission should confirm that its new "floor" for program-based Lifeline eligibility criteria applies even in the absence of state action (to the extent a state is more restrictive).²⁹

The *Order* also requires that states modify any existing automatic enrollment programs to ensure that consumers are not automatically enrolled without the consumer's express consent.³⁰ Eliminating auto-enrollment is completely up to the states, which ETC obviously do not control. Therefore, Verizon agrees with USTelecom that the Commission should clarify that ETCs cannot be held responsible for a state's failure to act.³¹

To further address this issue USTelecom filed a more specific request for waiver of the new enrollment and certification rules where states have auto-enrollment or state-managed enrollment procedures that are not modified in time to meet the Commission's June 1 deadline.³² The Commission should grant USTelecom's separate waiver request. Failure to issue the waiver will result in a situation where ETCs are unable to enroll otherwise qualified – and deserving – Lifeline customers in those states with state-managed enrollment procedures that fail to take action in time. *See* 47 C.F.R. § 54.410(c)(2) (prohibiting Lifeline reimbursement where states do not provide ETCs with notice of eligibility and a copy of the subscriber's certification).

²⁸ *Order* ¶ 65; Section 54.409(a), (b).

²⁹ *Id.*

³⁰ *Order* ¶ 173.

³¹ USTelecom Petition at 7-8.

³² United States Telecom Association Petition for Waiver, WC Docket Nos. 11-42 *et al.* (filed April 25, 2012); *Comment Sought on USTelecom Petition for Waiver of Lifeline Rules*, WC Docket Nos. 11-42 *et al.*, Public Notice, DA 12-692 (rel. May 1, 2012).

In addition, the California PUC requested its own waiver based on the specific circumstances in the state with the largest Lifeline population.³³ Barring timely reconsideration of the rules, the Commission should grant California the waivers it requests. Specifically, Verizon supports California's proposal to waive the requirement that ETCs provide copies of customer certification forms directly to ETCs; it is sufficient to provide carriers with electronic notification that it has received it.³⁴ In addition, Verizon supports California's request for additional time for the California Lifeline administrator to begin to collect the last four digits of Lifeline customers' social security numbers and their dates of birth.³⁵ Verizon also has no objection to California's request for additional time to perform the re-certification process for existing Lifeline customers, particularly since California already has a system in place to perform this function.³⁶

In the absence of timely reconsideration, in addition to granting waivers to California and any similarly situated states, the Commission also must grant the necessary waivers to ETCs in affected states. Otherwise, even if the Commission granted a waiver to California, ETCs would not be able to sign up Lifeline subscribers, since the federal rules apply with equal force to ETCs.

³³ Petition for Waiver of the California Public Utilities Commission and the People of the State of California, WC Docket Nos. 11-42 *et al.* (filed April 26, 2012) ("California Petition"); Comment Sought on California PUC Petition for Waiver, WC Docket Nos. 11-42 *et al.*, Public Notice, DA 12-719 (rel. May 15, 2012).

³⁴ California Petition at 3-4.

³⁵ *Id.* at 7-8. Under the Lifeline rules in California, it is the state administrator that will be required to comply with this aspect of the new federal rules.

³⁶ *Id.* at 4-6.

V. THE COMMISSION SHOULD ADOPT A NUMBER OF OTHER PROPOSED REVISIONS TO IMPROVE THE LIFELINE REFORM EFFORT

The obligation to provide toll limitation service should be eliminated. Verizon agrees with USTelecom that the requirement that ETCs provide Toll Limitation Service (“TLS”) should be repealed. The *Order* itself concluded that the original policy rationale for providing TLS to low income consumers is obsolete.³⁷ Many carriers do not even distinguish between toll and non-toll calling, very few Lifeline customers even subscribe to TLS, and there is no record evidence on the need for the service.³⁸ Alternatively, if the requirement to provide TLS is not eliminated, Verizon agrees that the Commission should at the very least provide sufficient funding to cover the cost of the service.³⁹

ETCs Should Not Be Required to Obtain Recertification Forms Where the State Performs the Recertification Function. As discussed above (with respect to California) in states where a subscribers’ initial Lifeline eligibility, or Lifeline eligibility recertification, is determined by a state Lifeline administrator or other state agency (“state certifier or re-certifier”), the *Order* prohibits ETCs from seeking reimbursement for providing Lifeline service to a subscriber unless the state certifier has given a copy of the subscriber’s certification to the ETC.⁴⁰ This prohibition is unnecessary and should be modified. As USTelecom argues, the ETC should be permitted simply to rely on notice from the state certifier or re-certifier that a particular subscriber is eligible.⁴¹ The ETC adds no value by reviewing the certification, and the requirement would impose a significant burden on ETCs and on the state certifiers or re-

³⁷ *Order* ¶ 220.

³⁸ USTelecom Petition at 5.

³⁹ USTelecom Petition at n.5.

