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DOCKET NO.

In the Matter of \_\_\_\_\_ IN THE MATTER OF THE  
INVESTIGATION INTO THE LIFELINE  
AND LINK UP PROGRAMS

## Public Utilities Commission of the State of South Dakota

DATE	MEMORANDA
8/28/97	Filed and Spectated;
8/28/97	TC Top Flying;
9/2/97	Comments of HT+T;
9/2/97	Comments of HTIC;
9/2/97	Comments of US West;
10/16/97	Order for antitrust of Hearing;
11/3/97	Transcript of Hearing held on record of 10/29/97;
11/18/97	Final Order and Decision, Notice of Entry of Decision;
11/18/97	Docket Closed.

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**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE INVESTIGATION ) ORDER OPENING DOCKET  
INTO THE LIFELINE AND LINK UP )  
PROGRAMS )  
TC97-150  
)

At its August 18, 1997, regularly scheduled meeting, the Public Utilities Commission (Commission) voted to open a docket concerning the Federal Communications Commission's Report and Order on Universal Service regarding the Lifeline and Link Up programs. In its Report and Order, the FCC decided that it would provide for additional federal support in the amount of \$1.75, above the current \$3.50 level. However, in order for a state's Lifeline consumers to receive the additional \$1.75 in federal support, the state commission must approve that reduction in the portion of the intrastate rate paid by the end user. 47 C.F.R. § 54.403(a). Additional federal support may also be received in an amount equal to 1/2 of any support generated from the intrastate jurisdiction, up to a maximum of \$7.00 in federal support. 47 C.F.R. § 54.403(a). A state commission must file or require the carrier to file information with the administrator of the federal universal service fund demonstrating that the carrier's Lifeline plan meets the criteria set forth in 47 C.F.R. § 54.401.

The Commission decided to accept written comments from interested persons and entities concerning how the Commission should implement the FCC's rules on the Lifeline and Link Up programs. In their written comments, interested persons and entities should comment on the following questions:

1. Whether the Commission should approve intrastate rate reductions to allow consumers eligible for Lifeline support to receive the additional \$1.75 in federal support?
2. Whether the Commission should set up a state Lifeline Program to fund further reductions in the intrastate rate paid by the end user?
3. Whether the Commission should modify the existing Lifeline or Link Up Programs?
4. Shall the Commission file or require the carrier to file information with the administrator of the federal universal service fund demonstrating that the carrier's Lifeline plan meets the criteria set forth in 47 C.F.R. § 54.401 (d)?

Interested persons and entities may provide additional comments on any other issues concerning the Lifeline and Link up programs. Written comments shall be filed with the Commission or before September 12, 1997. It is therefore

ORDERED, that interested persons and entities may provide written comments on the above listed questions as well as any other issues concerning the Lifeline and Link up programs on or before September 12, 1997.

Dated at Pierre, South Dakota, this 28th day of August, 1997.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: *William K. Kato*

Date: *8/28/97*

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

*James A. Burg*

JAMES A. BURG, Chairman

*Pam Nelson*

PAM NELSON, Commissioner

*Debra Schoenfelder*

LASKA SCHOENFELDER, Commissioner

South Dakota  
Public Utilities Commission  
State Capitol 500 E. Capitol  
Pierre, SD 57501-5070  
Phone: (800) 332-1782  
Fax: (605) 773-3809

## TELECOMMUNICATIONS SERVICE FILINGS

These are the telecommunications service filings that the Commission has received for the period of:

08/22/97 through 08/28/97

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five days of this filing.

DOCKET NUMBER	TITLE/STAFF/SYNOPSIS	DATE FILED	INTERVENTION DEADLINE
<b>REQUEST FOR CERTIFICATE OF AUTHORITY</b>			
TC97-148	Application by WorldCom Technologies, Inc. for a Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: DJ/KC) "WorldCom Technologies will provide the same services that WorldCom, Inc. and MFS Internet of South Dakota, Inc. currently provide, including MTS, WATS, 800, calling card and debit card services, all at the same rates, terms and conditions as are currently available, statewide. In the near future, WorldCom Technologies will also begin providing local exchange and exchange access services."	08/25/97	09/12/97
TC97-044	Application by Primus Telecommunications Inc. to Amend its Certificate of Authority to operate as a telecommunications company within the state of South Dakota. (Staff: TS/CH) "Primus ... petitions the ... Commission ... to authorize it to [offer] prepaid debit card services within the state .... Primus is in the process of updating and revising its debit card offerings nationwide and will file its proposed South Dakota tariff revisions shortly. Primus has the financing and capital necessary to provide prepaid debit card service to subscribers in the state of South Dakota."	08/22/97	09/12/97
<b>INVESTIGATION OPENED</b>			
TC97-160	The Commission has opened this docket to investigate the Lifeline and Link Up Programs in South Dakota. The order opening the investigation may be found below. (Staff: CB/KC)	opened 08/28/97	Comments due 09/12/97
<b>EMERGING COMPETITIVE TELECOMMUNICATIONS FILING</b>			
TC97-147	U S WEST Communications filed "to revise the method of toll rounding for Message Toll Service. Currently when a computed rate results in a fractional charge, it is rounded down. This revision rounds to the closest cent. U S WEST Communications intends to implement this change on September 18, 1997." (Staff: TS/CH)	08/22/97	09/05/97
<b>NEGOTIATED INTERCONNECTION AGREEMENT FILED</b>			
TC97-149	Sprint Communications Company, L.P. filed for approval by the Commission the negotiated terms for interconnection, resale and unbundled elements agreement between Sprint and U S WEST Communications. Any person wishing to comment on the parties' request for approval may do so by filing written comments with the Commission and the parties to the agreement no later than September 17, 1997. Parties to the agreement may file written responses to the comments no later than October 6, 1997. (Staff: CH)	08/27/97	Responses Due 09/17/97

Important Notice: The Commission is compiling a list of internet addresses. If you have an internet address please notify the Commission by E-mailing it to Terry Norum at [terrync@pub.state.sd.us](mailto:terrync@pub.state.sd.us) Faxing the address to the Commission at 605-773-3809



# SDITC

South Dakota Independent  
Telephone Coalition, Inc.

Richard D. Coit  
*Executive Director*

Bette Dorier  
*Administrative Assistant*

September 12, 1997

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SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

Mr. Bill Bullard, Executive Director  
South Dakota Public Utilities Commission  
State Capitol Building  
Pierre, SD 57501

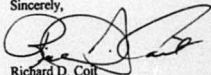
RE: TC97-150 (Lifeline and Link Up Investigation)

Dear Bill:

Enclosed for filing you will find the original and ten copies of SDITC's Comments in the above referenced docket.

Thank you for your assistance in this matter.

Sincerely,



Richard D. Coit  
Executive Director and General Counsel

RDC:bd

Enc.



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BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA

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SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

IN THE MATTER OF THE )  
INVESTIGATION INTO THE )  
LIFELINE AND LINK-UP )  
PROGRAMS )

DOCKET TC97-150  
COMMENTS OF SDITC

The South Dakota Public Utilities Commission ("Commission") in its "Order Opening Docket" issued in the above captioned matter dated August 28, 1997, has requested comments from interested parties on issues relating to how it should implement the new Lifeline and Link Up Program requirements set forth in 47 C.F.R. §§ 54.400 through 54.417. The Commission has specifically identified four issues for comment. In response to the Commission's Order, the South Dakota Independent Telephone Coalition, Inc. ("SDITC") submits the following:

**A. Background information – current Lifeline and Link Up programs**

Currently, US WEST Communications, Inc. ("US WEST") and the cooperative and independent local exchange carriers that have purchased US WEST exchange areas participate in this State's Telephone Assistance Plan, which is the Lifeline program as implemented in South Dakota. The Telephone Assistance Plan ("TAP") was implemented by this Commission in the US WEST exchange areas in South Dakota pursuant to a Decision and Order dated February 17, 1988, issued in Docket F-3703 (In the Matter of the Investigation into Implementation of a Telephone Assistance Plan for South Dakota Customers). Cooperative and independent local exchange carriers (hereinafter generally referenced as "ILEC's") became involved in the process of extending the TAP discounts to qualified low-income customers upon their acquisition of US WEST exchange areas. The Commission, as part of its orders approving the various exchange

sales, mandated that the purchasing ILECs continue the TAP program discounts being provided in the acquired exchanges.

Eligible telephone subscribers are made aware of the existing TAP program through the materials attached hereto as Exhibit A. The TAP materials were developed by US WEST and the ILECs participating in the TAP program. They are provided to qualified low-income customers through the State Department of Social Services ("DSS"). Included within the materials is information listing the telephone companies that participate in the TAP, information on consumer eligibility criteria, and a TAP application form. DSS on an ongoing, periodic basis identifies from its Food Stamps and Low-Income Energy Assistance Plan ("LIEAP") records those individuals who meet the TAP eligibility criteria and mails to them the TAP documents. Also, DSS assists in a process of recertifying the eligibility of TAP customers by providing annually or biannually a listing of those customers who are no longer receiving Food Stamps or LIEAP assistance. This information is provided by DSS to the telephone companies based on the written consent of the customer which is provided with the TAP application form. In signing the application, the customer agrees that his signature authorizes the Department of Social Services to release information concerning his Social Security number and eligibility for Food Stamps and/or Energy Assistance. The DSS collects reimbursement for all or a portion of its expenses associated with its administration of the TAP program through directly billing the ILECs for such expenses. The billings to ILECs are made on an annual basis.

As indicated in the attached materials, eligibility for TAP discounts, as the program is now structured, is limited to customer locations where a member of the household is 60 years of age or older and the member participates in either the state's Food Stamp or Energy Assistance (LIEAP) programs. The monthly TAP discount provided to the qualified telephone subscriber is

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\$7.00. Of the \$7.00, one-half of the same is credited to the subscriber's bill as a waiver of the federal subscriber line charge. The participating LEC is reimbursed for the lost revenue by the National Exchange Carrier's Association through distributions out of the existing federal Lifeline Assistance fund. The remaining \$3.50 is funded at the state level. Per the Commission's Decision and Order in Docket F-3703, the funding was provided for through authorization of an increase in US WEST's residential and business local exchange rates not to exceed 5 cents per month. Decision and Order, page 3.

In addition to the TAP program, a Link Up program exists in the State. As a program that was initially only implemented in the US WEST exchanges in South Dakota, it also is not at this time offered statewide. A listing of all LECs participating in the Link Up program and other information concerning such program is set forth in the materials attached hereto as Exhibit B. These materials are also provided by DSS to qualifying customers. In order to receive Link Up assistance, the customer: (1) must be receiving either Food Stamps or LIEAP assistance; (2) must not presently have local telephone service and must not have been provided telephone service at his or her residence within the previous three months; (3) and must not be a dependent for federal income tax purposes (dependency criteria does not apply to those 60 years of age or older). The Link Up assistance discount is an amount equal to one-half of the qualifying subscriber's telephone service connection charges up to a maximum of \$30.00. Assistance is also available to pay interest charges where the qualified subscriber enters into a deferred payment plan covering the connection charges. Link Up discounts are funded entirely out of the federal jurisdiction. LECs are reimbursed for the costs incurred through an expense adjustment which effectively allocates the costs to the interstate jurisdiction and interstate access charges.

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**B. Whether the Commission should approve intrastate rate reductions to allow consumers eligible for Lifeline support to receive the additional \$1.75 in federal support?**

The Commission should take such action with respect to US WEST, but SDITC questions whether the action is necessary where the Commission does not regulate the LEC's local service rates. If the Commission believes it necessary to indicate its approval of rate reductions by all LECs in the State to ensure compliance with Federal Communications Commission ("FCC") rules, in taking any such action it should be recognized that under state law the Commission actually has no authority to regulate the local service rates of those LECs covered by the exemption from regulation set forth in SDCL 49-31-5 1.

