



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE  
REFER TO OUR FILE

January 2, 1998

By Telefacsimile and Overnight Mail

**DOCKETED**  
JAN 15 1998

R-974234

Mr. John Ricker, Director  
Universal Service Administrative Company  
100 South Jefferson Road  
Whippany, NJ 07981

Ms. Sheryl Todd  
Federal Communications Commission  
Universal Service Branch  
CC Docket No. 96-45  
2100 M Street, N.W., 8th Floor  
Washington, D.C. 20554

Office of the Secretary  
CC Docket No. 96-45  
Federal Communications Commission  
1900 M Street, N.W.  
Room 222  
Washington, D.C. 20554

KJR

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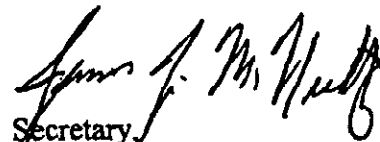
RE: CC Docket No. 96-45: Universal Service  
DA 97-1747: Changes Effective January 1, 1998  
DA 97-1892: Procedures for Lifeline Consents  
Lifeline Support: Compliance with 47 C.F.R. §54.401(d)  
Lifeline Support: Information on Customers and Assistance  
Lifeline Support: Intrastate Rate Reduction  
PaPUC Docket No. I-00940035  
Filing Correction: Appendix A

Dear Mr. Ricker and Ms. Todd:

This letter provides you a corrected version of Appendix A submitted to you on December 30, 1997. This correction reflects information on Bell Atlantic - Pennsylvania, Inc. (BA-PA) that was not contained in Appendix A. A copy of the November 21, 1997 Order referended in the corrected Appendix A is enclosed.

Any questions should be directed to Joseph K. Witmer, Assistant Counsel, at (717) 787-3663, or Gail Wickwire, Bureau of Fixed Utility Services, at (717) 787-2101.

James J. McNulty,



Secretary,  
Pennsylvania Public  
Utility Commission

encs.

cc: John M. Quain, Chairman, Pennsylvania Public Utility Commission  
Robert K. Bloom, Vice-Chairman, Pennsylvania Public Utility Commission  
John M. Hanger, Commissioner, Pennsylvania Public Utility Commission  
David W. Rolka, Commissioner, Pennsylvania Public Utility Commission  
Nora Mead Brownell, Commissioner, Pennsylvania Public Utility Commission  
Barbara Bruin, Executive Director, Pennsylvania Public Utility Commission  
PaPUC Docket No. I-00940035

**Pennsylvania Public Utility Commission  
 Lifeline Service Filing  
 Intrastate Rate Reduction Verification Per DA 97-1747 and DA 97-1892  
 Lifeline Plan Compliance and Information Required by 47 CFR 54.401(d)**

**CORRECTED  
 Appendix A  
 December 1997**

<u>Telephone Company Name</u>	<u>PA Docket No.</u>	<u>Approved Amount of Reduction to Intrastate Rates</u>	<u>No. of Qualifying Low Income Customers</u>	<u>Monthly Estimated Funding</u>	<u>Annual Estimated Funding</u>
Pennsylvania Telephone Association	P-00971274	\$1.75			
Companies joining in the PTA Petition:					
ALLTEL PA, Inc.			1,294	\$ 2,264.50	\$ 27,174.00
Armstrong Telephone Co. North			9	\$ 15.75	\$ 189.00
Armstrong Telephone Co. - Pa.			29	\$ 50.75	\$ 609.00
Bentleyville Telephone Co.			368	\$ 644.00	\$ 7,728.00
Buffalo Valley Telephone Co.			347	\$ 607.25	\$ 7,287.00
Citizens Tel. Co. of Kecksburg			-0-	\$ -0-	\$ -0-
Conestoga Telephone Co.			880	\$ 1,540.00	\$ 18,480.00
Denver & Ephrata Tel. & Tel. Co.			943	\$ 1,650.25	\$ 19,803.00
GTE North, Inc.			1,500	\$ 2,625.00	\$ 31,500.00
The Hancock Telephone Co.			3	\$ 5.25	\$ 63.00
Hickory Telephone Co.			146	\$ 255.50	\$ 3,066.00
Ironton Telephone Co.			5	\$ 8.75	\$ 105.00
Lackawaxen Telephone Co.			5	\$ 8.75	\$ 105.00
Laurel Highland Telephone Co.			119	\$ 208.25	\$ 2,499.00
Marianna & Scenery Hill Tel. Co.			49	\$ 85.75	\$ 1,029.00

<u>Telephone Company Name</u>	<u>PA Docket No.</u>	<u>Approved Amount of Reduction to Intrastate Rates</u>	<u>No. of Qualifying Low Income Customers</u>	<u>Monthly Estimated Funding</u>	<u>Annual Estimated Funding</u>
Pennsylvania Telephone Association (Cont'd)	P-00971274	\$1.75			
Companies joining in the PTA Petition:					
NEXTLINK PA L.P.			-0-	\$ -0-	\$ -0-
North-Eastern PA Telephone Co.			550	\$ 962.50	\$ 11,550.00
North Penn Telephone Co.			86	\$ 150.50	\$ 1,806.00
North Pittsburgh Telephone Co.			1,155	\$ 2,021.25	\$ 24,255.00
Palmerton Telephone Co.			5	\$ 8.75	\$ 105.00
Pennsylvania Telephone Co.			12	\$ 21.00	\$ 252.00
Pymatuning Independent Tel. Co.			644	\$ 1,127.00	\$ 13,524.00
South Canaan Telephone Co.			5	\$ 8.75	\$ 105.00
Sprint-United Telephone Co. of PA			6,522	\$11,413.50	\$136,962.00
TDS Telecom/Deposit Tel. Co., Inc.			7	\$ 12.25	\$ 147.00
TDS Telecom/Mahanoy & Mahantango Tel. Co.			46	\$ 80.50	\$ 966.00
TDS Telecom/Sugar Valley Tel. Co.			169	\$ 295.75	\$ 3,549.00
Teleport Communications Group, Inc.			-0-	\$ -0-	\$ -0-
Venus Telephone Corporation			23	\$ 40.25	\$ 483.00
Yukon-Waltz Telephone Co.			5	\$ 8.75	\$ 105.00
ATX Telecommunications Services	R-00974162	\$3.00	-0-	\$ -0-	\$ -0-
Bell Atlantic-Pennsylvania, Inc.	R-00974153	\$3.00	15,000	\$45,000.00	\$540,000.00
Citizens Telecom. Co. of New York, Inc.	R-00974205	\$1.75	12	\$ 21.00	\$ 52.00
Commonwealth Telecom Services, Inc.	R-00974163	\$1.75	-0-	\$ -0-	\$ -0-
Commonwealth Telephone Company	R-00974236	\$1.75	4,351	\$ 7,614.25	\$ 91,371.00
Frontier Communications of Breezewood	R-00974159	\$1.75	-0-	\$ -0-	\$ -0-

