



Matthew G. Bevin
Governor

**OFFICE OF THE GOVERNOR
KENTUCKY OFFICE OF HOMELAND SECURITY
Office of the 911 Coordinator/
CMRS Board**

Joe Barrows
Executive Director

125 Holmes Street
Frankfort, Kentucky 40601
502-564-3911 Fax 502-696-5295
www.cmrsboard.ky.gov

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MAY 26 2016

Public Service
Commission

Aaron Greenwell
Acting Executive Director
Public Service Commission
PO Box 615
211 Sower Boulevard
Frankfort, KY 40601

May 24, 2016

Re: PSC Case # 2016-00059
Lifeline Inquiry

Dear Director Greenwell,

The Kentucky Public Service Commission initiated a review of the Lifeline Program in January 2016. The Commission's immediate objective was to make a decision on how to maintain the solvency of the USF fund based on input from the public and stakeholders.

The broader agenda was a thorough review of the Lifeline program. To that end, the Commission issued its first 'Request for Information' to the service providers that remained parties. The Commission requested the "reimbursement" documents whereby providers claim reimbursement from the Federal USF and this state's USF for their Lifeline subscribers. With that information, the PSC will know just how much money was paid from the respective USF funds not only in grand totals but on a company by company basis.

The CMRS Board collects a state 911 surcharge of 70¢ per month on CMRS connections (cell phones). For providers of cell phone service on a "prepaid" basis the amount of surcharges due is calculated using a formula which is based on the provider's Kentucky revenues. Providers of prepaid cell phone service designated as ETC's for participation in the Lifeline program therefore must include federal and state Lifeline reimbursements as revenue in the calculation of the surcharge amount to be remitted to the CMRS Board.

The PSC in granting ETC status to wireless providers in the last few years conditioned that approval on their commitment to pay the state's "911 fee."

As part of the Commissions' review of the Lifeline program, it should ascertain whether or not providers are complying with that requirement by simply asking that question in a second (or subsequent) "Request for Information" directed to those providers who sought ETC designation solely for the wireless

low income Lifeline portion of the program –essentially all those parties herein who applied for and were granted ETC status for the low income Lifeline program since 2009.

The request is relevant to the Commission's inquiry because the impact on Lifeline providers having to pay the 911 fee may ultimately impact a decision by an ETC to continue to provide Lifeline service. The Commission may consider raising the state USF reimbursement to offset the 911 fee as one of its recommendations at the conclusion of the review. The Commission's inquiry on the point is completely appropriate not only to get a sense of the impact of collecting the 911 fee from providers of prepaid service under current law but to anticipate the impact of HB 585 (2016 session) which alters the method for collecting the 911 fee from providers of Lifeline service. That change will increase the amount of 911 fees that will be collected from providers of Lifeline service.

Please let me know if additional information is needed. Thank you for your consideration.

Sincerely,



Joe Barrows

Joe Barrows
Executive Director
CMRS Board

cc: Jeb Pinney