

Approved: March 22, 2000 *Carl D. Holmes*
Date

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairman Carl D. Holmes at 9:13 a.m. on March 9, 2000 in Room 231-N of the Capitol.

All members were present.

Committee staff present: Lynne Holt, Legislative Research Department
Mary Torrence, Revisor of Statutes
Jo Cook, Committee Secretary

Conferees appearing before the committee: Janette Luehring, Kansas Corporation Commission

Others attending: See Attached Guest List

Chairman Holmes announced that the committee would hold hearings on **Sub HB 2591** on Monday, March 13 and Tuesday, March 14.

House Sub for Sub for Sub SB 257 - Electric transmission line siting requirements

Chairman Holmes resumed the debate on **House Sub for Sub for Sub SB 257.**

Rep. Loyd moved to strike 'if the easement is not within the corporate limits of any' from page 2, Section 3(a)(1). Rep. Dahl seconded the motion. Motion failed. Rep. Loyd moved to strike page 3, Section 3(d). Rep. Alldritt seconded the motion. Motion failed. Rep. Krehbiel moved to strike page 3, Section 3(c). Rep. Kuether seconded the motion. Motion carried. Rep. Dreher moved to strike from page 2, Section 2 the sentence that reads "Such notice shall be a minimum of 1/3 page each." Rep. Loyd seconded the motion. Motion carried. Rep. Klein moved to strike from page 2, Section 1(c), last sentence, "Such hearing shall be held not more than 90 days after the date the application was filed." and replace it with "The commission shall issue a final order on the application with 120 days after the date the application was filed." Rep. Kuether seconded the motion. Motion carried. Rep. Sloan moved to amend **HB 2779** and **HB 2849** into the bill. Rep. McClure seconded the motion. Motion failed. Rep. Klein moved to report House Substitute for Substitute for Substitute for **SB 257**, as amended, favorable for passage. Rep. Kuether seconded the motion. Motion carried. Rep. Klein will carry the bill.

Chairman Holmes welcomed Janette Luehring, Chief of Telecommunications for the Kansas Corporation Commission, who presented an overview of the Lifeline Program. Ms. Luehring's presentation included docket information about the establishment of the Kansas Lifeline service program and the qualifications to participate in the program (Attachment 1). Ms. Luehring also outlined the Kansas Lifeline outreach efforts and provided a copy of the official Lifeline flyer (Attachment 2). Additionally, she provided a copy of the docket filing before the Corporation Commission of the Notice of Filing of Lifeline Report (Attachment 3). Lynne Holt, Principal Analyst, also distributed a copy of a Wall Street Journal article entitled "The Fees That Ate My Phone Bill!" (Attachment 4).

Ms. Luehring responded to questions from Rep. Kuether, Rep. McClure, Rep. Sloan, Rep. Compton, Rep. Krehbiel, Rep. Holmes and Rep. Morrison.

HR 6011 - Resolution urging the Corporation Commission to conduct a study and make recommendations for revisions of the one-call law

Rep. Loyd moved to make a technical change regarding the statute number in line 16. Rep. Krehbiel seconded the motion. Motion carried. Rep. Loyd moved to report **HR 6011**, as amended, favorable for adoption. Rep. Dahl seconded the motion. Motion carried. Rep. Krehbiel will carry the resolution.

Meeting adjourned at 10:45 a.m.

Next meeting will be Monday, March 13, 2000 at 9:00 a.m.

HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: March 9, 2000

NAME	REPRESENTING
TOM DAY	KCC
Patrick J. Hurley	KCRB
Walter J. Jann	ONEOK, Inc.
Joe Long	Utilicorp United Inc.
Bud Burke	Western Resources
Cynthia Smith	KOPL
LEO HAYNES	KCC
Susan Cunningham	KCC
Janetta Luehring	KCC
FLORIANE LAZER	ORION/KANSAS GAS SERVICE
Diana Kaiser	Ks. Farm Bureau comm.
DOUG LAWRENCE	SW Bell
Jon Miles	KEG
Jack Evans	Ruhl; Pantardo + Kindsley
Sandy Braden	Williams Company
Joseph Rodell	Self
Mike Murray	Sprint
Mike Leach	AT&T
John C. Botterby	West. Resources
Roger Frazier	KCC

Comments of Kansas Corporation Commission Staff
Regarding the Lifeline program for telecommunications service
March 9, 2000

K.S.A. 66-2001(g) and 66-2006 directed the Commission to establish the Kansas Lifeline service program to promote the provision of local telephone service to low income persons. The statute directed the Commission to adopt a means test to determine eligibility. In the Commission's December 27, 1996 Order in Docket No. 94-GIMT-478-GIT, the Commission established the Kansas Lifeline program. The Commission established a \$3.50 per month discount for eligible customers for the state funded Lifeline discount. In addition, a \$7.00 discount is provided by the federal program for a total discount of up to \$10.50. The Lifeline program is collected by the Kansas Universal Service Fund (KUSF) administrator as part of the KUSF assessment.