⁴⁰ *Order* ¶ 131, n.341; 47 C.F.R. §§ 54.410(b)(2)(ii), 54.410(c)(2)(ii).

⁴¹ USTelecom Petition at 6.

certifiers.⁴² The Commission should simply require that the state retain those certifications and turn them directly over to USAC. This would simplify and improve the re-certification process.

The Requirement to Provide Specific Service Initiation Dates Should Apply to New Lifeline Subscribers Only. The *Order* requires that ETCs gather from subscribers and provide for inclusion in the national database certain subscriber information.⁴³ One required field is the date the subscriber began Lifeline service. As USTelecom points out, for long-standing Lifeline subscribers such records may not exist or may not be accessible.⁴⁴ Prior to the *Order*, ETCs had no obligation to collect or retain information on when a particular individual became a Lifeline subscriber. Various iterations of the Lifeline program have been in places for years, and ILECs such as Verizon have Lifeline customers that have been enrolled in the program for more than a decade. Because of the challenges of retrieving subscription start dates for existing subscribers, Verizon supports USTelecom's request that the Commission clarify or modify its rules to require that ETCs collect and submit the start date only for individuals subscribing to Lifeline after the effective date of the *Order*.

The Period to Remove De-Enrolled Subscribers Should Be Three Business Days.

Verizon agrees with USTelecom that requiring the national database be updated to reflect the de-enrollment of a Lifeline subscriber "within one business day" of de-enrollment is an unrealistically aggressive timeline for carriers working with a new system.⁴⁵ At least in the initial months of operating the new system, a three-day deadline would better accommodate any

⁴² See generally Response to Petitions for Reconsideration of the Public Service Commission of the District of Columbia, WC Docket No. 11-42 *et al.* (filed May 7, 2012) (arguing that notice alone is sufficient, and the requirement would "consume a great deal of staff time and other resources...more efficiently spend in processing Lifeline applications).

⁴³ *Order* ¶ 184.

⁴⁴ USTelecom Petition at 8-9.

⁴⁵ USTelecom Petition at 12; see *Order* ¶ 206; 47 C.F.R. § 54.404(b)(10).

technical and procedural complications that may arise. As USTelecom notes, this minor allowance would not increase the cost to the fund, since ETCs cannot be reimbursed for any subscriber after de-enrollment, regardless of whether the database is updated.⁴⁶

Carriers Should Not Be Required to Include Specific Advertising Disclosures. Verizon agrees with USTelecom that requiring ETCs to include specific, lengthy disclosures in all Lifeline advertising is problematic.⁴⁷ The specified disclosure content is substantial, cumbersome, and ill-suited to inclusion in many forms of advertising. Radio ads, TV spots, and billboards, in particular, have tight constraints on the amount of content that can be conveyed effectively. The likely effect of a disclosure requirement would be to discourage ETCs from doing outreach over many forms of advertising media best suited for reaching Lifeline-eligible individuals. As USTelecom proposes, the Commission should instead permit ETCs to use advertising that refers potential subscribers to full disclosures on the USAC website or at a toll-free phone number. This approach would still “help ensure that only eligible consumers enroll in the program and that those consumers are fully informed of the limitations of the program” while removing a substantial barrier to reaching potential subscribers through advertising efforts.⁴⁸

ETCs Should Only Be Required to Collect the Last Four Digits (Or Equivalent) of a Subscriber’s Tribal Government ID Number. To verify subscriber’s identification and eliminate instances of duplicative support, the *Order* requires ETCs to collect some identifying information, including the last four digits of the Social Security number (“SSNs”) of

⁴⁶ USTelecom Petition at 12. See 47 C.F.R. § 54.405(e)(1-4) (describing the conditions of de-enrollment and deadlines to de-enroll, and stating that ETCs cannot collect reimbursements for de-enrolled subscribers).

⁴⁷ USTelecom Petition at 13; see *Order* ¶ 275.

⁴⁸ *Order* ¶ 275.

subscribers.⁴⁹ However, the *Order* seems to indicate that that the *full* tribal government identification number must be collected for Tribal Lifeline customers.⁵⁰ Verizon agrees with USTelecom that the same privacy and security concerns apply to Tribal government identification numbers as to SSNs.⁵¹ Therefore the Commission should clarify that collection of the last four digits (or an equivalent truncation) of the Tribal government identification number is sufficient to meet the information collection requirements of the *Order*.

VI. CONCLUSION

Verizon strongly supports the reform efforts undertaken by the Commission in the *Order*. To ensure the reforms achieve the Commission's goals, the Commission should adopt the handful of specific changes discussed herein.

Respectfully submitted,

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⁴⁹ *Order* ¶ 118.

⁵⁰ “For those consumers living on Tribal lands who lack a Social Security number, an official Tribal identification card number may be provided in lieu of the last four digits of a Social Security number. This is the case everywhere noted in the *Order* where a consumer is required to provide the last four digits of a Social Security number.” *Order* n.486.

⁵¹ USTelecom Petition at 16.