<u>Telephone Company Name</u>	<u>PA Docket No.</u>	<u>Approved Amount of Reduction to Intrastate Rates</u>	<u>No. of Qualifying Low Income Customers</u>	<u>Monthly Estimated Funding</u>	<u>Annual Estimated Funding</u>
Frontier Communications of Canton	R-00974160	\$1.75	-0-	\$ -0-	\$ -0-
Frontier Communications of Lakewood	R-00974161	\$1.75	-0-	\$ -0-	\$ -0-
Frontier Communications of Oswayo River	R-00974158	\$1.75	-0-	\$ -0-	\$ -0-
Frontier Communications of Pennsylvania, Inc.	R-00974157	\$1.75	-0-	\$ -0-	\$ -0-
MCImetro Access Transmission Services, Inc.	P-00971276	\$3.00	-0-	\$ -0-	\$ -0-
MFS Intelenet of Pennsylvania	R-00973961	\$1.75	-0-	\$ -0-	\$ -0-
TCG Delaware Valley, Inc.	R-00974173	\$1.75	-0-	\$ -0-	\$ -0-
TCG Pittsburgh, Inc.	R-00974164	\$1.75	-0-	\$ -0-	\$ -0-
WinStar Wireless of Pennsylvania, Inc.	P-00971275	\$1.75	-0-	\$ -0-	\$ -0-

PENNSYLVANIA  
PUBLIC UTILITY COMMISSION  
Harrisburg, Pennsylvania 17105-3265

Public Meeting held November 21, 1997

Commissioners Present:

John M. Quain, Chairman  
Robert K. Bloom, Vice Chairman  
John Hanger, Statement attached  
David W. Rolka

Pennsylvania Public Utility Commission

v.

Bell Atlantic-Pennsylvania, Inc.

R-00974153

OPINION AND ORDER

BY THE COMMISSION:

On September 26, 1997, Bell Atlantic-Pennsylvania, Inc. (Bell or Company) filed revisions to Local Tariff-Telephone Pa. P.U.C. No. 1 to become effective January 1, 1998, for the purposes of: (1) revising its existing residence Lifeline Service features and options; (2) increasing the qualified Lifeline customer monthly benefit from \$5.00 to \$9.00 per month; and (3) revising the Lifeline Service and Link-Up America portions of its tariff to reflect a name change to one of the PA Dept. of Welfare programs. In addition, Bell is requesting the PA P.U.C. to designate it as an eligible telecommunications carrier (ETC) for purposes of receiving Universal Service Fund support on or before January 1, 1998, in compliance with the Commission's Opinion and Order at Docket No. I-00940035 and the FCC's order, re Federal-State Joint Board on Universal Service, (FCC May 8, 1997) CC Docket No. 96-45, FCC 97-157 (hereinafter referred to as the "FCC Universal Service Order").

## Background

Bell's original Lifeline Plan was approved by this Commission August 4, 1995, at Docket Nos. P-00930715 and P-00950958. The instant filing modifies the original Lifeline Plan in accordance with the FCC Universal Service Order and the Commission's July 31, 1997 Opinion and Order at Docket No. I-00940035.

The current federal Lifeline program operates by reducing end-user charges that low-income customers pay for basic local telephone service on the condition that a matching intrastate contribution is made. The FCC Universal Service Order extended the Lifeline program by designating that Lifeline Service should be provided to low-income consumers in every state, irrespective of whether the state provides matching funds, and that all eligible telecommunications carriers should be required to provide Lifeline service. In addition, the FCC ruled to increase the federal Lifeline support amount, but conditioned such an increase on the state permitting its carriers to reduce intrastate charges paid by the end user.<sup>2</sup>

In the FCC Universal Service Order, the FCC directed that Lifeline service should include the following services:

1. single-party service
2. voice grade access to the public switched telephone network (PSTN)
3. DTMF or its functional digital equivalent (touch-tone service)
4. access to emergency service
5. access to operator services
6. access to interexchange service
7. access to directory assistance
8. toll limitation

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<sup>2</sup> FCC Universal Service Order. ¶326, slip op at p. 177.

The FCC also determined that Lifeline service customers shall not be disconnected for non-payment of toll charges; nor should service deposits be required for Lifeline service customers who accept toll blocking.<sup>3</sup> The FCC also ruled that Lifeline customers should receive toll-blocking and toll-control services at no charge in order to increase the use of these services by low-income consumers.<sup>4</sup>

As part of its effort to implement the Joint Board's suggestion that the current per-minute CCL charge be modified to reflect the non-traffic sensitive nature of loop costs, the FCC, in its *Access Charge Reform Order*, (FCC May 7, 1997), CC Docket No. 96-262, implemented a flat charge per primary residential line that is to be assessed against the presubscribed interexchange carrier (PIC). If the customer does not select a PIC, however, the presubscribed interexchange carrier charge (PICC) will be assessed against the end user. However, the FCC also wants to ensure that the Part 69 changes will not have an adverse impact on Lifeline customers. Specifically, the FCC is concerned that the PICC may be assessed against Lifeline customers who elect to receive toll blocking because they will have no PIC associated with their lines. Accordingly, the FCC is seeking further guidance from the Joint Board on how to ensure the integrity of the Lifeline program in light of changes made in its Part 69 rules.<sup>5 6</sup>

With regard to federal Universal Service funding support, we note that the FCC's Universal Service Order provides for a minimum of \$5.25 in federal support consisting of the current \$3.50 SLC offset plus an additional amount of \$1.75. In order for Lifeline subscribers to receive the \$5.25 in federal support the states need not provide

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<sup>3</sup> FCC Universal Service Order. ¶328, slip op at p. 177; and ¶ 398-400, slip op at pp. 213-215.