SDITC would note that it is particularly important to obtain the additional \$1.75 in federal Lifeline support because, as further explained below, state legislation is needed if any intrastate Lifeline funding is to be established. Currently, the total monthly Lifeline discount is \$7.00, half of which is supposed to be funded through the local service revenues of the participating LECs. Going forward, the SDITC member LECs do not believe the current method of state funding can be maintained consistent with the federal law or the exemption from local service rate regulation granted ILECs under SDCL 49-31-5 1. Consequently, unless and until a valid state funding mechanism is established through state legislation, the Lifeline discount amount will not be maintained at \$7.00. The SDITC member companies believe the discount will have to be limited to the amount of federal Lifeline funding available, \$5.25.

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**C. Whether the Commission should set up a state Lifeline Program to fund further reductions in the intrastate rate paid by the end user?**

1. State Lifeline funding must be consistent with Section 254 of the Act.

With respect to the issue of whether additional Lifeline discounts or reductions should be funded through a state program, SDITC's concerns relate specifically to how the funding is generated. Presently, the state portion of the \$7.00 TAP discount amount must be recovered by the participating LECs through the local service rates charged other subscribers. SDITC would oppose any state Lifeline Program that, similar to the TAP program in existence today, requires contribution only from the participating incumbent LECs.

One focus of the FCC in revising its current federal Lifeline rules was to make the Lifeline program more competitively neutral. The FCC agreed with the Federal-State Joint Board that the funding mechanisms for Lifeline should be made competitively neutral. The FCC found no statutory justification for continuing to fund the federal Lifeline program through charges levied only on some interexchange carriers ("IXCs"). The FCC determined that all carriers that provide interstate telecommunications services should contribute on an equitable and non-discriminatory basis to funding the federal Lifeline discount. In the Matter of the Federal-State Joint Board on Universal Service, Report and Order, CC Docket #96-45, FCC 97-157, par. 364 (1997).

As to how states should generate matching funds for Lifeline assistance that would allow for additional federal support in excess of the \$5.25 baseline support amount, the FCC stopped short of attempting to prescribe the precise method states should use. The FCC, however, pointed out that states must meet the requirements of section 254 and provide equitable and non-discriminatory support for state universal service support mechanisms. FCC 97-157, par. 361.

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Section 254(f) of the 1996 Telecommunications Act (hereinafter referenced as "the Act") provides, specifically, that "[a] State may adopt regulations not inconsistent with the Commission's rules to preserve and advance universal service. Every telecommunications carrier that provides intrastate telecommunications services shall contribute on an equitable and non-discriminatory basis, in a manner determined by the State to the preservation and advancement of universal service in that State . . ." Emphasis added.

SDITC does not believe that a state support mechanism for additional Lifeline assistance that relies exclusively on incumbent LECs for contribution would be equitable or non-discriminatory or otherwise in compliance with the federal law. The universal service funding provisions found in Section 254 of the Act clearly indicate that the state funding for Lifeline assistance should be accomplished in a different manner through assessing a broader base of telecommunications providers. The FCC, as indicated, in funding the federal discount amount has adopted rules requiring "all telecommunications carriers providing interstate telecommunications services" to contribute. Contribution in the federal jurisdiction will be required of all carriers, including wireless carriers, competitive LECs ("CLECs") and interexchange carriers, etc.. SDITC strongly believes the same approach must be taken with respect to any state Lifeline funding. Requiring contribution from all carriers is essential to ensure that no single group of carriers is disadvantaged in the marketplace versus other competing carriers and that end user customers, which ultimately will bear the costs, are treated fairly. The advantage that CLECs would have over incumbent LECs if surcharges for Lifeline funding are not uniformly assessed is obvious. CLECs, per the FCC rules, if they have obtained "eligible telecommunications carrier" status, would be in a position to receive federal Lifeline dollars and pass Lifeline discounts on to their qualified subscribers. They would not, however,

like the incumbent LECs be faced with having to recover the costs of providing the Lifeline assistance from any of the customers they serve. Funding for the CLEC's Lifeline discounts would come exclusively from the incumbent LEC and its customers. CLEC's would have an inherent pricing advantage in the marketplace and the costs of Lifeline assistance would be shifted inordinately to the customers of incumbent carriers.

2. The Commission lacks statutory authority to fund State Lifeline discounts through ordering local rate increases by ILECs.

In addition, SDITC questions whether the Commission could properly under state law establish a state Lifeline program that would fund further Lifeline discounts to ILEC customers by ordering ILEC's to recover the costs through local rate increases to other subscribers. In initially establishing the TAP program, the Commission specifically exempted telephone cooperatives, municipal telephone systems, and independent telephone companies serving fewer than 10,000 subscribers from participation in the program based on the exemption from regulation extended such companies under SDCL 49-31-5.1. In the Conclusions of Law to its Decision and Order issued in Docket F-3703, page 8, the Commission stated:

Based upon the rate exclusion contained in SDCL 49-31-5.1, telephone cooperatives, municipal telephone systems and independent telephone companies serving less than ten thousand local subscribers are exempt from the provisions of this Order. These telecommunications companies may participate in either their own TAP or the federal Link Up America program on a voluntary basis.

The above language indicates that the Commission when implementing the TAP properly recognized that it did not have authority based on the exemption found in SDCL 49-31-5.1. to regulate the local service rates of local telephone companies other than US WEST, and through such regulation to raise the money necessary to provide for state Lifeline funding. The state



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statutes have not changed since issuance of the Commission's final order in F-3703 to give the Commission any greater authority over the local service rates of cooperative, municipal, or independent LECs. The Commission, because it lacks authority to regulate the local service rates of local telephone companies in the State other than US WEST, may not consistent with state law order local rate increases by such companies for the purpose of funding state Lifeline discounts.

3. State legislation is needed to provide for any State Lifeline funding.

Given the requirements in federal law that state funding mechanisms be equitable and non-discriminatory and also the fact that the Commission does not regulate the local service rates of cooperative, municipal and independent telephone companies, if the Commission believes additional support should be made available to low-income customers through state Lifeline funding, the state funding should be provided through legislation.

Legislation proposed by SDITC and US WEST during the 1997 state legislative session included universal service funding provisions specifically authorizing an allocation of a portion of any collected universal service fund contributions for Lifeline assistance. The same type of approach could be taken with respect to any state universal service fund legislation that is presented this year by companies or the Commission. In addition, within the legislation, Lifeline administrative costs could also be addressed. State universal service fund dollars could also be designated for reimbursing the administrative costs associated with any necessary state administration of the Lifeline program.

If state Lifeline funding is made available through universal service funding legislation, the Commission would retain, for the most part, the ability to establish the criteria that would be

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applied in determining customer eligibility for Lifeline discounts. Under the FCC rules, states that provide intrastate matching funds for Lifeline assistance can, for the most part, establish state specific Lifeline eligibility criteria. The only requirement imposed by the FCC is that any such criteria be "narrowly targeted" and "based solely on income or factors directly related to income." 47 CFR § 54.409(a). This means that if intrastate funding is available allowing for additional Lifeline discounts above the \$5.25 federal discounts, this Commission could in compliance with the federal law continue to base the eligibility of subscribers for Lifeline assistance based on the criteria that is currently used in South Dakota, except for the requirement that the household member be over the age of 60.<sup>1</sup> If state funding is provided for through new legislation, the Commission could continue to link eligibility with subscriber participation in the Food Stamps or Energy Assistance programs that are administered by DSS. If these criteria are used, verification of customer eligibility could follow the same process used today, by involving DSS in the initial process to identify individuals that will receive the Lifeline application forms.

At present, however, the Commission is not in a position to properly fund intrastate Lifeline discounts and, consequently, it appears that at least initially the federal eligibility criteria set forth in 47 CFR § 54.409 will have to be followed by LECs in offering Lifeline discounts to subscribers after January 1, 1998. The FCC rules, specifically, 47 CFR § 54.409 provides:

To qualify to receive Lifeline in states that do not provide state Lifeline support, a consumer must participate in one of the following programs: Medicaid; food stamps; Supplemental Security Income; federal public housing assistance; or Low-Income Home Energy Assistance Program. In states not providing state Lifeline support, each carrier offering Lifeline service to a consumer must obtain that consumer's signature on a document certifying under penalty of perjury that the consumer receives benefits from one of the programs mentioned in this paragraph and identifying the program or programs from which that consumer receives benefits. On the same document, a qualifying low-income

<sup>1</sup> The FCC has specifically indicated that limiting participation in Lifeline to only low-income subscribers who are elderly would be inconsistent with its general requirement that eligibility "be based solely on income or factors directly related to income." Report and Order, FCC 97-157, par. 373.

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consumer also must agree to notify the carrier if the consumer ceases to participate in the program or programs. (Emphasis added).

**D. Whether the Commission should modify the existing Lifeline or Link Up Programs?**

**1. Modification of Lifeline program**

At this time, there being no mechanism to properly fund intrastate Lifeline discounts, modifications to the existing Lifeline program in South Dakota are required to ensure that the newly established federal Lifeline discounts are available to qualifying consumers after January 1, 1998.

The following basic modifications must be implemented:

- a. The program must be expanded authorizing all eligible telecommunications carriers to make the funded Lifeline discounts available to qualified consumers;
- b. Currently, the federal discount amount is \$3.50 and a state match of \$3.50 is provided making the total monthly discount \$7.00 per month. The discount amounts will have to be changed. The federal discount amount should be increased to \$5.25 to reflect the additional federal funding that will be available beginning January 1, 1998, and the state discount amount should be eliminated. As explained, it would be improper for the Commission to continue funding of the state Lifeline discount in the manner used today by requiring contribution only from incumbent LECs through ordering increases to their local service rates;
- c. The existing eligibility criteria for Lifeline must be changed and supplemented. The criteria must be changed to indicate that the named telephone subscriber must receive assistance under the programs which determine Lifeline eligibility. Discounts may no longer be tied to mere participation of a household member in the programs. Also, clearly, the eligibility criteria must be supplemented to authorize discounts to subscribers receiving assistance under any one of the programs listed in the Federal rules, 47 CFR § 54.409(b). In addition to subscribers participating in the Food Stamps or Energy Assistance programs, subscribers receiving Medicaid assistance, federal public housing assistance or Supplemental Security Income must be deemed eligible for the Lifeline discounts; and

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d. Other FCC requirements relating to service disconnection, toll control, and local service deposits imposed on carriers providing the Lifeline discounts should be incorporated into the existing program. 47 CFR § 54.401.

SDITC is aware that implementing the above modifications, particularly expanding the eligibility criteria to the additional public assistance programs, will affect the ability of DSS to continue its assistance in administering the Lifeline program. Specifically, to our understanding, DSS would not have access to federal public housing assistance or Supplemental Security Income records which would allow it to identify and send Lifeline applications to individuals participating in such programs.

The primary function of DSS with respect to the Lifeline program today is to provide some verification with respect to those individuals applying for Lifeline discounts. As previously indicated, the Department provides this verification by (1) involving itself in the process of sending application forms to individuals who appear to be eligible from its Food Stamp and LIEAP records; and (2) by periodically providing information to LECs identifying TAP subscribers who have ceased participating in the Food Stamps or LIEAP programs. With respect to whether DSS should continue by some means to verify the eligibility of customers for Lifeline, SDITC member LECs have concerns with the potential abuse that may occur absent additional verification beyond the self-certification process set forth in 47 CFR § 54.409(b). The primary concern of the companies, however, is that any independent verification of Lifeline applications deemed necessary not be viewed as a responsibility of the providing carriers. Beyond the requirements imposed on LECs by Section 54.409(b), if additional verification is desired it should be viewed as the responsibility of and primarily be the function of some state or federal government entity. LECs do not have the ability on their own to obtain the public assistance record information that would be necessary to confirm, in fact, the eligibility of

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subscribers for Lifeline assistance. The state and/or federal agency administering the public assistance programs and controlling the pertinent information, by necessity, would have to be involved in any further process of verification. In any event, the state or federal agency should be involved given that Lifeline is a government established low income assistance program.

