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September 11, 2008

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PUBLIC SERVICE
COMMISSION

VIA FEDERAL EXPRESS

Ms. Stephanie Stumbo
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

RE: An Inquiry Into Universal Service and Funding Issues
Administrative Case No. 360

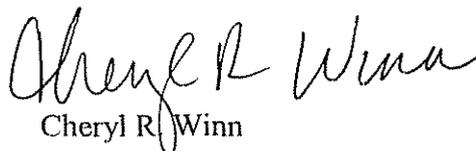
Dear Ms. Stumbo:

On July 23, 2008, the Commission ordered all Eligible Telecommunications Carriers ("ETC's") that were unable to complete their Lifeline audit by August 15, 2008, to submit a status report every 30 days regarding the progress made on concluding the Lifeline audit report. Pursuant to the Commission's July 23 Order, BellSouth Telecommunications Inc. d/b/a AT&T Kentucky ("AT&T Kentucky") submits its status report.

In late July, the Commonwealth of Kentucky Cabinet for Health and Family Services (the "Cabinet") sent AT&T Kentucky a Memorandum of Understanding (MOU), nearly identical to the one executed between the parties in 2007, and requested AT&T Kentucky provide edits to that MOU reflecting the use of AT&T Kentucky's on-line verification process. AT&T Kentucky provided an edited version of the MOU to the Cabinet. The Cabinet has advised AT&T of its intention to execute the agreement and a conference call was held on September 11, 2008, to discuss and finalize the technical details of the process. AT&T hopes to be able to download its KY Lifeline subscriber list the last Friday of September to initiate the audit process. Should the process remain on schedule, it should give AT&T Kentucky adequate time to complete the audit process by the end of 2008.

AT&T Kentucky will provide the Commission its next status report on or before October 15, 2008.

Sincerely,


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