<sup>4</sup> FCC Universal Service Order. ¶385, slip op at pp. 205-6.

<sup>5</sup> FCC Universal Service Order. ¶¶362-363, slip op at p. 193.

<sup>6</sup> See our Opinion and Order at Docket No. R-00971274 for further discussion on this issue.

matching funds, but only approve the reduction of \$1.75 in the portion of the intrastate rate that is paid by the end user; the \$3.50 reduction would be applied as an offset to the current Federal Subscriber Line Charge (SLC) of \$3.50 per month.

In addition, the FCC will provide for additional federal support equal to one half of any support generated from the intrastate jurisdiction, up to a maximum of an additional \$1.75, or \$7.00 in federal support ( $\$3.50 + \$1.75 + \$1.75$ ). In other words, if a state provides the minimum amount of matching support to receive the full federal matching support amount, the state would provide \$3.50 and the FCC would match one half that amount, or \$1.75. This would provide for \$7.00 in federal support plus \$3.50 in state support for a total support of \$10.50 to the Lifeline consumer. Again, in order to achieve the full \$10.50 offset for Lifeline rates, states must approve the reduction in intrastate rates provided by the additional federal support amount. In addition, the federal support amounts in no case should exceed the Lifeline rate.<sup>7</sup> The FCC's modified Lifeline Plan is to take effect on January 1, 1998.

### The Filing

On September 26, 1997, Bell filed revisions to its local tariff proposing modifications to its Lifeline Service for Commission approval. Bell's Lifeline Service, which was approved by the Commission on August 4, 1997, at Docket Nos. P-00930715 and P-00950958, remains substantially unaltered except for the following proposed modifications, and some revisions that we will direct later in this Opinion and Order.

Bell's proposal offers qualifying residence customers new Lifeline Service options. The original Lifeline Service offered subscribers the choice of (1) budget or (2) local area standard usage options, which are both local measured usage packages. The

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<sup>7</sup> FCC Universal Service Order. ¶¶351-352, 355, slip op at pp. 188-190.

instant proposal would offer subscribers the choice of (1) local area standard usage or (2) local area unlimited usage options.

Bell's original Lifeline Service Plan was premised on the FCC's then existing "Plan 2" which provided for a waiver of the entire residential federal Subscriber Line Charge (SLC) up to the amount *matched by the state*. As such, Bell's existing Lifeline Service Plan provides for a \$2.50 offset for Lifeline Service subscribers. In accordance with our August 4, 1997 Order at Docket Nos. P-00930715 and P-00950958, funding of the existing Lifeline program was permitted to be recovered from an increase of the operator surcharge assessed on toll calls made from Bell coin telephones which are paid for through the insertion of coins (the Coin Paid Customer Dialed (CPCD) rate).<sup>8</sup> Currently, the \$2.50 offset by Bell in addition to the matching funds of \$2.50 on the federal level provided for a total offset of \$5.00 to Lifeline Service subscribers.

Subsequent to the approval of Bell's Lifeline Service Plan, the FCC Universal Service Order revised its Lifeline Assistance program. State matching of funds are no longer required and the FCC has expanded the level of federal universal service funding support. In accordance with these revisions, Bell proposes to revise its Lifeline Service to take advantage of these additional federal universal service funds.

Bell proposes offering a \$9.00 total offset to Lifeline Service subscribers. This offset would be distributed as follows: (1) a \$2.90 discount to the residential dial tone line portion (including Touch Tone) of basic telephone service;

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<sup>8</sup> Bell has filed a revenue neutral filing at Docket No. R-00974176 on October 22, 1997, to end the Lifeline Service funding mechanism on a going forward basis and increase certain other rate elements. This filing will be the subject of a separate report for Commission action and is tentatively scheduled for the December 18, 1997 Public Meeting Agenda.

(2) a \$2.60 discount to the local usage package option portion of basic telephone service; and (3) the federal Subscriber Line Charge offset of \$3.50 for Lifeline subscribers. The dial tone line monthly discount, the local usage package option monthly discount, and the Subscriber Line Charge monthly discount will be applied to the extent that application of the full discount would not result in rates that are less than zero.<sup>9</sup> The maximum discount offered to a Lifeline subscriber would be \$9.00.<sup>10</sup>

The \$9.00 Lifeline Service subscriber offset would be derived as follows:

	<u>FCC's New Universal Service Fund</u>		<u>Pa. State Lifeline Offset</u>		
1.	\$3.50 FCC SLC				
2.	1.75 Additional Offset				
3.			\$2.50 Pa. Offset - CPCD Surcharge		
4.	1.25 FCC 50% of State Offset				
	<hr/>		<hr/>		
Totals	<u>\$6.50</u>	+	<u>\$2.50</u>	=	<u>\$9.00</u>

Accordingly, \$6.50 of this discount will be funded by the Federal Universal Service Fund and \$2.50 will continue to be funded by Bell. To the extent that the Federal Universal Service Fund is not available to Bell, the federal \$6.50 offset for Lifeline Service will not be available to customers.<sup>11</sup>

<sup>9</sup> The federal support amount is to be used as a reduction to a Lifeline subscriber's rate before taxes, surcharges, and fees, down to, but not below, zero. This is in accordance with the FCC Universal Service Order.

<sup>10</sup> We note however, that this amount is subject to change at such time that we determine a viable source of intrastate lifeline funding. We shall discuss this further in this Opinion and Order.

<sup>11</sup> As will be noted later, we shall grant these provisions on the condition that further offsets may be authorized by the Pennsylvania Public Utility Commission.

The revised Lifeline Service offset would increase the discount to a Lifeline Service subscriber from the current \$5.00 per month to \$9.00 per month. The following table shows the changes to the application of the current and proposed offset.