2. Modification of Link Up program

The Link Up program should be modified as follows:

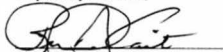
- a. The program must be expanded authorizing all eligible telecommunications carriers to provide the funded Link Up discounts; and
- b. Like the Lifeline program, absent state funding for Lifeline assistance, the default eligibility criteria set by the FCC will apply. Link Up assistance must be made available to subscribers participating in any one of the five assistance programs identified in 47 CFR § 54.409(b). Link Up assistance currently is available only to individuals on the Food Stamps or Energy Assistance programs.

**E. Shall the Commission file or require the carrier to file information with the administrator of the federal universal service fund demonstrating that the carrier's Lifeline plan meets the criteria set forth in 47 CFR § 54.401(d)?**

SDITC believes that the carriers that are to receive the Lifeline assistance funding from the federal universal service fund administrator should file the required Lifeline implementation plans. Assistance from the Commission may be needed, however, in attempting to identify the "number of qualifying low-income consumers" which pursuant to 47 CFR § 54.401 (d) is information that is supposed to be provided along with the Lifeline plan.

Dated this 12<sup>th</sup> day of September, 1997.

Respectfully submitted,



Richard D. Coit  
Executive Director and General Counsel

## Telephone Assistance Plan

Dear South Dakota Resident:

Your local telephone company may be authorized to provide a Telephone Assistance Plan in your area. The Department of Social Services, which works with telephone companies involved in administering the plan, has determined that you are eligible to participate. **If you receive your local exchange telephone service from any of the companies listed in the enclosed brochure you may submit an application to enroll in the plan.**

Detailed information about eligibility guidelines for the Telephone Assistance Plan and an application form are provided in the enclosed brochure.

Local telephone companies that offer the Telephone Assistance Plan are providing a positive service to their South Dakota residential customers. This plan makes telephone service even more affordable by offering senior citizens who are on Food Stamps or Energy Assistance programs a \$7.00 discount per month on their local exchange telephone company bill.

Upon receiving your application form, the participating company may enroll you in the Telephone Assistance Plan. **The application must be completed in full and mailed directly to your local telephone company before the discount can be applied to your phone bill.**

If you have any questions concerning this plan, please contact your telephone company directly. A telephone number and mailing address for each company participating in the Telephone Assistance Plan is listed in the enclosed brochure.

Enclosure

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**NEXT**

**DOCUMENT (S)**

**DISREGARD**

**BACKGROUND**

## Companies participating in the Telephone Assistance Plan

Accent Communications, Inc.  
235 East 1st Ave.  
Groton, SD 57445-0260  
Phone: 800-556-6525

Bridgewater-Canistota Independent Tele Co  
116 N. Main Street  
Hartford, SD 57033  
Phone: 605-528-3211

East Plains Telecom, Inc.  
PO Box 307  
Baltic, SD 57003-0307  
Phone: 800-250-4207

Fort Randall Telephone Company  
PO Box 800  
Clara City, MN 56222  
Phone: 605-384-3993

Golden West Communications, Inc.  
PO Box 411  
Wall, SD 57790  
Phone: 605-279-1020 or 811

Hanson Communications, Inc.  
(Participation limited to Salem exchange)  
PO Box 630  
Salem, SD 57058  
Phone: 605-425-2238

Heartland Communications, Inc.  
PO Box 48  
Kimball, SD 57355-0048  
Phone: 605-337-2874

Intrastate Telephone Company  
PO Box 920  
Clear Lake, SD 57226  
Phone: 800-395-4656

Kennebec Telephone Co., Inc.  
(Participation limited to Presho exchange)  
PO Box 158  
Kennebec, SD 57644  
Phone: 605-869-2220

Mobridge Telecommunications Co.  
PO Box 407  
Hazen, ND 58545  
Phone: 800-256-1734

RC Communications, Inc.  
PO Box 195  
New Effington, SD 57255-0195  
Phone: 605-637-5212 or 888-668-0877

Sancom, Inc.  
PO Box 308  
Woomsocket, SD 57385-0308  
Phone: 888-978-7777

Splittrock Properties  
PO Box 349  
Garrettsen, SD 57030  
Phone: 605-772-4644 or 482-9644

State Line Telecommunications, Inc.  
PO Box 39  
Bison, SD 57620  
Phone: 605-244-5236 or 811

Stockholm-Strandburg Telephone Company  
(Participation limited to Revillo and South  
Shore exchange)  
PO Box 157  
Stockholm, SD 57264  
Phone: 605-676-2311

U S WEST Communications  
PO Box 3766  
Omaha, NE 68103-0766  
Phone: 800-244-1111

Valley Cable & Satellite Communications  
PO Box 7  
Herreid, SD 57632-0007  
Phone: 605-437-2615

Venture Communications, Inc.  
PO Box 157  
Highmore, SD 57345-0157  
Phone: 800-824-7282

Vivian Telephone Company  
PO Box 411  
Wall, SD 57790  
Phone: 605-279-1020 or 811

West River Telecommunications Cooperative  
PO Box 467  
Hazen, ND 58545  
Phone: 701-748-2211 or 800-748-7220

Western Telephone Company  
(Participation limited to Cresbard  
exchange)  
PO Box 128  
Faulkton, SD 57438  
Phone: 605-596-6217

**IMPORTANT INFORMATION  
ABOUT THE SOUTH DAKOTA  
TELEPHONE ASSISTANCE PLAN**



The local telephone companies listed in this brochure, working with the Department of Social Services and the South Dakota Public Utilities Commission, participate in the Telephone Assistance Plan in South Dakota. Exhibit "A"

The Telephone Assistance Plan is known as the Lifeline Plan for Federal Communications Commission purposes. The assistance plan responds to concerns about the affordability of telephone service for low income senior citizens.

### WHO IS ELIGIBLE?

Customers in the service areas of the companies listed here, where a member of the household is 60 years of age or older and participating in the Food Stamps or Energy Assistance programs, qualify for the Telephone Assistance Plan.

### WHAT ARE THE SAVINGS?

Eligible customers will receive a credit of \$7.00 each month on the basic service portion of your local telephone service bill. The credit applies only to the main home telephone line listed in the name of the eligible telephone customer.

### HOW DO I APPLY?

To apply for the Telephone Assistance Plan, fill out and sign the attached application form and mail it directly to your local telephone company. The information will be shared by your company with the Department of Social Services.

### COULD I BECOME INELIGIBLE?

If you become ineligible for the Food Stamp or Energy Assistance programs, you are no longer eligible for the Telephone Assistance Plan and should notify your local telephone company. Additionally, by your participation in the Telephone Assistance Plan, you are authorizing the Department of Social Services to notify your local telephone company of your ineligibility for Food Stamps or Energy Assistance benefits.

### FOR MORE INFORMATION

If you have any questions relating to the Telephone Assistance Plan or the application form, contact the participating local telephone company at the telephone number that has been provided.

### APPLICATION FOR THE SOUTH DAKOTA TELEPHONE ASSISTANCE PLAN

Application instructions. To apply for the TELEPHONE ASSISTANCE PLAN, check to see if the telephone company providing your local telephone service is listed as a participating company. If yes, fill out the application form below and sign the card. Complete information must be provided to enroll you in the plan, so please be careful to fill in all blanks. Tear off this form and mail it directly to your local telephone company at the address listed in this brochure.

I AM APPLYING FOR THE SOUTH DAKOTA TELEPHONE ASSISTANCE PLAN.

Your Name (please print) \_\_\_\_\_ Your Telephone Number \_\_\_\_\_

Your Street Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

IS A RESIDENT OF YOUR HOUSEHOLD 60 YEARS OF AGE OR OLDER? ( ) yes ( ) no

I understand my signature below authorizes the Department of Social Services to release information regarding my Social Security number and eligibility for Food Stamps and/or Energy Assistance

Your Signature \_\_\_\_\_ Social Security Number \_\_\_\_\_ Date \_\_\_\_\_

## Link Up America

Dear South Dakota Resident:

Your local telephone company may be authorized to offer LINK UP AMERICA telephone connection assistance in its service area. The Department of Social Services, which works with the telephone companies involved in administering the plan, has determined that you may be eligible for LINK UP AMERICA assistance. **If you reside in the area served by any of the local telephone companies listed in the enclosed brochure, you may submit an application for the assistance.**

Detailed information about eligibility guidelines for the LINK UP AMERICA program and an application form are provided in the enclosed brochure.

Through the LINK UP AMERICA program, the participating telephone companies provide a 50 percent discount, up to a maximum of \$30, on the charge for establishing telephone service. You are eligible for the benefit only if: 1) you currently do not have telephone service; 2) service has not been provided to you at your location within the previous three months; and 3) you reside in the area served by a company listed in the enclosed brochure.

If you want local telephone service and believe you are eligible for LINK UP AMERICA assistance, please complete the enclosed application form and mail it directly to the participating company providing service in your area.

Upon receiving your application form, the participating company will contact you to discuss your telephone service. **The application must be completed in full and sent to the company before the LINK UP AMERICA discount can be provided.**

If your local telephone company is listed as a participant in the LINK UP AMERICA assistance program and you have any questions concerning the plan, please contact the company directly. A telephone number and mailing address for each company is listed in the enclosed brochure.

Enclosure

# Companies participating in the LINK UP America Program Exhibit "B"

Accent Communications, Inc.  
235 East 1st Ave  
Groton, SD 57445-0260  
Phone: 800-556-6525

Bridgewater-Canistota Independent Tele. Co.  
116 N. Main Street  
Hartford, SD 57033  
Phone: 605-528-3211

East Plains Telecom, Inc.  
PO Box 307  
Baltic, SD 57003-0307  
Phone: 800-250-4207

Fort Randall Telephone Company  
PO Box 800  
Clara City, MN 56222  
Phone: 605-384-3993

Golden West Communications, Inc.  
PO Box 411  
Wall, SD 57790  
Phone: 605-279-1020 or 811

Hanson Communications, Inc.  
(Participation limited to Salem exchange)  
PO Box 630  
Salem, SD 57058  
Phone: 605-425-2238

Heartland Communications, Inc.  
PO Box 48  
Kimball, SD 57355-0048  
Phone: 605-337-2874

Intrastate Telephone Company  
PO Box 920  
Clear Lake, SD 57226  
Phone: 800-395-4656

Kennebec Telephone Co., Inc.  
(Participation limited to Fresho exchange)  
PO Box 158  
Kennebec, SD 57644  
Phone: 805-869-2220

Moabridge Telecommunications Co.  
PO Box 407  
Hazen, ND 58541  
Phone: 800-256-1734

RC Communications, Inc.  
PO Box 195  
New Ellington, SD 57255-0195  
Phone: 605-637-5212 or 888-668-0877

Sancom, Inc.  
PO Box 308  
Woonsocket, SD 57385-0308  
Phone: 888-978-7777

Splitrock Properties  
PO Box 349  
Garrettsville, SD 57030  
Phone: 605-772-4644 or 482-9644

State Line Telecommunications, Inc.  
PO Box 39  
Bison, SD 57620  
Phone: 605-244-5236 or 811

Stockholm-Strandburg Telephone Company  
(Participation limited to Revillo and South  
Shore exchange)  
PO Box 157  
Stockholm, SD 57264  
Phone: 605-676-2311

U S WEST Communications  
PO Box 3766  
Omaha, NE 68103-0766  
Phone: 800-244-1111

Valley Cable & Satellite Communications  
PO Box 7  
Herrisd, SD 57632-0007  
Phone: 605-437-2615

Venture Communications, Inc.  
PO Box 157  
Highmore, SD 57345-0157  
Phone: 800-824-7282

Vivian Telephone Company  
PO Box 411  
Wall, SD 57790  
Phone: 605-279-1020 or 811

West River Telecommunications Cooperative  
PO Box 467  
Hazen, ND 58545  
Phone: 701-748-2211 or 800-748-7220

Western Telephone Company  
(Participation limited to Cresbard  
exchange)  
PO Box 128  
Faulkton, SD 57438  
Phone: 605-598-6217

**IMPORTANT INFORMATION  
ABOUT  
LINK UP AMERICA**

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**LINK UP AMERICA** is a national, consumer education and outreach program designed to get many Americans without telephone service onto the telephone network.