To qualify for the Lifeline Service Program a consumer must meet the following criteria:

- a. A person is not a dependent on someone else's federal income tax return, unless he/she is more than 60 years of age.
- b. A person is currently receiving assistance from one of the following programs:
 - Food Stamps
 - SSI (Supplemental Security Income)
 - Medicaid
 - Temporary Assistance to Families
 - GA (General Assistance)
 - Food Distribution Program (United Tribes)

United Telephone of Kansas (Sprint/United) expanded the eligibility criteria to include an income criterion based upon the federal Adjusted Gross Income stated in the individual's Income Tax Return and the current Federal poverty income level.

On February 3, 1999, in Docket No. 99-GIMT-326-GIT, the Commission requested the parties address the following issues:

- A. Are there areas of low subscribership levels in Kansas that need to be separately identified and addressed?
 1. Should the Commission monitor whether universal service has been "enhanced" by the Commission's activity (i.e. subscribership levels)?
 2. Are refinements necessary to ensure KUSF support for low income subscribers?

The evidence presented in that proceeding indicated that only approximately 7% of the customers eligible for Lifeline service were participating in the program. At the Administrative meeting held on August 5, 1999, the Commission stated an interest in investigating the low

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ATTACHMENT 1

participation rate for eligible Lifeline participants. The Commission indicated that Staff should conduct a forum to discuss the possible reasons for low participation and methods to increase awareness of the Lifeline program. In its order issued September 30, 1999, the Commission directed Staff to convene a forum to identify the reasons why participation in the Lifeline program was only at 7%. The Commission directed Staff to file a report summarizing the conclusions reached by the forum participants and include any suggested methods for increasing awareness of the Lifeline program and Lifeline participation.

On September 10, 1999, Commission Staff, the Citizens' Utility Ratepayer Board, SWBT, Sprint/United, SRS, Kansas Telephone Association, and Rural local exchange company representatives met to discuss reasons for the low participation level in the Lifeline program and to propose any recommendations to increase participation levels.

On January 18, 2000, Staff filed its Lifeline report which included a summary of the forum and suggestions for promoting the availability of the Lifeline program.

As part of the SBC/Ameritech merger conditions approved by the Federal Communications Commission, SBC agreed to spend \$39,000 in Kansas to make potential customers aware of programs that benefit low income customers. Also as part of the SBC/Ameritech merger conditions Southwestern Bell agreed to file an enhanced Lifeline program modeled after the Ohio Lifeline service. However, the Ohio plan offers a lower discount than the current Kansas Lifeline service and Staff has recommended that the Commission not approve the plan.

In KCC Docket No. 98-SWBT-677-GIT, Southwestern Bell agreed to spend an additional \$250,000 to increase awareness in Kansas of the availability of Lifeline service. Southwestern Bell also agreed to waive Lifeline customers' access line installation charges for one year. Staff is currently working with Southwestern Bell to determine the appropriate methods for promoting the Lifeline program and identifying effective means to increase awareness of the program.

Kansas Lifeline Outreach Efforts

Provided to House Utilities Committee

March 9, 2000

KCC Information Distribution Plan: The KCC has developed an official Lifeline flyer (proof attached) which will be provided to, and utilized by all local exchange telecommunication providers. Utilization of the same design and language will increase consumer awareness and recognition of the Lifeline Program. Lifeline flyers and posters will be provided to the following list of identified agencies, associations and organizations on a statewide basis. We are continuing to explore other possible outlet locations which would enable us to reach as many qualified participants as possible, such as the YWCA, YMCA, employment agencies, etc.

- SRS County Offices
- Area Agency on Aging Offices
- Kansas Legal Services
- Emergency Assistance Centers
- Community Action Program Offices
- American Red Cross
- Good Neighbor Nutrition Program

Southwestern Bell Distribution Plan: Commission staff is currently assisting Southwestern Bell Telephone in the development of a comprehensive, statewide advertising campaign. Following is a list of various elements of the campaign.

- Bill Inserts to all customers
- Newspaper Advertisements
- Billboards
- Bus Placards
- Radio Spots
- Counter-Props in various public buildings
- Flyers

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ATTACHMENT 2

KANSAS LIFELINE PROGRAM

Save up to
\$10.50 off your
telephone bill!

You may be eligible to receive up to **\$10.50** off your monthly local telephone bill through the Lifeline Program. If you don't currently have telephone service, you may also be eligible for a discount on your connection charge through Link Up America.

You are eligible if you receive any of the following:

- Food Stamps*
- General Assistance*
- Supplemental Security Income (SSI)*
- Temporary Assistance to Families*
- Medicaid*
- United Tribes Food Distribution Program*

For more information about Kansas Lifeline or Link Up America, call your **local** telephone company. The number is on your telephone bill or in the front part of the telephone directory.



Information prepared by the Kansas Corporation Commission 1.800.662.0027

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

STATE CORPORATION COMMISSION

Before Commissioners; John Wine, Chair
Cynthia L. Claus
Brian J. Moline

JAN 18 2000

In the Matter of an Investigation into the)
Kansas Universal Service Fund (KUSF))
Mechanism for the Purpose of Modifying)
the KUSF and Establishing a Cost-based Fund.)