<u>Lifeline Service Benefit</u>	<u>Current</u>	<u>Proposed</u>
Residence Dial Tone Line	\$2.50	\$2.90
Local Usage Package Option	—	\$2.60
Federal Subscriber Line Charge	\$2.50	\$3.50
Total	\$5.00	\$9.00

This proposal does not change the amount of Bell's contribution to Lifeline Service. It does, however, take advantage of the federal universal service support now available and provides for the allocation of these supports to the basic service classes.

As part of this Lifeline Service filing, Bell has also requested that the Commission designate it as an eligible telecommunications carrier for purposes of receiving Universal Service Fund support. In addition, in compliance with the FCC's revised Lifeline Assistance program, Bell proposes providing Lifeline Service customers with the Voluntary Toll Restriction Option, at the customer's option, at no charge. The Company deleted language from its tariff stating that "Residence Lifeline Service cannot be resold by the customer or the customer's agent(s)." Also, the Company made minor text corrections to its Lifeline Service and Link-Up America tariffs to correct the name of a program under the Department of Public Welfare that had a name change. (Aid for Families with Dependent Children has changed to Temporary Assistance for Needy Families.)

## Discussion and Conclusion

In our opinion, it appears that the instant filing is generally in accordance with the directives contained in our Order On Reconsideration entered July 31, 1997, at Docket No. I-00940035, and the FCC Universal Service Order. However, there are several points that we wish to clarify and/or modify.

We note that the FCC Universal Service Order requires that at least one eligible telecommunications carrier be certified in all service areas so that low-income consumers will always have access to a Lifeline program from at least one carrier. To this end, as part of this Lifeline Service filing, Bell has requested that the Commission designate it as an eligible telecommunications carrier for purposes of receiving Universal Service Fund support. Subsequently, Bell filed a petition with the Commission requesting designation as an eligible telecommunications carrier, at Docket No. P-00971290. Accordingly, we will not address this request here, but will instead address this request independently in a separate Order at Docket No. P-00971290.

Regarding the eligible telecommunications carrier issue, the FCC has determined that it has the authority to extend Lifeline to include carriers other than eligible telecommunications carriers, but has declined to do so at the present time. In addition, the FCC Universal Service Order provides as follows:

*We further observe that, contrary to the fears of some commenters, a large class of carriers that will not be eligible to receive universal service support -- those providing service purely by reselling another carrier's services purchased on a wholesale basis pursuant to section 251(c)(4) -- will nevertheless be able to offer Lifeline service. The Local Competition Order provides that all retail services, including below-cost and residential services, are subject to wholesale rate obligations under section 251(c)(4). Resellers therefore could obtain Lifeline service at wholesale rates that include*

the Lifeline support amounts and can pass these discounts through to qualifying low-income consumers.<sup>12</sup>

In view of the above, we will direct the Company to modify its proposed tariff language in Section B of its proposed tariff to make it consistent with the federal requirements. Limitations on residence lifeline service resale must be consistent with the FCC's requirement that all retail services, including below-cost and residential services, are subject to wholesale rate obligations under section 251(c)(4). To that end, we direct Bell to add the following two paragraphs to Section B of its Lifeline Service tariff, consistent with the language below:

**Residence Lifeline Service cannot be resold by the Lifeline customer or the Lifeline customer's agent(s).**

**Resale of Lifeline Services are subject to wholesale rate obligations under Section 251(c)(4) of the Telecommunication Act of 1996.**

**Any conflict between these two paragraphs would be determined according to Section 251(c)(4) of the Telecommunication Act of 1996.**

The FCC Universal Service Order requires all eligible telecommunications carriers to provide Lifeline Service.<sup>13</sup> On August 14, 1997, the FCC issued a public notice stating that designation as an eligible telecommunications carrier is necessary for receipt of specific federal universal service support for high cost, low income, and most rural health care purposes. As a result, several parties have petitioned this Commission for designation as eligible telecommunications carriers. Consequently, we must review and approve any Lifeline Service plan as a prerequisite to designation as an eligible

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<sup>12</sup> FCC Universal Service Order. ¶370, slip op at p. 197.

<sup>13</sup> FCC Universal Service Order. ¶326, slip op at p. 177.

telecommunications carrier. Bell must provide the FCC with information about the Commission's approval of a Lifeline Service Plan and designation as an eligible telecommunications carrier in order to receive specific federal universal service support.

The FCC's Public Notice, DA 97-1892, released September 29, 1997, announced procedures that states must follow in order to receive universal service support. The FCC has determined that states should submit a list of eligible telecommunications carriers and the service areas that non-rural carriers are required to serve as soon as possible, but not later than December 31, 1997, in order for carriers to be eligible for funding for high cost, low-income, and health care support, beginning January 1, 1998, except as set forth in 47 C.F.R. §54.621(a). Copies of this information must also be sent to Sheryl Todd and the Office of the Secretary at the FCC. We will comply with this directive in accordance with our determination of eligible telecommunications carrier status at Docket No. P-00971290.

Bell's proposed tariff supplement includes a listing of tariffed standard features and optional customer elected services provided with Lifeline Service. Our review reveals no reference to Caller ID blocking services. The General Rule contained in 66 PA. C.S. §2906 states the following:

... any telephone call identification service offered in this Commonwealth by a public utility or by any other person, partnership, association or corporation that makes use of the facilities of a public utility shall be lawful if it allows a caller to withhold display of the Caller's telephone number and other identifying information on both a per-call basis and per-line basis from the telephone instrument of the individual receiving the telephone call.

In light of the above, we will direct Bell to add proposed tariff language in 'Section B. Regulations' of its tariff to make it consistent with 66 PA. C.S. §2906.