The local telephone companies listed in this brochure have worked with the Department of Social Services and the South Dakota Public Utilities Commission to offer LINK UP AMERICA assistance in South Dakota.

### WHO IS ELIGIBLE?

You qualify for LINK UP AMERICA services if:

- you reside in an area served by any of the companies listed in this brochure;
- you currently do not have local telephone service and the service has not been provided to you at your location within the previous three months;
- you are participating in the Food Stamps or Energy Assistance programs;
- and you are not a dependent for federal income tax purposes (dependency criteria does not apply to those 60 years of age or older).

### WHAT ARE THE SAVINGS?

If you are in the area served by any of the participating telephone companies and you meet the above eligibility guidelines, you may be eligible for a discount of one-half the telephone service connection charge for the line, up to a maximum of \$30, through the LINK UP AMERICA program. This does not include the charges for work inside your home. If you request it, the amount you pay for service connection can be billed over several months. A deposit also may be required.

### HOW DO I APPLY?

To apply for LINK UP AMERICA service connection assistance, fill out and sign the attached application form and mail it directly to the participating local telephone company. Be sure to include a telephone number where you can be reached. The information will be shared by the telephone company with the Department of Social Services.

### FOR MORE INFORMATION

If you have any questions about the LINK UP AMERICA program or the application form, contact the participating local telephone company at the telephone number that has been provided.

#### APPLICATION FOR THE SOUTH DAKOTA LINK UP AMERICA PLAN

Application instructions: To apply for the LINK UP AMERICA program, check to see if any of the participating companies listed provide local telephone service in the area that you reside. If yes, fill out the application form below and sign the card. Complete information must be provided to enroll you in the program, so please be careful to fill in all blanks. Tear off this form and mail it directly to your local telephone company at the address listed in this brochure.

I AM APPLYING FOR LINK UP AMERICA SERVICE CONNECTION ASSISTANCE.

Your Name (please print) \_\_\_\_\_ Your Telephone Number \_\_\_\_\_

Your Mailed Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

ARE YOU A DEPENDENT FOR FEDERAL INCOME TAX PURPOSES? ( ) yes ( ) no  
IF YES, ARE YOU OVER 60 YEARS OF AGE? ( ) yes ( ) no

I understand my signature below authorizes the Department of Social Services to release information regarding my Social Security number and eligibility for Food Stamps and/or Energy Assistance.

\_\_\_\_\_  
Social Security Number \_\_\_\_\_ Date \_\_\_\_\_

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125 South Dakota Avenue, 8th Floor  
Sioux Falls, South Dakota 57194

September 12, 1997

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SEP 15 1997

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

Mr. William Bullard, Executive Director  
Public Utilities Commission  
State Capitol Building  
Pierre, South Dakota 57501

RE: Docket TC97-150

FAX Received SEP 12 1997

Dear Mr. Bullard:

U S WEST Communications has attached comments concerning the implementation of the FCC's rules on Lifeline and Link Up Programs. These comments are being furnished per the Commission order in Docket TC97-150.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jon Lehner".

Jon Lehner  
Director-Regulatory Affairs

Attachment

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FAX Received SEP 12 1997

RECEIVED

SEP 15 1997

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

In the matter of the investigation )  
into the Lifeline and LinkUp )  
Programs. )

Comments of U S WEST  
Communications, Inc.  
TC97-150

U S WEST Communications ("U S WEST") submits the following responses to the questions posed by the South Dakota Public Utilities Commission ("Commission") in its investigation into the Lifeline and Link Up programs.

**1. Whether the Commission should approve intrastate rate reductions to allow consumers eligible for Lifeline support to receive the additional \$1.75 in federal support?**

Yes. The Commission should approve intrastate rate reductions to maximize the benefit certified South Dakota Low Income Consumers will receive from the federally funded Lifeline program. The additional \$1.75 does not require state matching funds. However, U S WEST will have to recover the cost of any program such as this.

**2. Whether the Commission should set up a state Lifeline Program to fund further reductions in the intrastate rate paid by the end user?**

The Commission does not have to set up a new state Lifeline program to fund further rate reductions in the intrastate rate paid by the end user. Instead the Commission should modify the existing program to ensure that all certified low income customers, not just those over age 60, receive Lifeline assistance. Commensurate with the expansion of the criteria, the Commission must also change the Lifeline intrastate funding mechanism to make it explicit and competitively neutral. See response in question 3 below.

**3. Whether the Commission should modify the existing Lifeline or Link Up Programs?**

Yes. To maximize the benefits received from the federal fund and to maximize the effectiveness of the Lifeline program, the Commission should modify the existing Lifeline program in two ways. First, the Lifeline program must be funded in an explicit and competitively neutral way, specifically all telecommunications providers should be required to pay into the Lifeline program by assessing an end user surcharge on all retail revenues. In its Universal Service Decision, the FCC noted the requirement for states to fund state Lifeline programs in a competitively neutral manner:

The Joint Board observed that many states currently generate funds through the state rate-regulation process. These states allow incumbent LECs to recover the revenue the carriers lose from charging Lifeline customers less by charging other subscribers more. Florida PSC points out that this method of generating Lifeline

support from the intrastate jurisdiction could result in some carriers (i.e. ILECs) bearing an unreasonable share of the program's costs. We see no reason at this time to intrude in the first instance on states' decisions about how to generate intrastate support for Lifeline. We do not currently prescribe methods states must use to generate intrastate Lifeline support, nor does this order contain any such prescriptions. Many methods exist, including competitively neutral surcharges on all carriers or the use of general revenues, that would not place the burden on any single group of carriers. *We note, however, that states must meet the requirements of section 254(e) in providing equitable and non-discriminatory support for state universal service support mechanisms.* (Emphasis added)<sup>1</sup>

Today there is a provision in the U S WEST tariff for a surcharge on all local exchange customers to recover the costs of the Lifeline program. However, U S WEST, up to now has not assessed any surcharge. If the Commission expands the Lifeline program, a significant increase in funding obligation will be required. If the state Lifeline program is expanded, the funding mechanism must be revised to be competitively neutral and must be funded by all providers. U S WEST would not continue to provide the Lifeline discount without recovering the lost revenues.

The second modification to the state Lifeline and Link Up programs the Commission should address is the expansion of the eligibility criteria to include all certified low income customers regardless of age.

Today, the South Dakota Lifeline program requires Lifeline customers to be over the age of 60. FCC data demonstrates that certified low income customers in the 15-24 year old age group have the lowest telephone penetration levels. The South Dakota's subscribership of 94.4% is above the National average of 93.9%. No one can expect to achieve a 100% subscribership level since there will always be people who simply don't want a phone. However, South Dakota can do better. Expanding the criteria to include customers of all age groups, could be a major step in the direction of improving South Dakota penetration levels.

U S WEST encourages the Commission to expand the South Dakota eligibility criteria to include low income consumers of all ages and encourages the Commission to establish a funding mechanism that is competitively neutral and is supported by all telecommunications providers.

**4. Shall the Commission file or require the carrier to file information with the administrator of the federal universal service fund demonstrating that the carrier's Lifeline plan meets the criteria set forth in 47 C.F.R. § 54.401 (d)?**

Many of the administrative details on how the interim administrator and ultimately the designated administrator will manage the federal Lifeline and Link Up programs have yet

<sup>1</sup> FCC Report and Order, CC Docket No 96-45, ¶361

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to be worked out by the administrator and the FCC. The Commission does, however, have the responsibility to ensure that any telecommunications provider that seeks to receive federal universal service support for Lifeline or high cost funding meet eligibility requirements. An eligible telecommunications provider must offer a low income plan that is in compliance with 47 C.F.R. § 54.401(d). Therefore, the Commission must be able to confirm that any telecommunications provider receiving federal Lifeline funding meets FCC criteria.

## **5. Other Issues**

U S WEST brings to the Commission's attention three additional issue it should address in its consideration of changes to the Lifeline and Link Up programs.

### Eligibility Verification

Today the Department of Social Services oversees the verification of consumers who are eligible to receive Lifeline funding. Because of the confidentiality requirements of eligible consumers records, it is prudent for this verification process through Social Services to continue. U S WEST is sensitive to the additional burden this puts on Social Services resources and therefore recommends the Commission explore the possibility of a reimbursement to Social Services from a competitively neutral Lifeline funding mechanism.

### Toll Limitation Requirement

In its Universal Service decision, the FCC reasoned that providing toll limitation, without charge, to Lifeline consumers would assist these customers in avoiding involuntary termination of their telecommunications services and should encourage subscribership.<sup>2</sup> The FCC concluded that both "toll blocking" and "toll control" are forms of "toll limitation" which should be supported by universal support mechanisms.<sup>3</sup> The FCC said that carriers with deployed switches that are incapable of providing toll limitation services will not be required to provide such services to customers served by those switches until those switches are upgraded.<sup>4</sup>

Because both "toll blocking" and "toll control" are forms of "toll limitation," U S WEST asked the FCC to clarify that a carrier is not required to offer both. Rather, the FCC should make it clear that a carrier who offers either "toll blocking" or "toll control" to Lifeline customers satisfies the requirement in 47 C.F.R. § 54.401(a)(3).

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<sup>2</sup> Universal Service Order ¶ 385.

<sup>3</sup> *Id.* ¶ 385.

<sup>4</sup> *Id.* ¶ 388.



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Service Deposits

In the Universal Service Order, the FCC adopted the following rule regarding service deposits for Lifeline customers:

Eligible telecommunications carriers may not collect a service deposit in order to initiate Lifeline service, if the qualifying low-income consumer voluntarily elects toll blocking from the carrier, where available. If toll blocking is unavailable, the carrier may charge a service deposit.<sup>3</sup>

U S WEST offers toll blocking to Lifeline customers, which is generally effective to block outgoing long distance call attempts. However, toll blocking does not prevent the Lifeline customer from receiving collect calls or from billing long distance calls made from another phone to the customer's Lifeline number ("third number calls"). Collect calls and third number calls cannot be blocked with ordinary "toll blocking."

U S WEST asked the FCC to modify the rule in 47 C.F.R. § 54.401(e) to provide that carriers who offer toll blocking may also require Lifeline customers, especially Lifeline customers who violate a no billed toll agreement, to pay a service deposit in order to initiate or maintain Lifeline service and that, absent payment of a service deposit, carriers may deny Lifeline service.

U S WEST urges the Commission to also adopt a deposit requirement for Lifeline customers who violate a no billed toll agreement.

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<sup>3</sup> 47 C.F.R. § 54.401(c).

The issues at the hearings are whether the Commission shall approve intrastate rate reductions to allow consumers eligible for lifeline support to receive an additional \$1.75 in federal support; whether the Commission should set up a state Lifeline Program to fund further reductions

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in the intrastate rate paid by the end user, whether the Commission should retain, modify, or eliminate the existing Lifeline or Link Up Programs; and whether the Commission shall file or require the carrier to file information with the administrator of the federal universal service fund demonstrating that the carrier's Lifeline plan meets the criteria set forth in 47 C.F.R. § 54.401(d).

Interested persons and entities wishing to file written comments with the Commission prior to the hearings must do so no later than October 22, 1997. The public is invited to participate by testifying at the hearings. All persons so testifying will be subject to cross-examination.