Abby A. Wilson Docket Room
Docket No. 99-GIMT-326-GIT

NOTICE OF FILING OF LIFELINE REPORT

In Order 10, ¶ 119, of this docket the Commission directed Staff to “convene a forum to identify the reasons why participation in the Lifeline program is at only 7.3 percent of those eligible and suggest how participation in the Lifeline program could be increased.” Staff was further directed to summarize the conclusions reached by the forum participants in a report and to file that report with the Commission. Attached to this Notice is Staff’s Report on Lifeline issues, resulting from that forum.

Respectfully Submitted,

Eva Powers

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Counsel for Staff

STATE CORPORATION COMMISSION

JAN 18 2000

UTILITIES DIVISION

HOUSE UTILITIES

DATE: 3-9-00

ATTACHMENT 3

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: John Wine, Chair
 Cynthia L. Claus
 Brian J. Moline

In the Matter of an Investigation into the Kansas)
Universal Service Fund (KUSF) Mechanism for the) Docket No. 99-GIMT-326-GIT
Purpose of Modifying the KUSF and Establishing a)
Cost-based Fund.)

STAFF MEMORANDUM ON LIFELINE PARTICIPATION

I. Background

1. In an Order dated November 6, 1998, the Commission initiated a generic investigation (Docket No. 99-GIMT-326-GIT) into the Kansas Universal Service Fund (KUSF), pursuant to K.S.A. 66-2008, to determine what modifications, if any, are necessary to ensure that KUSF support for universal service is based upon the cost to provide such service. The Commission included a list of issues for consideration and requested the parties to identify any additional issues.

2. On November 18, 1998, the Citizens' Utility Ratepayer Board (CURB) filed a proposed list of additional issues including:

- A. Are there areas of low subscribership levels in Kansas that need to be separately identified and addressed?
- B. What type of refinements are necessary to ensure KUSF support for low income subscribers?

3. On January 21, 1999, the Hearing Examiner filed a Report and Recommendation which integrated both the Commission's proposed issues list and those suggested by the parties.

4. On February 3, 1999, the Commission adopted the issues listed in the Hearing Examiner's Report and Recommendation, specifically including:

- A. Are there areas of low subscribership levels in Kansas that need to be separately identified and addressed?
 - 1. Should the Commission monitor whether universal service has been "enhanced" by the Commission's activity (i.e. subscribership levels)?
 - 2. Are refinements necessary to ensure KUSF support for low income subscribers?

5. At the Administrative meeting held on August 5, 1999, the Commission stated an interest in the low subscribership of eligible Lifeline participants.

6. On September 30, 1999, the Commission requisitioned Staff to determine what refinements could be implemented to increase participation in the Lifeline plan.

II History of Kansas Lifeline

1. KSA 66-2001(g) and 66-2006 directed the Commission to establish the Kansas Lifeline service program.

2. In the December 27, 1996 Phase II (Docket No. 94-GIMT-478-GIT) Order, the Commission established the Kansas Lifeline program¹. The Commission directed Staff to contact the Kansas Department of Revenue to investigate the feasibility of applying a minimum income criteria plan to the existing Lifeline Service qualification criterion.

3. On January 21, 1997, Staff issued a letter to the Department of Revenue seeking

¹On February 3, 1997, Order on Reconsideration (Docket 94-GIMT-478-GIT), the Commission decided that if the FCC significantly alters the federal program, the Commission may revisit the Kansas Lifeline Service Program.

“assistance and support” toward the development of such a criterion.

4. In reply correspondence received February 12, 1997, the Department of Revenue advised staff that legislation would be required to allow the release of the confidential information which such a plan suggests. The existing code precludes providing a Kansan’s state income tax information to other agencies or parties for any reason.

5. In order to move forward and provide Lifeline assistance, the income criterion was not pursued further. When implemented, the Lifeline eligibility criteria were the same as Southwestern Bell Telephone Company’s (SWBT) existing criteria for Link-up.

III Current Lifeline Service Program

The Kansas Lifeline program began on March 1, 1997. For qualifying subscribers, a credit is applied to the bill to offset the cost of local telephone service. The Kansas Lifeline Program as modified on March 1, 1999, provides a \$3.50 credit per month from the State program; a \$5.25 credit per month from the Federal program, plus a 50% match of the state credit up to \$1.75. The total maximum credit is \$10.50. However, at no time is the customer’s bill for local service less than zero. This program is funded by the Federal Universal Service Fund and the Kansas Universal Service Fund². To qualify for the Lifeline Service Program a consumer must meet the following criteria

1. A person is not a dependent on someone else’s federal income tax return, unless he/she is more than 60 years of age.

²The December 27, 1996 Order (Docket No. 94-GIMT-478-GIT) adopted the Federal Lifeline Service Program as the Kansas Lifeline Service Program.

2. A person is currently receiving assistance from one of the following programs:
- Food Stamps
 - SSI (Supplemental Security Income)
 - Medicaid
 - Temporary Assistance to Families
 - GA (General Assistance)
 - Food Distribution Program (United Tribes)

Proof of participation in the above programs is needed to qualify for the Kansas Lifeline Service Program. Applicants may provide the local telephone company with either a copy of their SRS medical card or a copy of their Vision card to verify participation in the eligible programs.

(Those using the Vision card for verification need to furnish a receipt showing recent activity on the card).

United Telephone of Kansas (Sprint/United) expanded the eligibility criteria to include an income criterion. It is based upon the Adjusted Gross Income filed in the individual's Federal Income Tax and the current Federal poverty income level.

