

1. If not already provided in a previous response to a Commission Staff request for information, respond to the following:
 - a. Provide the monthly Kentucky Universal Service Fund ("KUSF") forms¹ ("KUSF form") submitted to the Commission and the Department of finance and Administration from January 2014 to the present.
 - b. Explain how the total number of subscriber lines is calculated for the KUSF form when a new customer receives service in the middle of a month.
 - c. Explain how the total number of subscriber lines is calculated for the KUSF form when a customer leaves in the middle of a month.
 - d. Explain how the KUSF surcharge remittance is calculated when you experience a bad debt. Explain whether none of the surcharge amount or the full surcharge amount billed to, but not paid by, the customer is remitted.
 - e. State whether the KUSF surcharge billed to a customer is prorated if the customer has service for less than a full month.

Response:

- a. Please see Attachment 1 to AT&T Kentucky's Response to the KPSC Staff's First Request for Information to Parties that Received Payment from the Kentucky Universal Service Fund that was filed on April 27, 2016.
- b. Please see AT&T Kentucky's Response to Item 2 in its Response to the KPSC Staff's First Request for Information to All Parties that was filed on April 27, 2016.

¹Commission Staff's First Request for Information referred to these forms as "reimbursement" forms. In this request, Commission Staff is referring to the forms that the parties are to file monthly pursuant to the Commission's decision in *An Inquiry into Universal Service Funding Issues*, Administrative Case No. 360 (Kentucky PSC May, 22, 1998) (form last revised March 10, 2016}. These forms are to be filed regardless of whether a party is seeking reimbursement from the KUSF.

Response: (continued)

- c. Please see AT&T Kentucky's Response to Item 2 in its Response to the KPSC Staff's First Request for Information to All Parties that was filed on April 27, 2016.
- d. Please see AT&T Kentucky's Response to Item 4 in its Response to the KPSC Staff's First Request for Information to All Parties that was filed on April 27, 2016.
- e. When a customer has service for less than a full month, the surcharge is prorated.

2. If no KUSF forms have been submitted to the Commission and the Kentucky Department of Finance and Administration from January 2014, to the present, explain why the KUSF forms have not been submitted.
- a. If no KUSF forms have been submitted, state whether you collect the KUSF surcharge from your customers.
 - b. If you do not collect the KUSF surcharge from your customers, explain why the KUSF surcharge has not been collected.
 - c. If no KUSF forms have been submitted, state whether you remit the KUSF surcharge to the Kentucky Department of Finance and Administration.
 - d. If you do not remit the KUSF surcharge to the Kentucky Department of Finance and Administration, explain why the KUSF surcharge has not been remitted.

Response:

- a. N/A. AT&T Kentucky has submitted the referenced KUSF Forms. Please see Attachment 1 to AT&T Kentucky's Response to the KPSC Staff's First Request for Information to Parties that Received Payment from the Kentucky Universal Service Fund that was filed on April 27, 2016.
- b. N/A. Please see response a. above.
- c. N/A. Please see response a. above.
- d. N/A. Please see response a. above.

3. Explain the anticipated impact, if any, that the FCC's recent *Lifeline Reform Order*² will have on the provision of Lifeline service in Kentucky, including, but not limited to, verifying eligibility of Lifeline customers; the potential provision of broadband service; and, the impact of the reduction of Federal Universal Service funding for voice service.

Response: The Lifeline Reform Order makes many changes to the federal Lifeline program, both substantively and administratively. The Lifeline program and the requirements it imposes on participating providers are complex, and further state-specific requirements can complicate providers' administration of their Lifeline programs even further. AT&T urges the Kentucky Commission not to adopt additional Lifeline requirements beyond the FCC's requirements, as the Kentucky Commission, commendably, has largely done to date. This simplifies what providers must do to participate in Lifeline in Kentucky, simplifying compliance and administration, encouraging voluntary provider participation in Lifeline. Ultimately, increasing voluntary provider participation in Lifeline will help to maximize the Lifeline service choices available to participating consumers.