The FCC Universal Service Order provides for an additional federal support amount (in addition to the \$3.50 SLC offset) of \$1.75 plus one-half of any state support. For Lifeline consumers in a given state to receive this additional support, that state must approve the reduction in the portion of the intrastate rate paid by the end user. The FCC Universal Service Order determined that the states need only approve this reduction in intrastate rates provided by the additional federal support amount.<sup>14</sup> In the instant proceeding, Bell is contributing \$2.50 in Lifeline Service support, and, therefore, there would be an additional federal support amount equal to one-half of this contribution, or an additional \$1.25. Accordingly, the federal support amount, in excess of the \$3.50 SLC offset, would be \$3.00 (\$1.75 + \$1.25), for a total of \$6.50 in federal support.

Bell already provides for \$2.50 of the maximum amount of \$3.50 qualifying for matching federal support. An additional state contribution of \$1.00 would qualify for an additional \$0.50 in matching federal support. Pennsylvania's Universal Service support mechanism is not currently in place and a determination as to whether or not that mechanism will apply to Lifeline Service has not yet been made. However, we intend to leave the door open for further review of intrastate rate reductions in support of lowering Lifeline rates for low-income consumers in the future. Further, we place no limitations on the funding mechanism for these potential future intrastate rate reductions nor place any requirement that the funding mechanism must be the Universal Service fund. When and if we approve additional intrastate rate reductions for Lifeline, we will approve the additional reduction in intrastate rates provided by the qualifying additional federal support amount and provide FCC notification of such approval.

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<sup>14</sup> FCC Universal Service Order. ¶¶351-352, slip op at p. 188.

The FCC's Public Notice, DA 97-1892, released September 29, 1997, announced procedures that states must follow in order to receive universal service support. The FCC determined that in order to accept increased Lifeline support, states must send a one-page letter authorizing the reduction of intrastate rates to the Universal Service Administrative Company (USAC) with a copy to Sheryl Todd and the Office of the Secretary at the FCC. Letters must be received by the Office of the Secretary by December 31, 1997, to be eligible for increased support beginning January 1, 1998. The purpose of this letter is to notify the FCC that a state approves the reduction in the portion of the intrastate rate paid by the Lifeline customer. Accordingly, we will approve the reduction in intrastate rates of the additional \$3.00 in federal support and will provide letter notification to the FCC of this approval.

In addition, the FCC requires that in a separate filing sent to the Administrator by December 31, 1997, state commissions or carriers must demonstrate that the carrier's Lifeline plan complies with the FCC's rules and state the number of qualifying low-income consumers and the amount of state assistance (see 47 C.F.R. §54.401(d)). We will direct that Bell provide information to the FCC in accordance with this directive, demonstrating that its Lifeline plan complies with the FCC's rules and stating the number of qualifying low-income consumers and the amount of state assistance.

Before concluding, we believe it is important to note that to the extent that various intrastate Lifeline activities and plans that are being filed and implemented in response to our January 28, 1997 Universal Service Order at Docket No. I-00940035, need to be coordinated in some fashion with the federal Lifeline program, such coordination may become the subject of future Orders by this Commission.

Upon our review, Bell's tariff revisions generally appear to be reasonable, in the public interest and in compliance with our Opinion and Order entered July 31, 1997, at Docket No. I-00940035, and the FCC Universal Service Order. Therefore, we shall permit the proposed tariffs to become effective. In addition, we shall direct Bell to file additional revisions to its Lifeline Service tariffs in accordance with this Opinion and Order. However, this permission does not constitute a determination that the tariff revisions are lawful, just and reasonable, but only that suspension or further investigation is not warranted at this time; **THEREFORE,**

**IT IS ORDERED:**

1. That the tariff revisions to Bell Atlantic-Pennsylvania, Inc.'s Local General Tariff-Telephone Pa. P.U.C. No. 1, be, and hereby are, permitted to become effective January 1, 1998, with certain conditions, in accordance with this Opinion and Order.

2. That within ten (10) days after the date of entry of this Opinion and Order, Bell shall file a tariff supplement, to become effective on at least one (1) day's notice, which incorporates the following revisions to its Lifeline Service tariff:

a. Section B (Regulations) shall be modified to add the following two paragraphs:

Residence Lifeline Service cannot be resold by the Lifeline customer or the Lifeline customer's agent(s).

Resale of Lifeline Services are subject to wholesale rate obligations under Section 251(c)(4) of the Telecommunication Act of 1996.

b. Language consistent with 66 PA. C.S. §2906 that provides for Caller ID line blocking and per-call blocking services to be available to Lifeline Service subscribers shall be added.

3. That the reduction in the portion of the intrastate rate paid by the end user provided by the additional federal support amount of \$3.00, be and hereby is, approved.

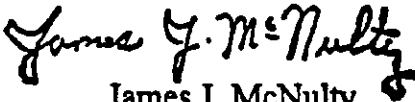
4. That Bell shall provide information to the FCC in accordance with the FCC's directive, as outlined in this Opinion and Order, demonstrating that its Lifeline plan complies with the FCC's rules and stating the number of qualifying low-income consumers and the amount of state assistance.

5. That Bell shall abide by the FCC's final determination regarding the PICC as discussed in this Opinion and Order.

6. That Bell shall comply with all of the directives contained in the body of this Opinion and Order.

7. That a copy of this Opinion and Order be served on Bell Atlantic-Pennsylvania, Inc., the Office of Consumer Advocate, Public Utility Law Project and the Office of Trial Staff.

BY THE COMMISSION,

  
James J. McNulty  
Acting Secretary

(SEAL)

ORDERED ADOPTED: November 21, 1997

ORDER ENTERED: NOV 21 1997

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**  
Harrisburg, Pennsylvania 17105-3265

**BELL ATLANTIC-PENNSYLVANIA, INC.**

**PUBLIC MEETING -  
NOVEMBER 21, 1997  
NOV-97-FUS-582\*  
R-00974153**

**STATEMENT OF COMMISSIONER JOHN HANGER**

Bell Atlantic-Pennsylvania has filed tariff revisions to its Lifeline program that will greatly enhance the effectiveness of this valuable program. The most important aspect of the changes will be an increase in the potential discount from \$5.00 to \$9.00 on a lifeline customer's monthly bill.

Bell is able to increase the discount for lifeline customers because of federal funding made available from the implementation of the May 8th, 1997 Federal Communications Commission (FCC) Universal Service Order. This FCC Order set the terms and conditions by which eligible telecommunications carriers may receive funding for lifeline customers beginning on January 1, 1998. These terms and conditions include designation of Bell as an "eligible telecommunications carrier" and expand local calling options.