Lifeline subscribers are not denied re-establishment of service for a previous disconnection due to non-payment of long distance charges. Lifeline subscribers who have had a current or past history of unpaid long distance charges may accept the "toll restriction" feature, which allows the subscriber to have local service, but no access to 1+ or operator handled long distance calling. The toll restriction feature is available to any Lifeline subscriber at no additional charge. No deposit is required to initiate service if the toll restriction feature is activated. The subscriber is able to use prepaid calling cards utilizing 800 or 888 number to complete toll calls (the toll-restriction feature distinctions between toll free numbers and toll charge numbers).

There has been some debate over the December 27, 1996 and February 3, 1997 Orders for Docket 190,492, which establish the Kansas Lifeline Service Program. The debate is whether

the Commission adopted 1) the FCC Lifeline program currently in place on December 27, 1996, 2) the program as modified in the FCC's May 7, 1997 Order, or 3) did the Commission determine the Kansas Lifeline Program would mirror the FCC's Lifeline Program on a going forward basis.

IV Forum

Staff, CURB, SWBT, Sprint/United, SRS, Kansas Telephone Association (KTA), and Rural ILEC representatives met on September 10, 1999 to discuss reasons for the low participation level in the Lifeline program and to propose any recommendations to increase participation levels.

A. Possible reasons for low Lifeline participation

The group identified five possible reasons for low Lifeline participation levels.

1. Lack of defining the target population
2. Lack of public awareness
3. Nonpayment of previous telecommunications charges
4. Enrollment process
5. Eligibility requirements

1. Lack of defining the target population

Kansas is at a subscribership level of 94.3% and has been at this level, on average, for the past 10 years [FCC Telephone Subscribership Report, 1999]. It is evident that both income and race have an impact on subscribership levels. The Lifeline program was implemented to target low income consumers. However, the message is not reaching the eligible population.

STAFF RECOMMENDATION:

Staff recommends that further research be conducted in order to determine ways the eligible population can be targeted. Possible areas of concentration include: counties with the greatest number of low-income households, households without telephone service, counties with

large percentages of low-income households and obstacles to telephone service on Native American reservations. A consumer education campaign focused on targeted areas may help increase in Lifeline subscribership.

2. Lack of Awareness

The current subscribership in the Lifeline program is low. As of June, 1999, 5,678 households are taking advantage of the program. This is only 10.2%³ of the total eligible households. Therefore, consumers may not be aware of Lifeline assistance. There is much more potential to help low income Kansans obtain telephone service.

The Commission did not establish criteria for the advertising or promotion of Lifeline service to Kansas subscribers. SWBT printed brochures about the Lifeline program that are sent out by all local exchange carriers and SRS. In March 1999, SRS sent out Lifeline brochures to 86,000 Medical Card recipients and 23,000 Food Stamp participants. SRS sends out the brochures once a year, in March, and also places them in the 106 SRS offices throughout the state. SWBT and Sprint/United promote the Lifeline program by placing bill messages on March billing statements. Both companies encourage customers to inquire about the program by giving them a 1-800 number to call for additional information. Additionally, SWBT advertises the availability of, and charges for, Lifeline services in a newspaper ad in November and also describes the Lifeline Program in the Customer Guide section of SWBT's white page directories. On June 2, 1999, Sprint/United filed its Lifeline promotional plan for 1999. It includes direct mail to the 54 SRS offices where Sprint/United operates, an August bill message, and a July news release to all media outlets where Sprint/United operates in local exchanges in Kansas.

Annual bill stuffers and publication of Lifeline information in the telephone directory do not appear to be adequate means of informing a significant number of potential Lifeline candidates. These methods tend to reach only those persons who already have telephone service. Even though 109,000 SRS recipients received a Lifeline brochure, it is evident that the information was not utilized by the recipients.

The forum participants believe there are many ways to expand promotion and advertising

³ 5,678 Lifeline Participants / 57,813 number of households in poverty.

of Lifeline in order to make potential Lifeline customers aware of this program, including:

- A. Revising and condensing the current Lifeline brochure.
- B. Utilize additional methods of outreach, e.g. Extension offices, United Way, Council on Aging, unemployment/job service centers, Social Security offices, AARP, etc.
- C. Design posters to be placed in SRS offices and other locations.
- D. Public service announcements.
- E. Place information about Lifeline on the Commission's website
- F. CURB suggested selecting a month, to be designated as Lifeline month, for kicking off an extensive promotion in coordination with the Governor's office. Similar coordination has been done in the past for the Kansas Relay service and other projects.
- G. SRS has agreed to inform clients about the Lifeline program during the initial interview.

Additionally, SWBT, as part of the SBC/Ameritech merger conditions,⁴ has committed to the following:

- A. spend no less than \$39,000 annually in Kansas to make potential customers aware of the enhanced Lifeline plan or other programs that benefit low income consumers,
- B. provide a toll-free telephone number for current and potential Lifeline plan customers to call for information or subscribe,
- C. provide a toll-free fax line for current or potential Lifeline customers to submit documentation,
- D. utilize a Voice Response Unit (VRU) to include information about the Lifeline plan on the VRU menu after the customer indicates an interest in obtaining new service.

