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## **NEWS RELEASE**

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# **PSC Delays Revamp of State Low-Income Phone Subsidy**

## ***Decision to be reviewed in light of new state law deregulating phone service***

**FRANKFORT, Ky. (April 24, 2017)** – The Kentucky Public Service Commission (PSC) has put on hold a decision changing the state’s subsidy program for low-income telephone customers in order to assess the impact of a law enacted after the decision was issued

In an order issued Thursday, the PSC rejected a number of arguments against the decision, finding persuasive only the calls to review its March 10 decision in light of a telephone deregulation bill that became law on March 20. The measure removes nearly all remaining regulation of landline telephone service in most of Kentucky.

“The enactment of Senate Bill 10 has raised sufficient questions to warrant additional proceedings to consider the impact on (the PSC’s earlier order), especially with regard to the Commission’s jurisdiction over the wireline providers of Lifeline,” the PSC said.

A rehearing of the March 10 order had been sought by a number of wireless telephone companies, the Office of Attorney General and by AT&T Kentucky, the state’s largest landline telephone provider. Several of the parties argued that Senate Bill 10 removes PSC jurisdiction over all aspects of AT&T Kentucky’s landline service.

The PSC’s March 10 order ended, effective May 1, Kentucky’s \$3.50 monthly per-customer payment to carriers that provide wireless phone service for eligible low-income customers. It left in place an equivalent subsidy for landline phones, and increased it gradually to offset the loss of federal funds on a dollar-for-dollar basis.

Eliminating the state Lifeline subsidy for wireless phones would reduce the financial pressure on the Kentucky Universal Service Fund (KUSF), which is the source of Kentucky’s Lifeline subsidies. It is funded by a 14-cent monthly surcharge on each phone line in the state.

Under the earlier PSC order, the surcharge was to drop to 3 cents on July 1, 2017, because the state subsidy would support far fewer customers.

Until the PSC issues a decision after rehearing the case, the state Lifeline program will remain unchanged and the 14-cents-per-line surcharge will continue to be collected.

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In requesting the rehearing, the wireless carriers contended that ending the state subsidy to their customers was discriminatory. The PSC rejected that argument, noting that its decision was prompted in large measure by a decision by the Federal Communications Commission (FCC) to phase out subsidies to low-income landline customers.

The PSC said its earlier order “does not unfairly favor one type of technology over another. In fact, the opposite is the case.”

“If anything, (the earlier order) addresses an inequity created by the FCC” when it removed subsidies for landline providers of Lifeline services, the PSC said in Thursday’s order.

The state subsidy now goes to about 166,000 customers, all but about 17,000 of whom use it for wireless service.

In Thursday’s order, the PSC directed the parties to the case to file by May 10 their written arguments on the impact of Senate Bill 10 on the PSC’s earlier order.

Thursday’s order and other records in the case are available on the PSC website, [psc.ky.gov](http://psc.ky.gov). The case number is 2016-00059.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 75 employees.

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