In the past Bell was able to offer a \$5.00 discount made up of a \$2.50 discount from Bell (paid for with a surcharge imposed on all coin phone operator assisted calls) and a matching discount of \$2.50 subtracted from the \$3.50 federal Subscriber Line Charge. The new discount will once again use the Bell discount of \$2.50. The Federal subsidy will now be \$6.50 made up of a complete waiver of the \$3.50 federal Subscriber Line charge, an additional \$1.75 federal support allotment, and a 50% match of any state support (factored against Bell's \$2.50 discount). Under Bell's old Lifeline Plan a typical lifeline customer in Density Cell One would have paid \$5.68 for standard Measured service with touch-tone. Under the new Lifeline Plan that same customer will pay only \$1.68.

Taking advantage of the increased federal funding of the Lifeline Program will improve low income residential consumers access to health services, public safety agencies, and economic opportunities.

November 20, 1997  
DATED

John Hanger  
JOHN HANGER, COMMISSIONER

PUBLIC UTILITY COMMISSION  
BUREAU OF FIXED UTILITY SERVICES

KJR

January 9, 1997

SUBJECT: Commonwealth Telephone Co.  
R-00974236

TO: James J. McNulty  
Acting Secretary

FROM: D. Muth, Director  
Bureau of Fixed Utility Services

*DM*

RECEIVED  
98 JAN 12 AM 8:45  
PROTHONOTARY'S OFFICE

Please be advised that:

- an Opinion and Order was issued closing the case on 12-22-97
- a Compliance Tariff was filed on \_\_\_\_\_
- a Secretarial Letter was sent and a Compliance Tariff filed on \_\_\_\_\_
- the case was withdrawn on \_\_\_\_\_
- an option was accepted and a Compliance Tariff filed on \_\_\_\_\_
- an extension was granted and it expired before a Tariff Supplement was filed.

Please take the necessary action to close the case.

Documentation is attached.

**PENNSYLVANIA  
PUBLIC UTILITY COMMISSION  
Harrisburg, Pennsylvania 17105-3265**

Public Meeting held December 18, 1997

**Commissioners Present:**

John M. Quain, Chairman  
Robert K. Bloom, Vice Chairman  
John Hanger  
David W. Rolka  
Nora Mead Brownell

In re: Formal Investigation to Examine and  
Establish Updated Universal Service Principles  
and Policies for Telecommunications Services  
in the Commonwealth

Pennsylvania Public Utility Commission

v.

Commonwealth Telephone Company

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98 JAN 12 AM 8:45  
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PROTHONOTARY'S OFFICE  
I-00940035

R-00974236

**OPINION AND ORDER**

**BY THE COMMISSION:**

On December 15, 1997, Commonwealth Telephone Company (Commonwealth or Company) filed Supplement No. 54 to Tariff-Telephone Pa. P.U.C. No. 23, to become effective January 1, 1998, for the purpose of establishing Lifeline Service in accordance with the directives contained in the Commission's July 31, 1997 Order On Reconsideration at Docket No. I-00940035.

## Background

The federal Lifeline program operates by reducing end-user charges that low-income customers pay for basic local telephone service. The FCC, in its order re Federal-State Joint Board on Universal Service, (FCC May 8, 1997) CC Docket No. 96-45, FCC 97-157 (hereinafter referred to as the FCC Universal Service Order), extended the Lifeline program by designating that Lifeline Service should be provided to low-income consumers in every state, irrespective of whether the state provides matching funds, and that all eligible telecommunications carriers should be required to provide Lifeline service. In addition, the FCC ruled to increase the federal Lifeline support amount, but conditioned such an increase on the state permitting its carriers to reduce intrastate charges paid by the end user.<sup>1</sup>

In the FCC Universal Service Order, the FCC directed that Lifeline Service should include the following services:

1. single-party service
2. voice grade access to the public switched telephone network (PSTN)
3. DTMF or its functional digital equivalent (touch-tone service)
4. access to emergency service
5. access to operator services
6. access to interexchange service
7. access to directory assistance
8. toll limitation

The FCC also determined that Lifeline Service customers shall not be disconnected for non-payment of toll charges; nor should service deposits be required for Lifeline Service customers who accept toll blocking.<sup>2</sup> The FCC also ruled that Lifeline

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<sup>1</sup> FCC Universal Service Order. ¶326, slip op at p. 177.

<sup>2</sup> FCC Universal Service Order. ¶328, slip op at p. 177; and ¶¶ 398-400, slip op at pp. 213-215.

customers should receive toll-blocking and toll-control services at no charge in order to increase the use of these services by low-income consumers.<sup>3</sup>

As part of its effort to implement the Joint Board's suggestion that the current per-minute CCL charge be modified to reflect the non-traffic sensitive nature of loop costs, the FCC, in its *Access Charge Reform Order*, (FCC May 7, 1997), CC Docket No. 96-262, implemented a flat charge per primary residential line that is to be assessed against the presubscribed interexchange carrier (PIC). If the customer does not select a PIC, however, the presubscribed interexchange carrier charge (PICC) will be assessed against the end user. However, the FCC also wants to ensure that the Part 69 changes will not have an adverse impact on Lifeline customers. Specifically, the FCC is concerned that the PICC may be assessed against Lifeline customers who elect to receive toll blocking because they will have no PIC associated with their lines. Accordingly, the FCC is seeking further guidance from the Joint Board on how to ensure the integrity of the Lifeline program in light of changes made in its Part 69 rules.<sup>4</sup>

With regard to federal Universal Service funding support, we note that the FCC's Universal Service Order provides for a minimum of \$5.25 in federal support consisting of the current \$3.50 SLC offset plus an additional amount of \$1.75. In order for Lifeline subscribers to receive the \$5.25 in federal support the states need not provide matching funds, but only approve the reduction of \$1.75 in the portion of the intrastate rate that is paid by the end user; the \$3.50 reduction would be applied as an offset to the current Federal Subscriber Line Charge (SLC) of \$3.50 per month. In addition, the FCC will provide for additional federal support equal to one half of any support generated from the intrastate jurisdiction, up to a maximum of an additional \$1.75, or \$7.00 in

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<sup>3</sup> FCC Universal Service Order. ¶385, slip op at pp. 205-6.