Awareness of the program is vital to the success of the program. Expanding the

⁴ Any filing made by SWBT as a result of the SBC/Ameritech merger is subject to approval by the KCC.

advertising efforts to eligible participants is not enough. Potential customers must be made aware of the program on an ongoing basis. By expanding informational materials to other sources, a greater community awareness would result and lead to recommendation of eligibility on a more individualized basis. For example, a volunteer at the Augusta Senior Citizens Center heard about the program and recommended it to a person who was eligible to participate.

As a result of the forum, Sprint developed a survey that SRS representatives could administer to potential clients about the Lifeline Program. This survey will help determine if there truly is an awareness problem.

STAFF RECOMMENDATION:

Staff recommends the Commission develop 1) a generic brochure that can be sent to all Local Exchange Carriers, SRS offices, outreach offices, AARP, etc, 2) posters that advertise the Lifeline service to be placed in SRS offices around the state, 3) an informational guideline for SRS representatives to inform their clients about the Lifeline program, and 4) a website link on the Commission homepage that explains the Lifeline program. Additionally, Staff recommends the Commission enlist the aid of LECs, by placing prerecorded messages regarding Lifeline program availability on their customer service lines for “on hold” consumers.

3. Nonpayment of previous telecommunications services

Even if eligible customers have knowledge of the Lifeline program, they may not subscribe to the program because of prior unpaid bills for local or long distance services. The current Kansas Lifeline program prohibits LECs from denying re-establishment of service on the basis that the subscriber was previously disconnected for non-payment of long distance charges. As a side note, the Fifth Circuit recently ruled that the Federal Communication Commission (FCC) does not have jurisdiction under the Act to impose the “no disconnect” rule. In response, the FCC amended Part 54 of its rules to eliminate that provision.

A few of the LECs have voiced reservations about telling customers, who have not inquired, about the Lifeline program. They believe customers will be offended. Additionally, many low income people who have poor credit or old telephone debts often put their current telephone service in someone else’s name to avoid telephone providers’ attempts to collect old,

debt accounts. Currently, Lifeline participants are required to have the bill in their name.

As part of the SBC and Ameritech merger, SWBT has developed an Universal Service Assistance (USA) plan⁵. In regard to past due bills, USA customers will be offered payment arrangements for local service charges, with an initial payment not to exceed \$25.00 before service is installed and with the balance to be paid in six equal monthly payments. USA customers with past-due toll bills will be required to have toll restriction service until the past-due charges are paid. New USA customers will not be required to pay a deposit to obtain local service. However, SWBT may request a deposit for toll service unless the customer elects toll restriction service.

Low income households appear to have a high desire to have telephone service. There are approximately 13 competitive local exchange carriers (CLECs) targeting people who have had a bad debt experience in the past. They offer basic local telephone service (sometimes with toll restriction) on a prepaid basis, charging \$29.99-\$54.95 a month. SWBT recently filed tariffs to offer comparable prepaid telephone service at lower rates. Currently, these carriers are serving about 10,000 customers.

STAFF RECOMMENDATION:

Staff recommends the Commission investigate the benefits of requiring LECs to: 1) issue letters to disconnected customers, informing them of the Lifeline assistance, 2) include a specialized insert on Lifeline with disconnect notices, and 3) refer customers to the Lifeline program during collection contacts. Additionally, awareness campaigns should emphasize the benefits of the Lifeline program to customers or potential customers with poor credit histories.

4. Enrollment process

The Kansas Lifeline Service Program incorporates a self enrollment process. To enroll, a potential Lifeline customer must inquire about the service to its local exchange carrier. The customer must submit the proof of eligibility to the carrier.

⁵SWBT contends the USA plan must be adopted in its entirety without modification. The USA plan would be in effect for three years. However, the Commission may consider modifications to the current Lifeline plan consistent with the USA plan.

In order to remedy this problem, CURB recommended:

- A. Carriers verify applicant eligibility by finding the customer to be an active client in the records of low-income assistance programs by timely queries of SRS, LIEAP, or other databases.
- B. Eligibility be determined at least every two years (instead of every year).
- C. SRS assistance application forms be revised so that a client will be essentially automatically enrolled in Lifeline through negative selection process, whereby applicants would check a box if they do not want Lifeline assistance.

As part of the merger with Ameritech, SWBT agreed to provide prospective USA plan customers with:

- A. A written form that will permit the customer to self-verify eligibility through participation in one or more of the qualifying programs.
- B. SWBT will provide these forms to state agencies which administer qualifying programs so that the agencies can make the forms available to their clients.
- C. SWBT will negotiate with appropriate state agencies which administer qualifying programs to acquire on-line access to the agencies' electronic databases for the purpose of accessing the information necessary to verify a customer's participation in an eligible program.
- D. Where such on-line access can be negotiated, SWBT will provide on-line verification of eligibility for a customer claiming to be a current participant in one of the eligible programs.
- E. A toll-free telephone number to subscribe, or otherwise request information or assistance about, the Lifeline plan.
- F. A toll-free fax line to submit documentation associated with the Lifeline plan.

