



**STATE OF DELAWARE
PUBLIC SERVICE COMMISSION**

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MEMORANDUM

TO: The Chair and Members of the Commission

FROM: Connie S. McDowell
Senior Regulatory Policy Administrator *CSM*

DATE: March 21, 2016

Subject: NARUC's Request to Support its Position on a Resolution on Reform of Lifeline Program and Telecommunications Carriers Eligible for Universal Services Support

On June 22, 2015, the Federal Communications Commission ("FCC") released a Second Further Notice of Proposed Rule Making, Order on Reconsideration, Second Report and Order, and Memorandum Opinion and Order for WC Docket No. 11-42, 09-197, and 10-99 captioned "In the Matter of Lifeline and Link-up Reform and Modernization, Telecommunications Carriers Eligible for Universal Service Support and Connect America Fund.

In 1996, federal regulations were enacted to make telecommunications services affordable to low income individuals. Telecommunications service providers providing wireline local telecommunications services could apply and obtain approval from State Commissions to be an eligible telecommunications carrier ("ETC"). The carrier had to offer dialtone line and access to 911 service to qualified low income individuals at a price of \$5.25 per month. These low income individuals had to be qualified by the Delaware Department of Health and Social Services. The carrier providing these services could obtain monies from the Universal Service Fund (set up by the FCC and administered by a third party entity which also was set up by the FCC) to make them whole (State Commission authorized dialtone rate - \$5.25). For several years, Verizon Delaware, LLC was the only ETC in Delaware. Also, during this time, 97% of the people living in Delaware had wireline telephone service and Verizon's dialtone rate was \$9.40 per month, which was considered low in comparison to other states. Therefore, it was felt that it was not necessary for a State Universal Service Fund to be set up.

Since that time, the Delaware Public Service Commission has had a couple telecommunications service providers apply to be an ETC, but I believe they have dropped their requests.

Currently, both wireline and wireless carriers can become ETCs and provide lifeline telecommunications services. The FCC certifies the wireless carriers since Delaware does not regulate wireless telecommunications services. Also, eligible participants receive \$9.25 towards their wireline and wireless bills, with no restrictions on what services they have.

NARUC is seeking Commissioners' support of its comments to the FCC on its June 22, 2015 Second Further Notice Request. The first issue of concern is removing the requirement of State certifying ETCs and having the FCC perform the certifying process. The FCC already has a backlog of certifying wireless carriers and with broadband providers being permitted to be certified as ETCs, that backlog potentially will become greater. This would be a disservice to eligible participants who will have a greater choice in their selection of ETCs. Also, many states have their own universal service fund which provides additional monies to eligible participants in their state. It will be harder for them to know if the telecommunications service providers have been certified and are eligible to receive funds from their funding. States may not receive information from these FCC approved ETCs, so they can monitor the activities of these providers for fraud and abuse. Fraud and abuse have been big issues in funding in the past few years. The FCC has had to make rule changes to try to curtail fraud and abuse problems. Limiting state commission oversight of ETC can also result in ETCs providing substandard services to lifeline customers.

Although, Delaware has not encountered issues the provision of lifeline telecommunications services, complaints from consumers or certifying or revoking certification of ETCs, this Commission could still support NARUC comments to the FCC. This would provide support to other state commissions who have had issues and could encounter more, if the FCC sides with industry-driven ex partes.