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To: Public Service Commission

From: Chris Parker, Director, Division of Public Utilities

Date: May 10, 2013

Re: Federal Lifeline Compliance

As you know, the Federal Communications Commission (FCC) has imposed new standards for Lifeline customer eligibility certification and recertification. Our staffs have worked together with the Department of Workforce Services (DWS) in an attempt to comply with the new requirements. The expense and the limitations of the DWS work on recertification have led us to conclude that some changes are required to the Commission's rules to comply with the FCC's requirements in an economical and sensible way and serve the public interest. The changes would avoid the need for FCC waivers that would otherwise be required to address the DWS's limitations if the current rule were to be followed. Further, the changes will enable wireless and wireline Lifeline eligibility to be determined in the same manner.

Before describing the proposed framework for certification, which is simple, I should note that the DPU has been fairly involved in recertification in recent years. Largely in service to the carriers and to ensure a smooth process, the DPU has voluntarily acted as a liaison between carriers and the DWS. While this process has had benefits, it has also become more time-consuming in the past year. This is only one factor leading the DPU to conclude changes are needed.

In short, the DPU believes that:

- 1) initial certification for Lifeline eligibility should be done by the carrier, whether wireless or wireline; and
- 2) annual recertification should be accomplished by carriers first submitting information to the DWS for an automated query of program databases to verify program-eligibility, then, for those not verified in the automated process, by the carrier verifying either income or program eligibility.

A version of this process is already followed by wireless Lifeline carriers, which serve a large majority of Lifeline customers in the state.

The DWS can verify some program eligibility rather simply. Income verification and additional program eligibility determination is a more work-intensive process. In various meetings with various DWS personnel, it has become clear that the DWS can quickly process automated information. However, if it is to handle the non-automated processes, the DWS informs us that it will need a 12-month rolling period to complete the work. This would necessitate a waiver from the FCC, which the DPU is not sure could be obtained. This is only one example of the DWS's limitations.

Even assuming the DWS could and would handle all certification and recertification steps, that work would add to the program's administrative expense, which is already quite high relative to the customer benefits paid. Roughly estimating based on past annual expenses, administrative expenses appear to be around \$200,000 while benefits total a bit more than \$500,000. Choosing greater DWS involvement would further exacerbate the problem of high administrative expenses.

Current Lifeline rules, which in any event need changes to comply with the FCC's de-enrollment guidelines, will need to reflect this proposed process. The DPU believes these changes will simplify the rule and the process while saving administrative expense and continuing to reasonably protect the fund from fraud. In connection with the necessary rule changes, the DPU recommends the Commission close Docket No. 10-2528-01, instead using the rulemaking process to address Lifeline changes.

Cc: Docket No. 10-2528-01 Service List

Gordon Walker, Department of Workforce Services