Other state Commissions have explored ways to enhance enrollment in the Lifeline Program. For example, the Nebraska Commission found that any local service provider must ask a customer applying for local service whether or not the person qualifies for the Nebraska Lifeline Program. If they qualify, the local service provider must verify with the Commission that the applicants are indeed qualified. Additionally, if the applicant requests additional services (toll) or changes providers, the local provider must notify the other carrier that the applicant is

qualified for the Nebraska Lifeline Program.⁶

In Wisconsin, local exchange service providers verify an applicant is eligible by finding the applicant is an active client in the records of the Wisconsin Department of Health and Family Services or to be a recipient of the Wisconsin Homestead tax credit in the past year. Eligibility verification is done through timely queries of the applicable databases of the Wisconsin Department of Health and Family Services or the Department of Revenue.

The Texas Public Utility Commission scheduled a workshop for November 10, 1999 to address automatic enrollment for Lifeline telephone service. The Commission planned to address the possibility of expanding the Texas Department of Health and Service database for automatic enrollment of consumers qualifying for Tel-Assistance to encompass qualifying Lifeline participants.

Vermont's Department of Social Welfare includes a standardized Lifeline subscription form in its standard application for public assistance. The Vermont Staff estimated approximately 45.15% of eligible households participate in the Lifeline Program.⁷

STAFF RECOMMENDATION:

Staff recommends the Commission initiate a proceeding to review the current eligibility criteria and verification process.

5. Eligibility Requirements

Income levels and household size are critical factors in determining if assistance is available for families. Many households with income under \$10,000 are eligible for assistance. Yet, many households in the \$10,000 - \$20,000 income category are not eligible for assistance which means they have fewer discretionary dollars. Families with low income, in the \$10,000 - \$20,000 range, who do not receive program assistance, may have the greatest difficulty maintaining telephone service.

⁶NPSC Order Initiating Docket and Seeking Comment NUSF-2 March 16,1999.

⁷*Lifeline Assistance Participation in Florida*, Florida Public Service Commission, October 1999.

Current eligibility requirements maintain that the recipient must have the telephone bill in his/her name, unless over the age of 60. Approximately 33% of medical card recipients are children who do not have a telephone bill in their name making them ineligible. However, the family of a medically needy child may still benefit from Lifeline. CURB recommends eliminating this requirement to include the parents of medical card recipients to increase Lifeline participation levels.

CURB, SRS, AARP, and Augusta Senior Citizens Center recommend implementing a poverty level guideline similar to Sprint's Lifeline tariff, such as, if income does not exceed 150% of the U.S. Census poverty level the subscriber is eligible for Lifeline. Many of the elderly households fall between the cracks for assistance. Either they are too proud to seek assistance or they receive just enough money to make them ineligible for assistance. The current Census Bureau poverty levels are \$8,240, \$11,060, and \$13,880 for family unit sizes of 1, 2, and 3.

The Commission initially requested an income criterion be included for those persons with fixed incomes who did not meet the public assistance criteria. This request required utilization of information from State Income Tax forms, and was determined unworkable under current law. Sprint/United found a way to include an income criterion for potential Lifeline participants:

The income criteria applied by Sprint/United require the telephone subscriber to submit a copy of the Federal Income Tax form (1040, 1040-A or 1040-EZ) to the Company. Sprint/United compares the Adjusted Gross Income reported to the published Federal poverty income level. If the income does not exceed 150% of that poverty level, the subscriber is eligible for Lifeline.⁸

Staff discussed with Sprint/United the amount of time required to administer the income criterion compared to administering the other criteria. The response was that there is minimal activity regarding Lifeline. Although the company has not tracked the time required to administer Lifeline, or the income criterion, sources indicated the impact to be both minimal and negligible.

⁸ United Telephone Company *General Exchange Tariff*, Section 13, Original Page 46.

Participants of the Forum suggested expanding the list of programs that qualify customers for the Lifeline program. All of the suggested programs have an income qualifying component. The suggestions include 1) Low Income Energy Assistance Program (LIEAP), 2) Homestead Property Tax, 3) Food Sales Tax Rebate program, 4) Earned Income Credit tax form (Federal), school breakfast program, and 5) Federal Food Commodity Program.

The SBC/Ameritech merger's Enhanced Lifeline Program includes additional eligible programs that include:

1. Home Energy Assistance Program (HEAP)
2. Emergency HEAP
3. Energy Credits Program (similar to the LIEAP program)
4. Federal Public Housing/Section 8
5. Disability Assistance (SSDI in Kansas)

STAFF RECOMMENDATION:

Staff recommends the Commission include an income criterion similar to Sprint/United's. Additionally, the Commission should initiate a proceeding to consider expanding the eligible assistance programs.

V. Toll Limitation and Blocking

The Commission directed Staff to include information on the availability, including charges, for toll limitation and toll blocking/restriction. The toll restriction feature is applied on the LEC side of the network. If a customer's line has toll restriction and the toll charges

associated with that line are billed directly by the IXC, the customer would have only limited access to the toll provider. Toll blocking/restriction prevents the placement of all long distance calls for which the subscriber will be charged. Toll limitation/control limits the toll charges a customer can incur during a billing period to a preset amount.