The hearings shall be adversary proceedings conducted pursuant to SDCL Chapter 1-26. All persons have the right to be present and to be represented by an attorney. These rights and other due process rights shall be forfeited if not exercised at the hearings. If you or your representative fail to appear at the time and place set for the hearings, the Final Decision will be based solely on the testimony and evidence provided, if any, during the hearings or a Final Decision may be issued by default pursuant to SDCL 1-26-20. After the hearings the Commission will consider all evidence and testimony that was presented at the hearings. The Commission will then enter Findings of Fact, Conclusions of Law, and a Final Decision regarding this matter. The Commission's decision may be appealed by the parties to the state Circuit Court and the state Supreme Court as provided by law. It is therefore

ORDERED that the hearings shall be held at the times and places specified above on the issues of whether the Commission shall approve intrastate rate reductions to allow consumers eligible for lifeline support to receive an additional \$1.75 in federal support; whether the Commission should set up a state Lifeline Program to fund further reductions in the intrastate rate paid by the end user; whether the Commission should retain, modify, or eliminate the existing Lifeline or Link Up Programs; and whether the Commission shall file or require the carrier to file information with the administrator of the federal universal service fund demonstrating that the carrier's Lifeline plan meets the criteria set forth in 47 C.F.R. § 54.401(d).

Pursuant to the Americans with Disabilities Act, this hearing is being held in a physically accessible location. Please contact the Public Utilities Commission at 1-800-332-1782 at least 48 hours prior to the hearing if you have special needs so arrangements can be made to accommodate you.

Dated at Pierre, South Dakota, this 16<sup>th</sup> day of October, 1997.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By

Date

Barrie Kalke

10/16/97

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:  
Commissioners Burg, Nelson and  
Schoenfelder

William T. Bullard, Jr.  
WILLIAM BULLARD, JR.  
Executive Director

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NOV 03 1997

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE INVESTIGATION ) TC97-150  
INTO THE LIFELINE AND LINK UP PROGRAMS )

Commission Counsel: Rolayne Wiest

**ORIGINAL**

Commissioners: Jim Burg, Chairman  
Pam Nelson  
Laska Schoenfelder

US WEST: Thomas J. Welk, Esquire  
Boyce, Murphy, McDowell & Greenfield  
101 North Phillips Avenue, Suite 600  
Sioux Falls, South Dakota 57102

The above-entitled matter came on for hearing on  
October 29, 1997, commencing at the hour of 9:00 a.m., at  
the Center for Active Generations, 2300 West 46th Street,  
Sioux Falls, South Dakota, before Angela Weller, RPR, and  
Notary Public in and for the State of South Dakota.

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## Testimony

COLLEEN SEVOLD..... 6

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Marked Admitted

Exhibit Nos. 2-3..... 3 6

10	Exhibit No. 4.....	6	6
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11	Exhibit No. 5.....	15	15
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20 | Certificate of Shorthand Reporter..... 20

44. AG. 44-10

1 (Exhibit Nos. 2-3 were mark'd for identification.)  
2 MR. BURG: Okay. Maybe we will get started. I will  
3 reconvene the hearing of Docket TC97-150 in the matter of  
4 the investigation into the Lifeline and Link Up Programs.

5 The time is approximately 9 a.m., date is  
6 October 29, 1997, and the location of today's hearing is  
7 the Center for Active Generations, 2300 West 46th, Sioux  
8 Falls, South Dakota.

9 I am Jim Burg, commission chairman. Commissioners  
10 Laska Schoenfelder and Pam Nelson are also present. I am  
11 presiding over the hearing. This hearing was noticed  
12 pursuant to the commission's order for and the notice of  
13 hearing issued October 16, 1997.

14 The issues at this hearing are:

15 1. Whether the Commission should approve  
16 intrastate rate reductions to allow consumers eligible for  
17 Lifeline support to receive the additional \$1.75 in  
18 federal support;

19 2. Whether the Commission should set up a state  
20 Lifeline Program to fund further reductions in the  
21 intrastate rate paid by the end user;

22 3. Whether the Commission should modify existing  
23 Lifeline or Link Up Programs;

24 4. Shall the commission file or require the  
25 carrier to file information with the administrator of the

1 federal universal service fund demonstrating that the  
2 carrier's Lifeline plan meets the criteria set forth in 47  
3 C.F.R. Sections 54.401(d).

4 I would also like to give you some background on  
5 our current program and the possible changes to those  
6 programs.

7 Over 2,000 South Dakota low-income elderly now  
8 receive a \$7.00 credit on their local residential  
9 telephone bill each month. This Lifeline Program credit,  
10 referred to as the Telephone Assistance Plan in South  
11 Dakota, is available to consumers who meet low-income  
12 guidelines, are 60 years of age or older, and who are  
13 served in a current or former US West exchange. Also  
14 available to low-income consumers is the Link Up Program  
15 which provides a maximum of \$30.00 discount for connecting  
16 telephone service at a new address.

17 The Federal Communications Commission recently  
18 revised the Lifeline and Link Up Programs. It expanded  
19 those Programs to include all people who participate in  
20 one of the following programs: Medicaid; food stamps;  
21 Supplemental Security Income; federal public housing  
22 assistance or Section 8; or Low-Income Home Energy  
23 Assistance Program. Any telephone company that receives  
24 universal service funds is required to offer the Lifeline  
25 and Link Up Programs.

1           The expansion of the Lifeline and Link Up Programs  
2 as required by the FCC will result in a significant  
3 increase in the number of South Dakotans qualifying for  
4 assistance from about 2,000 to perhaps as many as 17,000.  
5 If the Commission decides to rely solely on federal  
6 funding, the amount of credit for each qualifying  
7 individual will be \$5.25 per month. This means a  
8 significant increase in the number of people eligible for  
9 assistance, but a decrease of \$1.75 for current Program  
10 participants.

11           At today's hearing all people have the right to be  
12 present and to be represented by an attorney. All persons  
13 so testifying will be sworn in and subject to cross-  
14 examination by the parties.

15           The Commission's final decision may be appealed by  
16 the parties to the state circuit court and state supreme  
17 court.

18           Rolayne Wiest will act as commission counsel. She  
19 may provide recommended rulings on procedural and  
20 evidentiary matters. The Commission may overrule its  
21 counsel's preliminary rulings throughout the hearing. If  
22 not overruled, however, the preliminary rulings will  
23 become final rulings.

24           I'll turn it over to Rolayne at this time to  
25 conduct the hearing.



8144:34.36

1 MS. WIEST: I would just ask if anybody had any comments  
2 at this time?

3 MR. WELK: Good morning, Ms. Wiest, and Commissioners.  
4 My name is Tom Welk. I'm an attorney in Sioux Falls  
5 representing US West Communications. We had marked prior  
6 to the commencement of the hearing two exhibits,  
7 Exhibit 2, which is US West's current tariff on the  
8 Lifeline and Lifelink Program; and Exhibit 3 which has  
9 been marked and are the comments of US West. I would ask  
10 those be admitted into the record, and we have a witness,  
11 Colleen Sevold, who would provide comments to the  
12 Commission concerning this matter.

13 MS. WIEST: Okay. Exhibits 2 and 3 are offered and will  
14 be admitted. I would also ask if there is any objection  
15 to having the comments of AT&T put in as Exhibit 4?

16 MR. WELK: No objection.

17 MS. WIEST: That would be Exhibit 4.

18 (Exhibit No. 4 was mark'd for identification.)

19 COLLEEN SEVOLD,  
20 being first duly sworn, was examined and  
21 testified as follows:

22 MS. SEVOLD: Good morning. My name is Colleen Sevold.  
23 I'm representing US West Communications, and today I would  
24 just like to make some comments.

25 We have submitted some written comments on the

1 expansion of Lifeline, and I would just like to talk a  
2 little bit about those comments. Now that the rules are  
3 out on the FCC, although there are some questions about  
4 the interpretation, we do believe that there is a great  
5 potential to increase the benefits to low-income  
6 customers.

7 We believe that there could be a maximum of \$7.00  
8 on the federal side, and if the funding were to stay on  
9 the state side that the customers could actually see a  
10 benefit of \$10.50 credit on their bill.

11 I would like to talk a little bit about the state  
12 program that we have today. We have about 2,200  
13 customers, US West customers, on the telephone assistance  
14 plan. We currently fund that. Although the tariff allows  
15 us to charge a surcharge, we have never implemented that.  
16 I believe at the time it was determined that that would be  
17 about 5 cents on each customer's bill, and we did not  
18 implement that.

19 However, with the expansion of the criteria on the  
20 federal side -- and these are just estimates. We don't  
21 have a real way of determining how many people would  
22 qualify. But we're assuming it could be up to 18,000 to  
23 20,000. Right now US West funds that state portion at  
24 about \$100,000 a year, and we believe that that would go  
25 well in excess of a half a million dollars. It's just

3 We do support, however, that the Commission would  
4 change the intrastate tariff rate reduction to allow the  
5 consumers to get the additional 5.25 on the federal side.

14 I believe that, you know, if the state fund is not  
15 funded and that 3.50 does go away, as you said, there  
16 would be \$1.75 decrease on each customer's credit that  
17 they do get now.

Advanced Reporting  
P. O. Box 510  
Sioux Falls, South Dakota 57101  
(605) 332-9050

1 we do recommend that there be some certification.

2 MS. WIEST: Any questions?

3 MR. BURG: I just have one, Colleen. How much does US  
4 West contribute per customer per month currently?

5 A. \$3.50.

6 MR. BURG: \$3.50 of the 7.00. The other 3.50 is a line  
7 charge forgivance?

8 A. The way it appears on your bill is you would be billed  
9 the \$3.50 subscriber line charge, and then we put a credit  
10 of \$7.00 at the bottom of your bill. And \$3.50 of that is  
11 state.

12 MR. BURG: From our discussion yesterday, at least, we  
13 determined that the South Dakota -- who certifies for you  
14 now?

15 A. The Department of Social Services.

16 MR. BURG: Department of Social Services does not handle  
17 all of the programs that we're talking about. So how  
18 would we get certification if somebody qualified in one of  
19 the programs that they don't have any records on?

20 A. You know, I think that's something we would have to  
21 work out. We probably would have to go to another source  
22 to also get certification. I think they can do food  
23 stamps, Medicaid and Energy Assistance. If the criteria  
24 is expanded, I realize they don't have records on the  
25 other two criteria.

84-40-441-8

1 MR. BURG: And then you talked about you thought this  
2 could expand between 18 and 20,000. Are you talking about  
3 just for US West for the whole entire state of South  
4 Dakota?

5 A. You know, that's a really hard number to get your  
6 hands on. Where we came up with that number is 17,000  
7 people right now get food stamps, but that's the whole  
8 state. But then you also are going to have some other  
9 customers that maybe don't get food stamps, but they would  
10 fall into one of the other criteria. We're just  
11 estimating very frankly.

12 MR. BURG: When you talk 17,000 food stamps, would that be  
13 just one person per household?

14 A. Yes. That's 17,000 households. The Medicaid they  
15 don't do by household. They do it by person. You can't  
16 get a handle on that.

17 MS. SCHOENFELDER: Of course the new rules require that it  
18 be the subscriber that has it not just anyone living in  
19 that household. So that might make it harder to qualify.

20 So US West is recommending how much of an  
21 intrastate program, and have you gone far enough to tell  
22 me then how much it's going to increase everybody's bill  
23 in South Dakota to come up with the expanded program that  
24 you're recommending?

25 A. If we implemented the surcharge on the tariff and just

1 assuming 17,000, 18,000 customers, it would be about 21  
2 cents.

3 MS. SCHOENFELDER: Per access line per month?

4 A. Per access line for the business and residential  
5 customers.

6 MS. SCHOENFELDER: Per month?

7 A. Correct.

8 MS. SCHOENFELDER: 21 cents?

9 A. Correct.

10 MS. SCHOENFELDER: That helps a lot. I needed some  
11 numbers. I needed to have something I could put my hands  
12 on on that. You're recommending an end user surcharge?

13 A. Yes, we are.

14 MS. SCHOENFELDER: So that's end user explicit on a  
15 customer's bill to the customer?

16 A. Correct.

17 MS. SCHOENFELDER: Okay. So that's your recommendation in  
18 that area. The other -- oh, I think that if you do an --  
19 I think the way I read this, if you do an intrastate or if  
20 this Commission would decide to do an additional  
21 intrastate fund, then we could decide which or designate  
22 which programs we were going to use to expand it or to not  
23 expand it.

