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Fred Horecky, Esq.
The Guam Public Utilities Commission
Suite 207, GCIC Building
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Via E-mail

Re: Docket 12-02 GTA Tariff Transmittal No. 19 re Lifeline and Link-Up Programs

Dear Mr. Horecky,

In your June 18, 2012, e-mail you requested our assistance with GTA's Tariff Transmittal Number 19, in which GTA requested approval of changes to the Lifeline program and discontinuance of discounted service order charges, commonly called Link-Up. GTA requested these tariff changes as a result of the February 6, 2012, release by the FCC of its *Lifeline Reform Order*.[1] As described more fully below, we believe the changes due to the elimination of the federal Link-Up program are acceptable but there are several issues related to Lifeline that should be resolved before Transmittal No. 19 can be approved.

The *Lifeline Reform Order* comprehensively revised the federal programs which provided discounts to low income residential subscribers. Among other changes, the FCC changed the amount and structure of the Lifeline discount, required uniformity in eligibility requirements in all states, limited the discount to only one per household and eliminated the Link-Up discount. The FCC also changed the certification and verification rules. It should be noted that none of

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[1] *In the Matter of Lifeline and Link-Up Reform and Modernization*, Report and Order and Further Notice of Proposed Rulemaking, WC Docket No. 11-42, et al., Released February 6, 2012, FCC 12-11 *("Lifeline Reform Order")*

these FCC rule changes limit or mandate changes to the local Lifeline programs that have been implemented in most states and territories.[2]

The *Lifeline Reform Order* replaced the tiered structure of Lifeline discounts with a flat $9.25 per month in federal support. Previously, the federal Lifeline discount consisted of several tiers. Tier 1 was a waiver of the Subscriber Line Charge, currently capped at $6.50. Tier 2 provided an additional $1.75 in federal support if the carrier passed it through to Lifeline subscribers. To the best of our knowledge and belief, all incumbent local exchange carriers, including GTA, received and passed on tier 2 support. Tier 3 provided an additional $1.75 in federal support if matched by $3.50 in local support. Most jurisdictions provided at least that amount in local support. Thus, total federal support for most ILECs was $10.00. The FCC chose to cap federal support at $9.25 because that was the average for all non-tribal carriers in the United States. Tier 4 provided additional support but was limited to tribal territory within recognized Native American reservations.

GTA has been providing a total Lifeline discount of $13.50 per month at least since the transfer of control of the Guam Telephone Authority to TeleGuam. This discount consisted of the $10.00 in federal support under tiers 1 through 3 of the FCC program and a matching $3.50 in local support. While the federal support amount has now been reduced, nothing in the *Lifeline Reform Order* reduced or eliminated the amount of local match. The local match is provided as part of current rates and we believe it cannot be unilaterally changed by GTA without PUC approval. Consequently, the Lifeline discount should now be $12.75 and not $9.25 as GTA is proposing (Section 5, sheet 51, XII.C.1.c).

Based on records from the Universal Service Administrative Company (USAC), GTA currently has approximately 1,964 Lifeline subscribers. Each Lifeline subscriber will lose $0.75 per month in federal support as a result of the FCC's actions in the *Lifeline Reform Order*. This is probably not enough to cause them to discontinue telephone service. On the other hand, an additional $3.50 per month in lost local support is likely to be viewed as significant and could discourage subscribership among low-income people. Consequently, we strongly recommend that the local Lifeline contribution continue at $3.50 per month and the total Lifeline discount be set at $12.75 per month ($9.25 in federal support plus $3.50 in local support). Nowhere in GTA's Transmittal does it point out that it is eliminating the local Lifeline contribution or request approval from the PUC.

The *Lifeline Reform Order* established uniform eligibility criteria for all states and territories. A subscriber can qualify if his household receives benefits under one or more of the assistance programs identified by the FCC or if his household income is at or below 135% of the Federal Poverty Guidelines (FPG). As a Federal Default State, Guam already used these criteria which had been codified by Tariff Transmittal No. 4.

Although GTA is following the FCC's criteria, we believe the new language in Section XII.C.2.a.2 is confusing and potentially misleading. This section says the subscriber need not necessarily be a recipient of the qualifying assistance programs or meet the income test. We agree that the subscriber can qualify if any member of his household receives benefits from one

[2] The local program cannot be inconsistent with the federal requirements.

or more of the qualified assistance programs. However, the FCC's rules (§54.409) state that to meet the income test, the consumer's household income must be at or below 135% of FPG. Consequently, under the income test a subscriber's personal income cannot exceed the income limit for the household. Also, this section says "One Lifeline income credit is available per household...". The word "income" in this clause appears out of place or might suggest that a subscriber could receive one discount based on income and another based on program participation. We suggest that the tariff read as follows:

> "One Lifeline discount is available per household. One or more of the household members must be a current recipient of any of the low income assistance programs identified in sub-paragraph C.2.b.1 following or the household must meet the income test in Subsection C.2.b.2 following."

The remaining text in Section XII.C.2.a.2 should be deleted.

As mentioned earlier, the Lifeline Reform Order limits the discount to only one per eligible household. Although GTA and Pulse Mobile currently serve almost all Lifeline subscribers, all ETCs are required to offer the Lifeline discount to eligible consumers. In fact, in most other jurisdictions, the FCC or the state have granted limited ETC designations to carriers seeking to provide only Lifeline service. It is only a matter of time before carriers other than GTA will provide Lifeline services. Consequently, we recommend that the GTA tariff should include some language related to de-enrollment if it is determined that a subscriber's household is receiving more than one Lifeline discount from GTA or any other carrier including Pulse Mobile.

The *Lifeline Reform Order* eliminated the federal Link-Up program which provided discounts of one half of the service connection fees up to $30.00 to new Lifeline subscribers. According to the FCC, Link-Up was not needed and led to waste and abuse, particularly by wireless carriers. There was no local Link-Up discount. We agree with all of GTA's deletions of tariff language related to Link-Up and recommend approval.

We noted numerous typographic errors on the tariff pages, particularly Sheets 50,51 and 55.2. We would not ordinarily comment on these errors. However, in several places, a significant portion of the text is missing.

Sheet 51 under XII.C.2.a.1 should read:

> "Lifeline applicants must prove that a member of the household qualifies for one or more of the benefits under the low income assistance programs identified in sub-paragraph C.2.b.1 or must provide documentation that the applicant's household income meets the income test described in C.2.b.2."

Sheet 55.2 under XII.C.3.d should read:

> "The Secondary Service Charge in Section 3.II.A preceding is not applicable when existing service is converted intact to Lifeline service."

GTA did not propose any changes to the certification and verification language on sheet 55. However, we note that XII.C.2.c.2 refers to verification twice in one year and there is no mention of any actions after that. Since the *Lifeline Reform Order* requires annual recertification, this section should be revised.

We would like to call your attention to the fact that GCG has only minimally been brought in to review tariff changes in recent years. We understand the desire of the PUC to keep costs as low as possible but it is very important that GCG be kept in the loop on all significant regulatory issues. In the long run, we will be in a better position to assist you if we have an understanding of ongoing proceedings.

Please call Walt Schweikert or myself if you have any questions concerning this response or require any additional information.

Cordially,

Jim Madan

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Cc: Walter Schweikert