As part of the current Lifeline Program, the toll restriction feature is available to any Lifeline subscriber at no additional charge. Lifeline subscribers are not required to accept toll restriction service as a condition to avoid disconnection of local service for non-payment of toll. Both Sprint and SWBT waive deposits for local service. However, a deposit may be requested for toll service unless the customer elects toll restriction.

For the general public, the charges for choosing these two services are wide ranging. Toll restriction/blocking ranges from \$0.99 to \$4.10. Toll limitation (with PIN) range from \$3.50 to \$7.50.

Toll restriction/block is not 100% effective. For example, long distance carriers who do not use the LIDB database will not know there is a toll restriction. The IXC will go ahead and charge calls to a restricted number. There is also a problem with charging collect calls to a home number. Regular toll restriction may not cover collect calls. With today's technology it is difficult to block toll entirely.

VI. Conclusion

Staff has prepared this memorandum in an effort to analyze low levels of participation in the current Lifeline Program in Kansas, and to make recommendations to the Commission with respect to changes that may be appropriate to increase awareness, of and participation, in

Lifeline. With the help of CURB, SRS and industry participants, Staff has identified several aspects of the Lifeline Program which are ripe for refinement, including the lack of public awareness surrounding Lifeline, and the enrollment process and eligibility requirements to receive Lifeline assistance. Staff has made individual recommendations regarding all aspects identified and would further recommend the Commission open a generic docket to conduct a more in-depth analysis of the issues addressed herein.

CERTIFICATE OF SERVICE

(99 -GIMT-326-GIT)

I, the undersigned, do hereby certify that a true and correct copy of the foregoing *Notice of Filing of Lifeline Report* was placed in the United States Mail, postage prepaid on this 18th day of January 2000, to the following:

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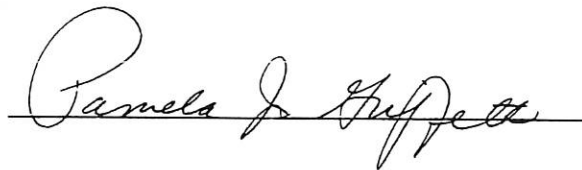
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A handwritten signature in cursive script, reading "Pamela J. Huffetta", written over a horizontal line.

The Fees That Ate My Phone Bill!

Access Fees for Unused Services, Century-Old Federal Levies And Other Inscrutable Charges

By REBECCA BLUMENSTEIN
Staff Reporter of THE WALL STREET JOURNAL

PHONE COMPANIES have cut long-distance phone charges to as little as five cents a minute, but consumers' phone bills are rising anyway.

Now a bulging grab-bag of charges—some new, some ancient, some duplicative and some simply inscrutable—is spurring complaints that the phone companies aren't just passing along costs but looking for new ways to expand their profits.

Here's a field guide to the bewildering world of phone fees:

The Cost of Copper

Take the subscriber line charge, for example. The Baby Bells and other local phone companies assess it monthly to cover the cost of the copper phone line that runs into consumers' homes to connect them to the network. The Baby Bells' fee is \$3.50 for the first line. But it rises to about \$6 for each additional line, whether for Internet access, a fax machine or the resident 13-year-old.

Bill Almon, who has three lines running into his house in Los Altos Hills, Calif., recently discovered that such charges accounted for \$15.42 of his monthly \$61.82 Pacific Bell phone bill. When he complained, Pacific Bell referred him to the Federal Communications Commission, which regulates the phone industry.

It turns out the disparity in charges is an attempt by regulators to make phone rates more equitable. The theory is that people with more than one line can afford to subsidize those who can barely afford one.

"It's crazy," says Gene Kimmelman, a director of Consumers Union's Washington office. "Second lines are actually in many ways cheaper than first lines. It's already in your home. It just needs to be switched on." And, notes Mr. Almon, the local phone company pockets the money. "It's all very convenient for everyone but the consumer," he says.

The Access Maze

In addition to the copper-line charge, there are three other fees consumers must pay for access to the nation's phone network. AT&T Corp. and other long-distance companies levy a monthly fee of about \$1.50 that's often called the Carrier Line Charge. If you don't sign up with a long-distance carrier because you don't want to make long-distance calls or you prefer to use a "dial-around" or prepaid service, you still have to pay the Carrier Line Charge to your local carrier. But Bell Atlantic's fee, at \$1.04, is lower than AT&T's. "Is there room to fudge? Sure," says Ken Rust, director of regulatory matters for Bell Atlantic Corp.

Another set of access fees is built into the basic charge for local service, while yet another is part of



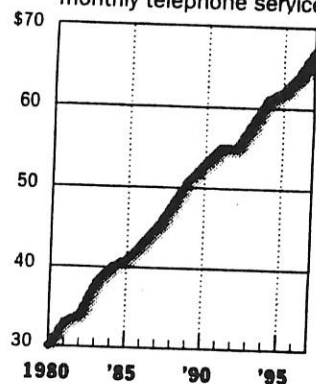
Ka-Ching!

Phone companies are collecting fees for a long list of extra services.