24 So I don't think that necessarily it would depend  
25 on our decision, that all of those programs would qualify

1 necessarily. I think -- and I'm not sure that we could  
2 limit that to the energy assistance and the food stamp  
3 recipients. But it would have to be -- if I read the  
4 rules correctly, it would have to be the subscriber -- the  
5 telephone subscriber that would have to be eligible, not  
6 just someone in the household?

7 A. That is correct.

8 MS. SCHOENFELDER: I want to know then one more thing from  
9 you. At the present time, except for the sold exchanges,  
10 Lifeline and Link Up hasn't been available in the rural  
11 areas for the most part. There might be a few companies  
12 that do it. Basically it's not been in the rural areas  
13 except for the exchanges that US West sold to smaller  
14 companies.

15 Now, would you advocate that if we're going to go  
16 to the \$10 reduction that that be statewide? If we do an  
17 intrastate program, that everything in those rural areas,  
18 that the reduction be the same as it would be in US West  
19 territory?

20 A. We are advocating that it would be. All telephone  
21 providers should so it would be competitive and neutral,  
22 not disadvantage some customers and advantage other  
23 customers.

24 MS. SCHOENFELDER: What about in a case -- I don't know  
25 that this would be true, but what if a local basic rate is

1 \$7 and something and you wind up with a \$10 forgiveness?  
2 A. It's my understanding, as I was reading the FCC rules,  
3 you would never get more credit than what your bill was.  
4 MS. SCHOENFELDER: Right. But actually someone could  
5 actually basically not contribute at all to their  
6 telephone service then in some areas if that were true?  
7 A. And, in fact, if you subscribe to our service and the  
8 credit went up to \$10.50, you would actually probably only  
9 have a bill of about \$3.  
10 MS. SCHOENFELDER: Okay. Thank you. I think that's all I  
11 have.  
12 MR. BURG: A clarification. Again, you said it's 21  
13 cents. It would be 21 cents per access line?  
14 A. Per residence and business.  
15 MR. BURG: That's based on 18,000 to 20,000?  
16 A. Correct.  
17 MR. BURG: Again, you are counting that you would have all  
18 18 or 20,000 -- or US West would have 18,000 to 20,000  
19 based on that, and yet most of what I've heard, that's the  
20 entire state of South Dakota, 18,000 to 20,000?  
21 A. It is. We were just saying 17,000 have food stamps,  
22 and if other programs came into play, you know. But we  
23 are just estimating. And the 21 cents is based on 17,000  
24 to 18,000. It could be less, yes.  
25 MR. BURG: Yes. If you had less, it would come down, if



1 yours were only 14 or 12?

2 A. It would be less, yes.

3 MS. NELSON: Would you be opposed to a standard form?

4 A. Standard form?

5 MS. NELSON: Yes, for application.

6 A. I believe right now we are sharing the same form with  
7 the rural companies that do offer it.

8 MS. NELSON: So you wouldn't be opposed to that?

9 A. No.

10 MS. NELSON: Thank you. Would you have a problem if we  
11 made these forms available like at senior citizen centers  
12 and like rural health care providers, facilities, and  
13 those kinds of things?

14 A. I would say not because the only way we do get those  
15 out there is if the Department of Social Services  
16 identifies a customer, then they send it out there. But,  
17 you know, if a customer is eligible for the program, we  
18 would like them to know about it.

19 MS. NELSON: Thank you.

20 MS. WIEST: If the Commission doesn't go with the state  
21 fund then, do you agree that there would be self-  
22 certification?

23 A. That there would be self- -- yes, I believe the FCC  
24 has said that.

25 MS. WIEST: Do you know why US West does not charge that

1 surcharge allowed by the tariff?

2 A. It's my understanding that this was about 10 years  
3 ago, and because it would be 4 to 5 cents, US West decided  
4 not to implement it.

5 MS. WIEST: Are you aware of the stipulation agreement  
6 where US West agreed that it would absorb the TAP credit  
7 offset which would equate to approximately a \$200,000  
8 annual reduction?

9 A. I'm sorry. I'm not.

10 MR. WELK: Which document?

11 MS. WIEST: That's F-3647-8.

12 MR. WELK: Is there an order in there?

13 MS. WIEST: What I'm reading from is the stipulation  
14 agreement. It has something to do with the Tax Reform Act  
15 stipulation. I was just wondering if that was the reason  
16 why you had not charged a surcharge.

17 A. And I'm sorry. I'm not familiar with that.

18 MS. WIEST: Would there be any objection if I put this in  
19 as an exhibit?

20 MR. WELK: No. It's the Commission record, correct?

21 MS. WIEST: Right. I'll mark it as Exhibit 5.  
22 (Exhibit No. 5 was mark'd for identification.)

23 MR. WELK: That was 200,000 was estimated then?

24 MS. WIEST: Yes. I can read the exact. It says, "US West  
25 will absorb an increase in the TAP credit offset to

1 qualified customers which will equate to an approximately  
2 \$200,000 annual reduction."  
3 A. I will tell you that before we sold the exchanges, we  
4 did probably have 3,600 customers. So it probably was  
5 close to 200,000 at that time.  
6 MS. WIEST: Okay. Does US West have a position on if the  
7 Commission would go for the state program, if that state  
8 program should also provide for free directory  
9 assistance? That was discussed in the FCC order.  
10 A. Free directory assistance?  
11 MS. WIEST: Yes.  
12 A. I would have to tell you that we don't have a position  
13 on that right now.  
14 MS. WIEST: Could the Commission continue with the current  
15 TAP program recognizing that because of the age limitation  
16 it would not be eligible for the federal matching funds on  
17 top of the \$5.25?  
18 A. So are you asking if we stay with the current  
19 programming where we give 3.50 --  
20 MS. WIEST: And the current qualifications, the 60 and  
21 over and the two, could the Commission continue with that  
22 program for US West?  
23 A. This is my understanding, okay, that if the state sets  
24 a criteria -- in other words, if we stay with the 60 years  
25 and qualifications as they are, then US West would

1 probably ask for a waiver so that the federal side would  
2 match what the state side does. So, in other words, to me  
3 the program would look as it does today.  
4 MS. WIEST: Okay.  
5 A. Because as I understand the FCC rules, that is the  
6 criteria -- default criteria. In other words, if the  
7 state doesn't set up a program, it defaults to the FCC  
8 criteria. But if there is a state program, then I believe  
9 that that would be the program that would be in place in  
10 South Dakota. In other words, it would look today like it  
11 does today. It would not go to the default criteria of  
12 the FCC.  
13 MS. WIEST: Sure. But do you think that the FCC would  
14 ever allow an age limit?  
15 A. Well, I think those are the things that I'll defer  
16 to interpretation. I do believe we have asked for a  
17 clarification of that. Because if there is a state  
18 program in place that does say 60 years, then what does  
19 the FCC side look like under those circumstances. I think  
20 that is the question.  
21 MS. WIEST: Okay. That's all I had.  
22 MS. SCHOENFELDER: I have one more, Colleen. I believe  
23 US West has also asked the FCC to clarify if toll  
24 restriction or toll limitation, if one or the other, is  
25 doable rather than both.

1 A. That is correct.

2 MS. SCHOENFELDER: Okay. And so your position would be  
3 that you're not technically able to do that yet, or you  
4 don't want to?

5 A. We can do that. Our position is we want toll  
6 limitation. What toll control is is maybe a customer  
7 would say I'm only going to make \$20 worth of long  
8 distance calls this month. Maybe the next one would say  
9 I'm only going to make \$40. We're saying that is very  
10 hard to implement. We can give toll restriction, and  
11 that's what we're recommending.

12 MS. WIEST: Do you have any indication from the FCC of  
13 when they intend to rule on that clarification? Any time  
14 soon?

15 A. They have asked us to put it in writing. This was a  
16 phone call. They will respond.

17 MR. BURG: What do you mean by -- what does toll  
18 restriction, the way you're describing it, mean?

19 A. Toll restriction would be that they cannot make long  
20 distance calls.

21 MR. BURG: No long distance calls.

22 A. And I just need to clarify that a little bit. That's  
23 only what US West can control. Other carriers do not have  
24 to honor the toll restrictions. In other words, customers  
25 do go around it and sign up with a carrier.

1 MR. BURG: But what we're talking about is a possibility  
2 of toll restriction or toll limitation. You're saying the  
3 limitation is very difficult --

4 A. -- to implement.

5 MR. BURG: Being required to have limitation, but no  
6 objection to restriction?

7 A. We would offer toll restriction. We do offer it.

8 MR. BURG: Would that be automatic if they receive this?  
9 They would have toll restriction?

10 A. No. It's for customers that don't want to pay a  
11 deposit but do want some control over the phone. It's  
12 voluntary. But they're just saying you have to be able to  
13 offer it.

14 MR. BURG: All right. Anything else? Ma'am, would you  
15 like to make any comments? Did you have any comments?

16 AUDIENCE MEMBER: I can't hear what you're all saying.

17 MR. BURG: The acoustics aren't real good. Does anybody  
18 have anything else? If not, I guess this will close the  
19 hearing.

20 I will say for your benefit, there are some  
21 brochures over there on the table that might be  
22 beneficial. Help yourself.

23 (The hearing was at 9:30 a.m., October 29, 1997.)  
24  
25

1 STATE OF SOUTH DAKOTA )

2 :SS

CERTIFICATE

3 COUNTY OF MINNEHAHA )

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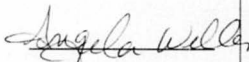
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I, Angela Weller, Court Reporter in  
the above-named County and State, certify that the  
above-entitled proceedings were reported by me, and the  
foregoing pages 1 - 18, inclusive, are a true and correct  
transcript of my stenotype notes.

Dated at Sioux Falls, South Dakota, this 31st  
day of October, 1997.



Angela Weller

U S WEST COMMUNICATIONS, INC.  
Exchange and Network  
Services Tariff

SECTION 5

Page 66

Release 2

Effective: 6-1-97

State of South Dakota

Issued: 6-16-97

5. EXCHANGE SERVICES

5.2 LOCAL EXCHANGE SERVICE (Cont'd)

5.2.6 LOW-INCOME TELEPHONE ASSISTANCE PROGRAMS

A. South Dakota Telephone Assistance Plan

1. Description

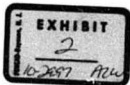
The Telephone Assistance Plan provide for a credit against the recurring monthly rate for the provision of local residential service for certain low-income customers.

2. Application

- a. The Telephone Assistance Plan credit is only available to customers who are presently participating in the Food Stamp and/or Energy Assistance Program and are 60 years of age or older.
- b. The Company will assure eligibility through verification by the state agency charged with the duty of administering the programs.
- c. The monthly credit will be an amount equal to the Interstate End User Charge. The credit shall apply to the following Local Exchange Service:
  - Residence One-Party Flat Rate Service
  - Residence One-Party Local Measured Service
  - Residence Multiparty Flat Rate Service
  - Hourly Usage Package Service

(D)

(D)





U S WEST COMMUNICATIONS, INC.  
Exchange and Network  
Services Tariff

State of South Dakota  
Issued: 11-5-93

SECTION 5  
Page 67  
Release 1  
Effective: 12-5-93

5. EXCHANGE SERVICES

5.2 LOCAL EXCHANGE SERVICE

5.2.6 LOW-INCOME TELEPHONE ASSISTANCE PROGRAMS

A. South Dakota Telephone Assistance Plan (Cont'd)

3. Terms and Conditions

- a. The Telephone Assistance Plan credit will begin with the first billing date after the Company is notified by applicants who qualify for benefits or when new service is established by a qualifying customer.
- b. Nonrecurring charges shall not apply to establish this program on existing service.
- c. This credit shall apply only to a customer's principal residence line.

4. Funding

This program shall be funded through a surcharge on residence and business access lines.

