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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, DECEMBER 17, 1997

COMMONWEALTH OF VIRGINIA, ex rel.,

STATE CORPORATION COMMISSION

CASE NO. PUC970166

Ex Parte: in re: Consideration of
changes in universal service support
for low-income customers as required
by federal regulations

ORDER AMENDING VIRGINIA UNIVERSAL SERVICE PLAN

The Telecommunications Act of 1996, 47 U.S.C. § 251 et seq.(the "Act")¹ has required the Commission to take various actions with regard to the provision of universal telecommunications service.² These actions include designating telecommunications carriers eligible to receive universal service support, which the Commission has undertaken in Case No. PUC970135, and implementing discounts for telecommunications services for eligible schools and libraries throughout the Commonwealth, which was done in Case No. PUC970063.³

In this docket, the Commission is considering changes to the Virginia Universal Service Plan ("VUSP"), under which eligible lower-income Virginians may obtain certain telephone services at reduced charges, that might be necessary to conform the VUSP to federal requirements.

On November 7, 1997, the Commission entered an Order for Comments, directing interested parties to file comments on or before December 1, 1997.⁴ Timely comments were filed by a number of parties, addressing the questions raised by the Commission in the Order.

Currently, all incumbent local exchange carriers ("ILECs") in Virginia participate in the VUSP. This plan includes the two federal Lifeline Assistance programs, as well as the federal Link-Up program. One Lifeline program provides for a qualifying subscriber's telephone bill to be reduced by \$3.50 per month. That customer's ILEC receives half of this amount from the federal Lifeline Assistance fund, and the other half is funded by intrastate sources. The other Lifeline program provides for greater customer savings by allowing a federal waiver of the entire Subscriber Line Charge ("SLC") (\$3.50 per month) insofar as the waived amount is matched by intrastate supplied funds. Under this plan, the customer's bill may be reduced by at least twice the amount of the SLC.

New federal regulations have changed the current levels of federal support for Lifeline assistance programs, such that program participants may realize greater reductions in the rates for certain telephone services without additional costs being imposed on the local exchange carriers. The Commission has concluded that it is in the public interest for eligible local exchange carriers operating in Virginia to participate in these programs and take advantage of available federal funds to make local telephone service even more affordable for qualifying low-income customers.

To accomplish this goal, the Commission will order and direct each participating telephone company to maintain at least its current level of state support for these programs. That is, companies currently participating in the first Lifeline program are directed to continue to provide at least \$1.75 per month in matching state funds, which will result in overall bill reductions for participants of \$7.88 per month.⁵ Companies currently participating in the second Lifeline

program are directed to provide at least \$3.50 per month in matching state funds, which will result in overall bill reductions for participants of \$10.50 per month.⁶ Companies may modify their participation in the VUSP so as to maintain at least a nominal monthly rate for service.⁷

The Commission finds further that all companies participating in the VUSP shall adopt the customer eligibility requirements established in Case No. PUC960036.⁸ Under the terms of this Order, therefore, all participating companies will provide state Lifeline service support under 47 C.F.R. § 54.409(a).

The further reductions for VUSP rates established by this Order shall be effective not later than March 3, 1998. Any carrier that is unable to comply with this implementation requirement should file a request for an extension of time showing good cause for such extension.

The Commission also finds that all incumbent local exchange companies currently participating in the Virginia Universal Service Plan must amend their tariffs to comply with applicable federal regulations.⁹ In particular, the Commission wants to ensure that all carriers comply with 47 C.F.R. § 54.401(b) and (c), which prohibit carriers from disconnecting Lifeline service for non-payment of toll charges, and from collecting customer service deposits in order to initiate Lifeline service to any customer who voluntarily elects toll blocking service. In addition, some companies may need to revise their VUSP tariffs to reflect the provision of toll blocking at no charge. Also, tariffs shall comply with requirements on Link-up assistance for subsequent installations set out in 47 C.F.R. § 54.411(c).

The Commission will require eligible carriers to comply with these and all other applicable federal requirements effective January 1, 1998, but in view of the short time frame available to make all such tariff changes, companies may have until March 3, 1998, to effect the necessary tariff and rate revisions.

Accordingly, IT IS ORDERED THAT:

- (1) Each eligible telephone company shall implement rate changes to the Virginia Universal Service Plan, consistent with the requirements set out herein, not later than March 3, 1998.
- (2) Each eligible telephone carrier shall comply with federal Lifeline service regulations regarding customer deposits, termination for non-payment of toll service, provision of toll blocking at no charge, Link Up assistance, and other relevant provisions effective January 1, 1998.
- (3) Each eligible telephone company shall file all necessary tariff revisions with the Commission's Division of Communications on or before February 1, 1998, to be effective not later than March 3, 1998.
- (4) This matter is continued for further orders of the Commission.

¹ The associated federal regulations, 47 C.F.R. § 54.400 - .417, further delineate the Commission's responsibilities. Section .405 of those regulations requires all eligible telecommunications carriers to make Lifeline service available to all qualifying low-income customers.

² On September 29, 1997, the Federal Communications Commission ("FCC") released Public Notice DA-1892 in which it announced procedures for State commissions to notify the FCC and the Universal Service Administrative Company ("USAC") on certain universal service matters by December 31, 1997. ³ Final Order, Case No. PUC970063, June 30, 1997.

⁴ Later amended to December 12, 1997.

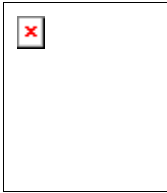
⁵ Currently, these companies provide \$1.75 of intrastate funds, matched by federal sources, for a \$3.50 base rate reduction. Under the new regulations, an additional \$1.75 will now be supplied from federal sources, for a base reduction of \$5.25 (\$3.50 + \$1.75). Federal sources will also match one-half of state supplied funds. One-half of \$1.75 is \$0.88. Summing all these funds (\$5.25 + \$1.75 + 0.88 = \$7.88) yields the rate reduction.

⁶ For these companies, the base reduction of \$5.25, with \$3.50 of state supplied funds, matched by \$1.75 of additional federal funds (\$5.25 + \$3.50 + \$1.75 = \$10.50) yields the rate reduction.

⁷ No carrier will be required to provide service below \$1 per month, except those currently providing service at rates lower than \$1. No carriers will be required to reduce any rate that is currently below \$1 per month.

⁸ Commonwealth of Virginia, At the relation of the State Corporation Commission Ex Parte, in re: In the matter of investigating telephone regulatory methods pursuant to Virginia Code § 56-235.5, etc., Final Order, October 18, 1994. Eligibility criteria established in this case include Medicaid and food stamp programs recipients.

⁹ Several companies have already filed tariff revisions to become effective on January 1, 1998.



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