<sup>4</sup> FCC Universal Service Order. ¶¶362-363, slip op at p. 193.

federal support (\$3.50 + \$1.75 + \$1.75). In other words, if a state provides the minimum amount of matching support to receive the full federal matching support amount, the state would provide \$3.50 and the FCC would match one half that amount, or \$1.75. This would provide for \$7.00 in federal support plus \$3.50 in state support for a total support of \$10.50 to the Lifeline consumer. Again, in order to achieve the full \$10.50 offset for Lifeline rates, states must approve the reduction in intrastate rates provided by the additional federal support amount. In addition, the federal support amounts in no case should exceed the Lifeline rate.<sup>5</sup> The FCC's modified Lifeline Plan is to take effect on January 1, 1998.

We note that our Order on Reconsideration, in re Formal Investigation to Examine and Establish Updated Universal Service Principles and Policies for Telecommunications Services in the Commonwealth, Docket No. I-00940035 (July 31, 1997), addressed the issue of Lifeline Plans. In that Order we determined that both ILECs and CLECs qualifying as eligible telecommunications carriers for federal funding purposes will be required to make Lifeline services available to low-income residence consumers. In addition, in that Order, we granted the Pennsylvania Telephone Association's request for extension of time to file Lifeline Plans<sup>6</sup> and required all LECs which had not yet filed their Lifeline Plans with the Commission to do so on, or before, September 30, 1997, with an effective date of January 1, 1998. Also, in that Order, we directed companies to use the Bell Atlantic-Pennsylvania, Inc. Lifeline Plan<sup>7</sup> as a "minimum standard," subject to any amendments that are now required as a result of the FCC Universal Service Order. These directives were in addition to our previous order on

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<sup>5</sup> FCC Universal Service Order. ¶¶351-352, 355, slip op at pp. 188-190.

<sup>6</sup>We note that we originally required all LECs to file a proposed Lifeline Plan for low income customers by no later than March 21, 1997, as was directed by our Opinion and Order entered January 27, 1997, at Docket No. I-00940035.

<sup>7</sup> Bell Atlantic-Pa., Inc.'s Lifeline Plan was approved in accordance with our Order entered August 4, 1995, at Docket Nos. P-00930715 and P-00950958.

Universal Service at Docket No. I-00940035, entered January 28, 1997, in which we ordered all LECs “to file proposed Lifeline plans to assist low income subscribers in their service territories.”<sup>8</sup>

### **The Filings**

On December 15, 1997, Commonwealth filed a tariff supplement setting forth its Lifeline Service. Commonwealth originally filed its Lifeline Service plan in its Rate Rebalancing/Restructuring filing at Docket No. R-00974128. This filing was subsequently rejected by the Commission during its December 4, 1997 Public Meeting. Therefore, in order to meet the FCC designated deadline date of January 1, 1998, Commonwealth’s Lifeline Service plan and tariff filing have been filed on less than statutory notice.

Commonwealth’s proposed Lifeline Service is substantially the same as the Lifeline Service Plan approved in the Pennsylvania Telephone Association’s Lifeline Service Petition (hereinafter referred to as the PTA Lifeline Petition) approved by this Commission on November 21, 1997, at Docket No. P-00971274. Commonwealth submits the filed tariff supplement in compliance with the Commission’s, July 31, 1997 Order at Docket No. I-00940035.

### **Discussion and Conclusion**

In our opinion, it appears that the proposed Lifeline Service tariff filing is in accordance with the directives contained in our Order On Reconsideration entered July 31, 1997, at Docket No. I-00940035, and the FCC

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<sup>8</sup> Formal Investigation to Examine and Establish Updated Universal Service Principles and Policies for Telecommunications Services in the Commonwealth, I-00940035, January 28, 1997; p.134 and ordering ¶8 at p. 139.

Universal Service Order. However, there are several points that we wish to clarify.

Commonwealth's filing discusses the issue of customer notifications in accordance with the Pennsylvania Telephone Association's Lifeline Filing, at Docket No. P-00971274, approved November 21, 1997. We will hold the Commonwealth to these same notification procedures and will require Commonwealth to work with our Communications Office and Bureau of Consumer Services for plain language review on all customer notifications.

We also note that Commonwealth proposed to file Lifeline Service Annual Tracking Reports with the Commission for the first two years following the establishment of their Lifeline Service. As we put forth in the PTA Lifeline Petition Order, we believe that the history of Lifeline Service shows that it may take longer than two years to reach an acceptable Lifeline Service penetration level. Accordingly, we will direct that the Lifeline Service Annual Tracking Report,<sup>9</sup> in Attachment A to this Opinion and Order, be submitted to the Commission on an ongoing basis. We will further direct that the Lifeline Service Annual Tracking Report be submitted to the Commission within 90-days of the anniversary of implementation of the Lifeline Service. We will take further action to eliminate these reports at such time that we deem these reports are no longer necessary.

The FCC Universal Service Order provides for an additional federal support amount (in addition to the \$3.50 SLC) of \$1.75. For Lifeline consumers in a given state to receive this additional support, that state must approve the reduction in the portion of the intrastate rate paid by the end user. The FCC Universal Service Order determined

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<sup>9</sup> The Annual Lifeline Service Tracking Report was approved in the Bell Lifeline Filing at Docket No. P-00971274, at Public Meeting November 21, 1997.

that the states need only approve this reduction in intrastate rates provided by the additional federal support amount.<sup>10</sup>

The FCC Universal Service Order provides for additional federal support equal to one half of any support generated from the intrastate jurisdiction, up to a maximum of an additional \$1.75 in federal matching support, or a maximum amount of \$3.50 of intrastate support qualifying for matching federal support. Pennsylvania's Universal Service support mechanism is not currently in place and a determination as to whether or not that mechanism will apply to Lifeline Service has not yet been made. However, we intend to leave the door open for further review of intrastate rate reductions in support of lowering Lifeline rates for low-income consumers in the future. Further, we place no limitations on the funding mechanism for these potential future intrastate rate reductions nor place any requirement that the funding mechanism must be the Universal Service fund. When and if we approve intrastate rate reductions for Lifeline, we will approve the reduction in intrastate rates provided by the qualifying additional federal support amount and provide FCC notification of such approval.