5. Rates

	USOC	MONTHLY CREDIT[1]
• Telephone Assistance Plan Credit	ASGSX	\$3.50

[1] This amount shall be revised to equal the Interstate End User Charge. With FCC approval, the Interstate End User Charge will also be credited for customers participating in the plan (USOC ASGSX).

U S WEST COMMUNICATIONS, INC.

Exchange and Network  
Services Tariff

SECTION 5

Page 68

Release 1

State of South Dakota

Issued: 11-5-93

Effective: 12-5-93

5. EXCHANGE SERVICES

5.2 LOCAL EXCHANGE SERVICE

5.2.6 LOW-INCOME TELEPHONE ASSISTANCE PROGRAMS (Cont'd)

B. Link-Up America

South Dakota residents who are receiving food stamps or home energy assistance benefits may also qualify for the Federal Communications' Link-Up America Program. Effective February 10, 1988, a 50% discount (USOC LNK) up to \$30.00 will be applied to access line service and equipment charges to connect service at a new address. This discount applies only on a single line at the principal place of residence for the applicant.

The following eligibility criteria will apply:

- Applicant must have lived at an address where there has been no telephone service for at least three months immediately prior to the date that assistance is requested.
- Applicant must not have received Link-Up America assistance within the last two years.
- Applicant must not be a dependent for federal income tax purposes, unless he or she is more than 60 years of age.
- Applicant must be participating in the food stamp program or the home energy assistance program.

8144-3454



125 South Dakota Avenue, 8th Floor  
Sioux Falls, South Dakota 57194

September 12, 1997

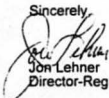
Mr. William Bullard, Executive Director  
Public Utilities Commission  
State Capitol Building  
Pierre, South Dakota 57501

RE: Docket TC97-150

Dear Mr. Bullard:

U S WEST Communications has attached comments concerning the implementation of the FCC's rules on Lifeline and Link Up Programs. These comments are being furnished per the Commission order in Docket TC97-150.

Sincerely,

  
Jon Lehner  
Director-Regulatory Affairs

Attachment



BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA

In the matter of the investigation	)	Comments of U S WEST
into the Lifeline and LinkUp	)	Communications, Inc.
Programs.	)	TC97-150

U S WEST Communications ("U S WEST") submits the following responses to the questions posed by the South Dakota Public Utilities Commission ("Commission") in its investigation into the Lifeline and Link Up programs.

**1. Whether the Commission should approve intrastate rate reductions to allow consumers eligible for Lifeline support to receive the additional \$1.75 in federal support?**

Yes. The Commission should approve intrastate rate reductions to maximize the benefit certified South Dakota Low Income Consumers will receive from the federally funded Lifeline program. The additional \$1.75 does not require state matching funds. However, U S WEST will have to recover the cost of any program such as this.

**2. Whether the Commission should set up a state Lifeline Program to fund further reductions in the intrastate rate paid by the end user?**

The Commission does not have to set up a new state Lifeline program to fund further rate reductions in the intrastate rate paid by the end user. Instead the Commission should modify the existing program to ensure that all certified low income customers, not just those over age 60, receive Lifeline assistance. Commensurate with the expansion of the criteria, the Commission must also change the Lifeline intrastate funding mechanism to make it explicit and competitively neutral. See response in question 3 below.

**3. Whether the Commission should modify the existing Lifeline or Link Up Programs?**

Yes. To maximize the benefits received from the federal fund and to maximize the effectiveness of the Lifeline program, the Commission should modify the existing Lifeline program in two ways. First, the Lifeline program must be funded in an explicit and competitively neutral way, specifically all telecommunications providers should be required to pay into the Lifeline program by assessing an end user surcharge on all retail revenues. In its Universal Service Decision, the FCC noted the requirement for states to fund state Lifeline programs in a competitively neutral manner:

The Joint Board observed that many states currently generate funds through the state rate-regulation process. These states allow incumbent LECs to recover the revenue the carriers lose from charging Lifeline customers less by charging other subscribers more. Florida PSC points out that this method of generating Lifeline

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support from the intrastate jurisdiction could result in some carriers (i.e. ILECs) bearing an unreasonable share of the program's costs. We see no reason at this time to intrude in the first instance on states' decisions about how to generate intrastate support for Lifeline. We do not currently prescribe methods states must use to generate intrastate Lifeline support, nor does this order contain any such prescriptions. Many methods exist, including competitively neutral surcharges on all carriers or the use of general revenues, that would not place the burden on any single group of carriers. *We note, however, that states must meet the requirements of section 254(e) in providing equitable and non-discriminatory support for state universal service support mechanisms.* (Emphasis added)<sup>1</sup>

Today there is a provision in the U S WEST tariff for a surcharge on all local exchange customers to recover the costs of the Lifeline program. However, U S WEST, up to now has not assessed any surcharge. If the Commission expands the Lifeline program, a significant increase in funding obligation will be required. If the state Lifeline program is expanded, the funding mechanism must be revised to be competitively neutral and must be funded by all providers. U S WEST would not continue to provide the Lifeline discount without recovering the lost revenues.

The second modification to the state Lifeline and Link Up programs the Commission should address is the expansion of the eligibility criteria to include all certified low income customers regardless of age.

Today, the South Dakota Lifeline program requires Lifeline customers to be over the age of 60. FCC data demonstrates that certified low income customers in the 15-24 year old age group have the lowest telephone penetration levels. The South Dakota's subscribership of 94.4% is above the National average of 93.9%. No one can expect to achieve a 100% subscribership level since there will always be people who simply don't want a phone. However, South Dakota can do better. Expanding the criteria to include customers of all age groups, could be a major step in the direction of improving South Dakota penetration levels.

U S WEST encourages the Commission to expand the South Dakota eligibility criteria to include low income consumers of all ages and encourages the Commission to establish a funding mechanism that is competitively neutral and is supported by all telecommunications providers.

- 4. Shall the Commission file or require the carrier to file information with the administrator of the federal universal service fund demonstrating that the carrier's Lifeline plan meets the criteria set forth in 47 C.F.R. § 54.401 (d)?**

Many of the administrative details on how the interim administrator and ultimately the designated administrator will manage the federal Lifeline and Link Up programs have yet

<sup>1</sup> FCC Report and Order, CC Docket No 96-45, ¶361

to be worked out by the administrator and the FCC. The Commission does, however, have the responsibility to ensure that any telecommunications provider that seeks to receive federal universal service support for Lifeline or high cost funding meet eligibility requirements. An eligible telecommunications provider must offer a low income plan that is in compliance with 47 C.F.R. § 54.401(d). Therefore, the Commission must be able to confirm that any telecommunications provider receiving federal Lifeline funding meets FCC criteria.

## 5. Other Issues

U S WEST brings to the Commission's attention three additional issue it should address in its consideration of changes to the Lifeline and Link Up programs.

### Eligibility Verification

Today the Department of Social Services oversees the verification of consumers who are eligible to receive Lifeline funding. Because of the confidentiality requirements of eligible consumers records, it is prudent for this verification process through Social Services to continue. U S WEST is sensitive to the additional burden this puts on Social Services resources and therefore recommends the Commission explore the possibility of a reimbursement to Social Services from a competitively neutral Lifeline funding mechanism.

### Toll Limitation Requirement

In its Universal Service decision, the FCC reasoned that providing toll limitation, without charge, to Lifeline consumers would assist these customers in avoiding involuntary termination of their telecommunications services and should encourage subscribership.<sup>2</sup> The FCC concluded that both "toll blocking" and "toll control" are forms of "toll limitation" which should be supported by universal support mechanisms.<sup>3</sup> The FCC said that carriers with deployed switches that are incapable of providing toll limitation services will not be required to provide such services to customers served by those switches until those switches are upgraded.<sup>4</sup>

Because both "toll blocking" and "toll control" are forms of "toll limitation," U S WEST asked the FCC to clarify that a carrier is not required to offer both. Rather, the FCC should make it clear that a carrier who offers either "toll blocking" or "toll control" to Lifeline customers satisfies the requirement in 47 C.F.R. § 54.401(a)(3).

---

<sup>2</sup> Universal Service Order ¶ 385.

<sup>3</sup> *Id.* ¶ 385.

<sup>4</sup> *Id.* ¶ 388.

### Service Deposits

In the Universal Service Order, the FCC adopted the following rule regarding service deposits for Lifeline customers:

Eligible telecommunications carriers may not collect a service deposit in order to initiate Lifeline service, if the qualifying low-income consumer voluntarily elects toll blocking from the carrier, where available. If toll blocking is unavailable, the carrier may charge a service deposit.<sup>3</sup>

U S WEST offers toll blocking to Lifeline customers, which is generally effective to block outgoing long distance call attempts. However, toll blocking does not prevent the Lifeline customer from receiving collect calls or from billing long distance calls made from another phone to the customer's Lifeline number ("third number calls"). Collect calls and third number calls cannot be blocked with ordinary "toll blocking."

U S WEST asked the FCC to modify the rule in 47 C.F.R. § 54.401(e) to provide that carriers who offer toll blocking may also require Lifeline customers, especially Lifeline customers who violate a no billed toll agreement, to pay a service deposit in order to initiate or maintain Lifeline service and that, absent payment of a service deposit, carriers may deny Lifeline service.

U S WEST urges the Commission to also adopt a deposit requirement for Lifeline customers who violate a no billed toll agreement.

---

<sup>3</sup> 47 C.F.R. § 54.401(c).

8144-59

LAW OFFICES  
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WADE A. REIMERS

September 12, 1997

TELEPHONE 224-8851  
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SEP 12 1997

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

William Bullard, Jr., Executive Director  
SD PUC, State Capital  
500 E Capitol  
Pierre SD 57501

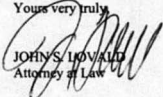
RE: TC97-150

Dear Mr. Bullard:

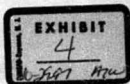
Enclosed herewith please find an original and 10 copies of Comments of AT&T Communications of the Midwest, Inc. with regard to the above-captioned docket.

Please furnish a file stamped copy to me. Thank you.

Yours very truly,

  
JOHN S. LOVALD  
Attorney at Law

JSL:mmh





BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA

RECEIVED

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SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

In the Matter of the Investigation )  
into the Lifeline and Link Up ) Docket No. TC97-150  
Programs )

COMMENTS OF AT&T

Pursuant to the Commission's August 28, 1997 Order that established the investigation regarding Lifeline and Link Up programs, AT&T Communications of the Midwest Inc. ("AT&T") hereby submits its comments regarding the matters set forth in the Commission Order.

RESPONSES TO COMMISSION QUERIES

AT&T's responses to the matters set forth in the August 28, 1997 Order in Docket No. TC97-150 are as follows:

**Issue No. 1. Whether the Commission should approve intrastate rate reductions to allow consumers eligible for Lifeline support to receive the additional \$1.75 in federal support?**

A. Yes. The Commission should reduce basic local exchange rates for Lifeline subscribers by \$1.75 per month.

**Issue No. 2. Whether the Commission should set up a state Lifeline Program to fund further reductions in the intrastate rate paid by the end user?**

A. No. No further reductions beyond the revised Federal program appears to be necessary at this time.

At this time, the high levels of telephone subscribership in South Dakota strongly suggest that current local service rates are below the level of affordability and that additional Lifeline support, beyond the \$1.75 cited in the first question, for disadvantaged households is not necessary at this time. If the 2000 census collects the same data relating to telephone subscribership as the 1990 census, it should provide not only

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insights regarding overall telephone subscribership but also make it possible to evaluate penetration levels among disadvantaged groups in various regions of the state. Once that data is available the level of support that needs to be provided to qualified disadvantaged end users can be re-evaluated.

**Issue No. 3. Whether the Commission should modify the existing Lifeline or Link Up Programs?**

A. The existing Lifeline and Link Up Programs should be incorporated into a competitively neutral general purpose South Dakota Universal Service Fund. This USF should be financed in a competitively neutral manner and administered by a third party chosen by the Commission that neither pays into the USF nor draws support from the fund other than payment for administration activities. Support for end users should be portable and when a customer switches service from one local carrier to another, the Lifeline support should also be transferred by the USF administrator. The preferred financing vehicle would be a separate surcharge on end user bills. This would ensure competitive neutrality and would fully inform customers as to what was included in their bill.