With respect to the specific areas about which this question inquires:

- **Eligibility Criteria** - Kentucky should align its state Lifeline eligibility criteria with the new streamlined federal eligibility criteria, effective on the same effective date as the streamlined federal criteria go into effect. When the streamlined federal criteria take effect, states will be required to use only the federal eligibility criteria to qualify consumers for federal Lifeline benefits in those states. State-specific criteria will no longer be permitted to qualify consumers for the federal Lifeline benefit. Even if a state's current Lifeline rules include only the existing federal eligibility criteria, that state will be out of alignment as of the effective date of the FCC Lifeline Modernization Order. If a state is out of alignment with the streamlined federal criteria, consumers who are already participating in the program likely will be confused if, following their annual recertification for Lifeline participation, their Lifeline discount changes as a result of the eligibility criterion used to demonstrate continued Lifeline eligibility.

²See Lifeline and Link Up Reform and Modernization, we Docket No. 11-42; Telecommunications Carriers Eligible for Universal Service Support, we Docket No 09-197; Connect America Fund, we Docket No. 10-90, Third Report and Order, Further Report and Order, and Order on Reconsideration (Rei. April 27, 2016). ("Lifeline Reform Order").

Response: (continued)

Therefore, AT&T Kentucky respectfully recommends that Kentucky modify its state Lifeline eligibility criteria to incorporate the federal Lifeline criteria by reference, and the effective date for the modification to the Kentucky Lifeline eligibility rules should mirror the effective date for the federal eligibility rules.

- **Eligibility determinations:** Going forward, once implemented in Kentucky, the National Eligibility Verifier will make all consumer eligibility and recertification determinations and perform other functions necessary to enroll eligible consumers in the Lifeline program, using a Lifeline Eligibility Database, identifying all consumers found eligible by the Verifier. Lifeline providers' administrative role with respect to these matters will be eliminated. Implementation details for the National Eligibility Verifier and Lifeline Eligibility Database are to be determined at this time. The FCC has directed that the Verifier and Database be implemented in all states by December 1, 2019.
- **Discount reimbursements.** The FCC has directed that once the Verifier and Lifeline Eligibility Database are implemented in a state, Lifeline providers serving that state will no longer need to file FCC Form 497 Lifeline subscriber line counts to obtain reimbursements for Lifeline discounts provided to participating consumers; instead, participating providers will be reimbursed based upon the consumers they have claimed in the Lifeline Eligibility Database. AT&T recommends that the Kentucky Commission consider similarly leveraging the information in the Lifeline Eligibility Database to reimburse participating providers offering the Kentucky \$3.50/month state Lifeline discount, to eliminate the need for separate monthly Kentucky specific Lifeline subscriber count submissions for reimbursement purposes. As implementation details of the Lifeline Eligibility Database are pending at this time, the Kentucky Commission and interested parties may need to consider this item in further detail at a later time.

Response: (continued)

Streamlining what providers must do to obtain reimbursement for their Kentucky state Lifeline discounts will simplify participating providers' financial reconciliation processes and reimbursement processes, encouraging voluntary provider participation in Lifeline, which can help to maximize the Lifeline service choices available to participating consumers.

- **Lifeline-supported discounts on broadband Internet access services (“Lifeline BIAS”):** Once the FCC’s new rules become effective, federal Lifeline discounts may be applied to BIAS. Existing voice Lifeline providers must offer Lifeline BIAS in areas where they commercially offer Internet access services pursuant to their high-cost obligations. For example, Connect America Fund Phase II (“CAF II”) model-based support recipients must offer Lifeline BIAS where they offer Internet access services that met the minimum Lifeline standards in their CAF II areas. Beyond that, existing voice Lifeline providers may voluntarily offer Lifeline BIAS elsewhere or may avail themselves of forbearance relief and choose to offer only voice Lifeline discounts. Any existing Lifeline provider that wishes to offer voice Lifeline discounts only must notify the FCC within 60 days of Office of Management & Budget approval of the Lifeline Order that they are availing themselves of forbearance from offering Lifeline BIAS.

