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December 11, 2008

VIA FEDERAL EXPRESS

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

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**PUBLIC SERVICE
COMMISSION**

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

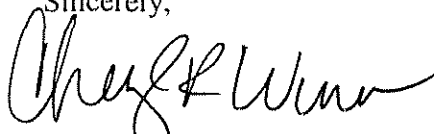
Dear Ms. Stumbo:

On July 23, 2008, the Commission ordered all Eligible Telecommunications Carriers ("ETCs") 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. The Cabinet reviewed the submitted changes and provided an executed MOU to AT&T Kentucky. AT&T Kentucky executed the MOU and returned it to the Cabinet. AT&T Kentucky downloaded its KY Lifeline subscriber list; provided a digital secure ID to the Cabinet; and, forwarded a password to the Cabinet to access the Lifeline subscriber file. The AT&T KY Lifeline subscriber file was processed on December 8, 2008. AT&T then sent letters to those Lifeline subscribers deemed ineligible requesting qualifying documentation within 60 days in order to continue receiving the Lifeline credit. AT&T should complete the Lifeline verification process in February 2009.

AT&T Kentucky will provide the Commission its next status report on or before January 15, 2009.

Sincerely,



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