The FCC Universal Service Order requires all eligible telecommunications carriers to provide Lifeline Service.<sup>11</sup> On August 14, 1997, the FCC issued a public notice stating that designation as an eligible telecommunications carrier is necessary for receipt of specific federal universal service support for high cost, low income, and most rural health care purposes. As a result, several parties have petitioned this Commission for designation as eligible telecommunications carriers. Consequently, we must review and approve any Lifeline Service plan as a prerequisite to designation as an eligible telecommunications carrier. Commonwealth must provide the FCC with information about the Commission's approval of a Lifeline Service plan and designation as an eligible

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<sup>10</sup> FCC Universal Service Order. ¶¶351-352, slip op at p. 188.

<sup>11</sup> FCC Universal Service Order. ¶¶326, slip op at p. 177.

telecommunications carrier in order for the Company to receive specific federal universal service support.

The FCC's Public Notice, DA 97-1892, released September 29, 1997, announced procedures that states must follow in order to receive universal service support. The FCC determined that in order to accept increased Lifeline support, states must send a one-page letter authorizing the reduction of intrastate rates to the Universal Service Administrative Company (USAC) with a copy to Sheryl Todd and the Office of the Secretary at the FCC. Letters must be received by the Office of the Secretary by December 31, 1997 to be eligible for increased support beginning January 1, 1998. The purpose of this letter is to notify the FCC that a state approves the reduction in the portion of the intrastate rate paid by the Lifeline customer. Accordingly, we will approve the reduction in intrastate rates of the additional \$1.75 in federal support and will provide letter notification to the FCC of this approval.

In addition, the FCC also requires that in a separate filing sent to the Administrator by December 31, 1997, state commissions or carriers must demonstrate that the carrier's Lifeline Service plan complies with the FCC's rules and state the number of qualifying low-income consumers and the amount of state assistance (see 47 C.F.R. §54.401(d)). Copies of this information will be sent to the FCC by this Commission. Therefore, we shall direct Commonwealth to provide us with the number of qualifying low-income consumers and the amount of state assistance used to fund Lifeline Service so that we can demonstrate to the FCC, after our independent review, that Commonwealth's Lifeline Service plan complies with the FCC's rules. Given the time constraints to meet the FCC's December 31, 1997 deadline, we will grant Commonwealth five (5) days to provide this information to this Commission.

Before concluding, we believe it is important to note that to the extent that various intrastate Lifeline activities and plans that are being filed and implemented in

response to our January 28, 1997 Universal Service Order at Docket No. I-00940035, need to be coordinated in some fashion with the federal Lifeline program, such coordination may become the subject of future Orders by this Commission.

Upon our review, Commonwealth's tariff supplement appears to be reasonable, in the public interest and in compliance with our Opinion and Order entered July 31, 1997, at Docket No. I-00940035, and the FCC Universal Service Order. Therefore, we shall permit the proposed tariff to become effective. In addition, we shall require the Company to comply with all of the directives contained in this Opinion and Order. However, this permission does not constitute a determination that the tariff revisions are lawful, just and reasonable, but only that suspension or further investigation is not warranted at this time; **THEREFORE,**

**IT IS ORDERED:**

1. That the Lifeline Service tariff supplement of Commonwealth Telephone Company, be, and hereby is, permitted to become effective January 1, 1998.

2. That Commonwealth shall submit an Lifeline Service Annual Tracking Report, as included in Attachment A to this Opinion and Order, annually, on an on-going basis until the Commission decides otherwise, within 90 days of its anniversary date of implementation of Lifeline Service.

3. That the reduction in the portion of the intrastate rate paid by the end user provided by the additional federal support amount of \$1.75, be and hereby is, approved.

4. That, within five (5) days after the date of entry of this Opinion and Order, Commonwealth shall provide appropriate information to this Commission so that this Commission can forward the information to the FCC, in accordance with the FCC's

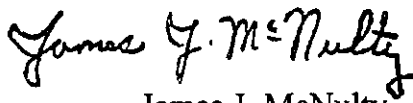
directive, demonstrating that the carrier's Lifeline Service plan complies with the FCC's rules and stating the number of qualifying low-income consumers and the amount of state assistance.

5. That Commonwealth shall abide by the FCC's final determination regarding the PICC as discussed in this Opinion and Order.

6. That Commonwealth shall comply with the directives contained in the body of this Opinion and Order.

7. That a copy of this Opinion and Order be served upon Commonwealth Telephone Company, the Office of Consumer Advocate, the Office of Trial Staff, the Bureau of Consumer Services, and all parties to the Universal Service Investigation at Docket No. I-00940035.

**BY THE COMMISSION,**

  
James J. McNulty  
Secretary

(SEAL)

ORDERED ADOPTED: December 18, 1997

ORDER ENTERED: **DEC 22 1997**

**PENNSYLVANIA TELEPHONE ASSOCIATION**

**LIFELINE SERVICE - MONTHLY RECURRING CHARGE - \$5.25 OFFSET**

**LINK UP AMERICA - 50% DISCOUNT OFF OF LINE CONNECTION CHARGE**

**TRACKING REPORT - 1998**

	January	February	March	April	May	June	July	August	September	October	November	December
<b>LIFELINE ADDITIONS:</b>												
New Lifeline Customers												
Existing Customers converting to Lifeline Service												
<b>LIFELINE DISCONNECTS:</b>												
Customer Disconnects												
Customer upgrades to regular dial tone service												
<b>NET CHANGE IN LIFELINE SERVICE CUSTOMERS</b>												
<b>TOTAL LIFELINE SERVICE CUSTOMERS</b>												
<b>LINK UP AMERICA CONNECTIONS</b>												