Response: (continued)

- **Streamlined entry and exit for Lifeline Broadband Provider ETCs (LBP ETCs):** The FCC created a new class of federal LBP ETCs for providers newly entering the federal Lifeline program to offer Lifeline BIAS. LBP ETCs are to be designated solely by the FCC,¹ subject to a shot clock for LBP ETC designations and relinquishments:
 - LBP ETC designation petitions are deemed granted within 60 days unless the FCC notifies the petitioner otherwise, if the petitioner offered Internet access service for at least 2 years and serves at least 1,000 non-Lifeline customers with voice and/or Internet access services; or if the petitioner is a facilities-based provider serving Tribal lands. All other LBP ETC designation petitions must be acted upon within 6 months.
 - LBP ETC designation relinquishments are deemed granted within 60 days unless the FCC notifies the LBP ETC otherwise.

See 47 C.F.R. § 54.202(d), § 54.205(c).

AT&T recommends that the Kentucky Commission adopt the same ETC designation and relinquishment shot clock periods for ETCs that the Kentucky Commission designates. Streamlining Kentucky's ETC entry and exit processes in this manner will encourage voluntary provider participation in Lifeline, which can help to maximize the Lifeline service choices available to participating consumers.

¹ The National Association of Regulatory Utility Commissioners (NARUC) has filed a petition for judicial review of the FCC's decision to preempt state commission authority over LBP ETC designations. *See* Petition for Review, *National Ass'n of Regulatory Utility Comm'rs v. FCC*, Case No. 16-1170 (D.C. Circuit filed June 3, 2016).

Response: (continued)

- **Federal Lifeline support for voice service.** The current non-Tribal federal Lifeline support amount remains at the current \$9.25/month level, for both fixed and mobile voice (and once the applicable federal Lifeline rules go into effect) for fixed and mobile BIAS, through November 30, 2019. The “one discount per household” rule has been retained, such that a participating household may have either one Lifeline voice discount or one Lifeline discount on Internet access services, but not both.

Beginning 12/1/19, federal Lifeline support for standalone voice service will be phased out to \$0, by December 1, 2021, subject to certain exceptions to a Lifeline Marketplace Report by the FCC’s Wireline Competition Bureau due June 30, 2021, that may lead to additional changes. The FCC found that the price of voice service generally, and mobile voice services in particular, is declining in the marketplace, with a large variety of reasonably priced voice options available today; some mobile voice-only plans run as low as \$10/month. The FCC further observed that mobile voice adoption exceeded 90% overall and 84% for low-income adults. To ensure that the Lifeline program would encourage providers to make available modern services to Lifeline customers, the FCC decided to phase out support for stand-alone voice. ¶¶ 55-67. Time will tell what impacts, if any, phasing out support for stand-alone voice will have.

4. In light of the *Lifeline Reform Order*, explain how a reduction in the amount of, or elimination of, KUSF support would impact the provision of Lifeline service in Kentucky.

Response: AT&T does not take a position on the whether the Kentucky Commission should reduce or eliminate KUSF support for Lifeline. This is a policy decision for Kentucky policymakers. However, if the Kentucky Commission reduces or eliminates KUSF support for Lifeline, the Kentucky Commission should also make clear that no Lifeline provider has any obligation to offer Kentucky Lifeline discounts, except to the extent that it is eligible to be reimbursed for the Kentucky discounts. If, for example, the Kentucky Commission eliminates KUSF Lifeline reimbursements, but requires that Lifeline providers continue to make available the current \$3.50/month state Lifeline discount, the result would be to impose an unfunded mandate upon participating providers. This would discourage voluntary provider participation in Lifeline, ultimately inhibiting the Lifeline service choices available to participating consumers.