- **CALL WAITING:** Many consumers now consider call waiting, at a cost of about \$3 to \$5 month, as essential as a dial tone.
- **CALLER ID:** At about \$6 a month, this service identifies the numbers and name of incoming callers, which many consumers use to screen out unwanted calls.
- **CALL FORWARDING:** Consumers who want to forward their calls to their cell phone or weekend home can pay \$2 to \$3 a month to do so.
- **WIRE MAINTENANCE:** Local phone companies charge an extra \$2 to \$3 a month to consumers who don't want to be liable for any phone-wiring problems within the home.
- **ADDITIONAL LISTING:** Local phone companies charge extra if family members want separate listings. In the case of Bell Atlantic, the charge is \$1.97 a month after two free listings.

Sources: the companies, Bureau of Labor Statistics

Average household increases in cost of monthly telephone service



the per-minute rate charged by long-distance companies. "Hardly anyone in the planet understands how all of the access fees are built into the system," says Scott Cleland, an analyst with the Legg Mason Precursor Group. "Part of these fees are taxes, but others are company-inspired fees and regulatory

charges that are clever pricing gimmicks."

"The pricing structure is out of kilter," agrees John Nakahata, a former FCC chief of staff. He heads a coalition of most of the major phone companies that late last month proposed lumping some

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A Guide to Inscrutable Telephone Charges

Continued From Page B1

of the access fees together, reducing them for many consumers. Consumer groups complain that the plan, which would require Federal Communications Commission approval, doesn't go far enough.

The Price of Portability

Now that such companies as MCI WorldCom Inc. and AT&T are moving aggressively to build local phone business, there's a charge that reflects the desire of most people to keep their present phone numbers. Officially, the monthly 46-cent to \$1 "portability" fee per line covers the cost of letting customers keep their phone numbers if they switch local carriers. Customers pay it whether they switch or not.

Phone companies do incur capital costs building that capability into their systems. But what infuriates consumer groups is that such local phone companies as Bell Atlantic and SBC Communications Inc. levy the fee even in areas where there isn't yet any competition. The companies respond that they need to invest in the technology now to be ready when consumers are able to switch.

Rural Service

Long-distance companies also assess consumers a \$1.38 universal connectivity charge to pay for rural service, Internet access for schools and phone service for the poor. AT&T has started switching from that fixed monthly fee to charging 8.6% of a customer's monthly long-distance calls. It says the new approach will be fairer to low-usage customers. But the cost for those who make more than \$16 in long-distance calls a month will rise.

Meanwhile, millions of consumers who don't make enough long-distance calls have to pay monthly minimum charges of about \$3 per line, even when one of their lines is used solely for Internet access through a local service provider. AT&T, which started

the fees, says it needs to cover the cost of billing customers who don't make many calls. The minimum fees would be rolled back under the phone-company coalition's proposal. The monthly \$4.95 to \$9.95 consumers pay for the lowest long-distance rates would remain untouched.

Ancient History

Some charges have been around nearly as long as the telephone. The 3% federal excise charge that appears on every phone bill dates back to 1897, when the government needed a temporary measure to fund the Spanish American War. Teddy Roosevelt is long dead, but efforts to have the charge repealed—or to have it help pay for universal phone service—have been blocked by Congress. The money goes straight to the U.S. Treasury.

Many local phone companies include a fee of as much as \$1 a month per line for touch-tone service. The charge was instituted two decades ago when most people used rotary phones, and it reflected the higher costs phone companies incurred to route touch-tone calls through the nation's telephone network.

But touch-tone service is now the norm, and the phone companies know it. "Touch tone today doesn't cost what we charge customers," acknowledges Bell Atlantic's Mr. Rust. Bell Atlantic has rolled the fee into the cost of basic service in a number of states, but it still charges \$1 a month per line in New Jersey and about half that in Massachusetts and Delaware. GTE Corp. charges the fee in several of the states where it provides local service, and Bell-South Corp. includes a \$1-\$2 touch-tone fee in its basic charges.

All the line charges and access fees leave many consumers feeling as though they are being charged for basic phone services by both their local and long-distance company. With the fees, monthly mini-

mums and flat charges, the bottom 50% of consumers are paying more than \$2 billion a year more for the same amount of calling than they did three years ago, according to a study conducted by Consumers Union. The FCC's own Telephone Trends report recently found that consumer phone bills, which average about \$67 a month, have "risen significantly since 1980."

But FCC officials say the jump is primarily a result of consumers talking more and getting hooked on features such as call waiting and voice mail. "Yes, the phone bill has increased, but the rate has been slower than the consumer-price index," says an FCC spokesman. "The FCC is working to ease the total cost of all consumers' phone bills."

Company officials say they need to recover costs for universal access and technological improvements in an industry that was once a highly regulated monopoly. They insist the phone companies don't profit from most fees. "The whole package of basic services costs more than consumers pay," says Bell Atlantic's Mr. Rust.

Most consumer groups don't buy that logic, comparing the fees to road tolls levied long after bridge or highway projects have been paid for. "These fees are just padding the rates and overcharging," says Mr. Kimmelman of Consumers Union.

Many state and local governments have also found it convenient to ask the phone companies to collect a host of local taxes covering everything from local 911 services to infrastructure maintenance fees. Phone companies say they have no choice but to pass the taxes along.

But some customers say they won't take it any longer. Erik Nelson, a 29-year-old Manhattan lawyer, is considering shelving his traditional line because of all the fixed monthly charges on his phone bills. "I think it would just be simpler getting rid of my phone and going wireless," he says.