The state USF that is established would serve to supplement the Federal USF and would facilitate such desirable programs as bringing intercompany payments, such as, access charges in line with their economic cost in order to facilitate the development of competition in telecommunications markets and to improve intercustomer fairness through the elimination of cross-subsidies between customer groups. When the South Dakota USF is established incumbent LECs should file with the Commission their plans to eliminate current implicit subsidies intended to keep local service rates low, such as the CCLC, to be replaced with an explicit funding source (e.g., an end user surcharge on intrastate telecommunications revenues).

**Issue No. 4. Shall the Commission file or require the carrier to file information with the administrator of the federal universal service fund**

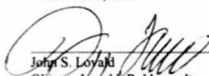
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demonstrating that the carrier's Lifeline Plan meets the criteria set forth in 47 C.F.R. Sec. 54.401(d)?

- A. Yes. In order to draw funds from the USF it would be appropriate to require the local carrier to file information with the USF administrator that demonstrates that the local service provider makes available the services set forth in 47 C.F.R. Sec. 54.101(a)(1)-(9).

DATED this 12th day of September, 1997.

AT&T COMMUNICATIONS OF THE  
MIDWEST, INC.



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BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE PUBLIC )  
UTILITIES COMMISSION INVESTI- )  
GATION INTO THE EFFECTS OF )  
THE 1986 TAX REFORM ACT ON )  
SOUTH DAKOTA UTILITIES. )

STIPULATION AND AGREEMENT

(F-3647-8)

WHEREAS, the South Dakota Public Utilities Commission (Commission) and Northwestern Bell Telephone Company, Inc., d/b/a U.S. West Communications (USWC) are desirous of resolving the Commission's investigation into the impact of the Tax Reform Act of 1986 (TRA) on the operations of USWC; and

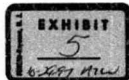
WHEREAS, the Commission has issued orders in Docket No. F-3647-8, dated September 20 and September 30, 1988, ordering USWC to refund \$6,208,000 plus interest at 11.9% in rates to local telephone subscribers and to reduce local rates annually by \$4,722,188; and

WHEREAS, those orders were appealed by USWC to the Circuit Court, Sixth Judicial Circuit, which court on April 17, 1988, affirmed the Decision and Order of the Commission in its entirety; and

WHEREAS, USWC has further appealed the decision of the Circuit Court to the Supreme Court of the State of South Dakota; and

WHEREAS, this matter has been pending since October 26, 1986, without a satisfactory resolution; and

WHEREAS, the Commission has opened Docket No. F-3771 initiating an investigation into USWC's central office modernization; and



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WHEREAS, the Commission has also opened an investigation in Docket No. F-3807 into the methods used by USWC and others for the timing and charging of toll calls in South Dakota; and

IT IS THEREFORE, stipulated and agreed to by the Commission and USWC as follows:

1. USWC will initiate immediately upon approval of this stipulation and agreement by the Commission a modernization program, the last project to be completed in calendar year 1994, to provide state of the art switching capability to all telephone exchanges owned and operated by USWC in its approved service territories.

2. The modernization program will require an overall additional investment in USWC's South Dakota exchanges of approximately \$50,000,000. Annually, during the fourth calendar quarter until January 1, 1995, USWC will report to and review with the Commission the progress of the modernization program described in this agreement. The specific exchanges to be modernized are attached as Exhibit A to this stipulation and agreement.

3. Except as may be provided for in this stipulation and agreement, rates currently in effect for basic local exchange service (business and residential) will not be changed until after July 1, 1990.

4. USWC agrees to reduce rates in the following manner:

a. USWC will standardize the agri-business, suburban and one-party zoned rate increment to \$3.00 per month and consolidate the two and four-party zoned rate increment at \$3.00 or less per month, resulting in a \$500,000 annual reduction.

b. USWC will absorb an increase in the TAP credit offset to qualified customers which will equate to an approximately \$200,000 annual reduction.

c. USWC agrees to change its method of timing and charging for message toll calls (MTS) to one-tenth of a minute after the first minute as soon as practicable, but no later than March 1, 1990, and to adjust some of its prices for message toll service so that the net effect is a \$1,600,000 annual reduction in revenues, effective July 1, 1989; except that, should the Commission, as a result of its hearings in Docket No. F-3807, determine that for the telecommunications industry the method for timing should be discretionary and market-based, USWC may elect to abide by that Commission decision. If USWC does elect not to utilize one-tenth of a minute toll timing, and that decision results in an annual MTS revenue reduction of less than \$1,600,000, the Commission may then reconsider and reopen this portion of this stipulation only for the purpose of determining another method of effecting an annual revenue reduction of \$1,600,000, or the remaining balance thereof, from non-competitive services.

d. USWC further agrees that \$7,000,000 of its capital at July 1, 1989, plus the prorated annual amount of any MTS rate decrease delayed from July 1, 1989 to the implementation of the toll timing change shall be added to the above amount and will be accounted for as follows:

1. The capital and any prorated amounts will accrue interest at a rate of 11.9% per annum until July 1, 1990. Beginning July 1, 1990, the principal and interest of the capital

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and any prorated amounts will then be amortized over a 10 year period.

ii. The unamortized portion of the capital, any prorated amounts, any accrued interest, and the annual amortization thereof will be accounted for and used to reduce USWC's basic local exchange servie rate base and expenses for ratemaking proceedings.

5. USWC will dismiss its appeal to the South Dakota Supreme Court of the Commission's decision in Docket No. F-3647-8.

6. The Commission will vacate its orders in Docket No. F-3647-8, dated September 20, 1988 and September 30, 1988, respectively, and the order promulgated pursuant to this stipulation and agreement will supersede such orders and close the docket.

7. The Commission will close Docket No. F-3771.

8. USWC and the Commission agree that the making and execution of this agreement and the terms and conditions of this agreement shall not be considered a waiver of any position of either the Commission or USWC in any pending or future docket before the Commission or in any future or pending judicial action in which the Commission or USWC is a party.

JAMES A. BURG, Chairman  
SD Public Utilities Commission

Dated: \_\_\_\_\_

LASKA SCHOENFELDER, Commissioner  
SD Public Utilities Commission

Dated: \_\_\_\_\_

KENNETH STOFFERAHN, Commissioner  
SD Public Utilities Commission

Dated: \_\_\_\_\_

LARRY W. TOLL, General Manager  
Northwestern Bell Telephone Company,  
Inc., d/b/a U.S. West Communications

Dated: \_\_\_\_\_

Exhibit A

Alcester	Huron *	Reliance
Belle Fourche *	Iroquois	Revillo
Bonesteel	Lake Andes	Roslyn
Bradley	Lake Preston	Salem
Bridgewater	Lemmon	Selby
Bristol	Lesterville	South Shore
Britton	Marion	Sturgis *
Burke	McIntosh	Summit
Canistota	Milbank	Taber
Canton	Miller	Timber Lake
Castlewood	Mitchell *	Tripp
Cavour	Mobridge	Tyndall
Chamberlain *	Morristown	Veblen
Clark	Murdo	Volga
Clearfield	Newell	Wagner
Colman	Nisland	Waubay
Deadwood *	Oldham-Ramona	Webster
DeSmet	Onida	Willow Lake
Elk Point	Parkston *	Willmot
Flandreau	Peever	Winner *
Florence	Pierpont	Witten
Gregory	Platte	Wolsey
Hayti-Lake Norden	Presho	
Howard	Redfield	

\* Denotes offices to be replaced in calendar year 1990



**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE INVESTIGATION	)	FINAL ORDER AND
INTO THE LIFELINE AND LINK UP	)	DECISION; NOTICE OF
PROGRAMS	)	ENTRY OF DECISION
	)	TC97-150

At its August 18, 1997, regularly scheduled meeting, the Public Utilities Commission (Commission) voted to open a docket concerning the Federal Communications Commission's (FCC's) Report and Order on Universal Service regarding the Lifeline and Link Up programs. In its Report and Order, the FCC decided that it would provide for additional federal support in the amount of \$1.75, above the current \$3.50 level. However, in order for a state's Lifeline consumers to receive the additional \$1.75 in federal support, the state commission must approve that reduction in the portion of the intrastate rate paid by the end user. 47 C.F.R. § 54.403(a). Additional federal support may also be received in an amount equal to one-half of any support generated from the intrastate jurisdiction, up to a maximum of \$7.00 in federal support. 47 C.F.R. § 54.403(a). A state commission must file or require the carrier to file information with the administrator of the federal universal service fund demonstrating that the carrier's Lifeline plan meets the criteria set forth in 47 C.F.R. § 54.401.

By order dated August 28, 1997, the Commission allowed interested persons and entities to submit written comments concerning how the Commission should implement the FCC's rules on the Lifeline and Link Up programs. In their written comments, interested persons and entities commented on the following questions:

1. Whether the Commission should approve intrastate rate reductions to allow consumers eligible for Lifeline support to receive the additional \$1.75 in federal support?
2. Whether the Commission should set up a state Lifeline Program to fund further reductions in the intrastate rate paid by the end user?
3. Whether the Commission should modify the existing Lifeline or Link Up Programs?
4. Shall the Commission file or require the carrier to file information with the administrator of the federal universal service fund demonstrating that the carrier's Lifeline plan meets the criteria set forth in 47 C.F.R. § 54.401(d)?

By order dated October 16, 1997, the Commission set public hearings to receive public comment on the questions listed above. The hearings were held at the following times and places:

**RAPID CITY:** Monday, October 27, 1997, 1:00 p.m., Canyon Lake Senior Citizens Center, 2900 Canyon Lake Drive, Rapid City, SD

**PIERRE:** Tuesday, October 28, 1997, 1:30 p.m., State Capitol Building, Room 412, 500 East Capitol Avenue, Pierre, SD

**SIOUX FALLS:** Wednesday, October 29, 1997, 9:00 a.m., Center for Active Generations, 2300 West 46th, Sioux Falls, SD

At its November 7, 1997, meeting, the Commission ruled as follows: On the first issue, the Commission authorized intrastate rate reductions to allow eligible consumers to receive the additional \$1.75 in federal support. With respect to the second issue, the Commission decided to not set up a state Lifeline program to fund further reductions at this time. On the third issue, the Commission eliminated the existing TAP program that requires U S WEST and carriers that have purchased U S WEST exchanges to fund a \$3.50 reduction of local rates to low income customers age 60 and over. The Commission further ruled that the South Dakota Link Up program follow the FCC rules. In addition, the Commission ordered that staff, in consultation with the carriers, develop a standard form for self-certification; that these forms be sent to all of their customers prior to January 1, 1998, and thereafter, to all new customers; and that the carriers make the forms available to any person or entity upon request. On the fourth issue, the Commission ruled that the carrier be required to file with the FCC the information demonstrating that the carrier's plan meets the applicable FCC criteria and that the carrier send an informational copy to the Commission. Further, that the carriers include in their annual report to the Commission the number of subscribers who receive Lifeline and Link Up support.

Based on the written comments and evidence and testimony received at the hearings, the Commission makes the following Findings of Fact and Conclusions of Law.

#### FINDINGS OF FACT

##### I

The current state Lifeline program is referred to as the Telephone Assistance Plan (TAP). The current state Link Up program is referred to as the Link Up America program. The Commission implemented these programs in the U S WEST exchanges pursuant to its Decision and Order dated February 17, 1988, issued in Docket F-3703, In the Matter of the Investigation into Implementation of a Telephone Assistance Plan for South Dakota Customers. Exhibit 1 at page 1. Subsequent buyers of U S WEST exchanges were required to also offer the TAP and Link Up America programs. *Id.* at pages 1-2.

##### II

The amount of TAP assistance is \$7.00, \$3.50 of which is federally funded, with the remaining \$3.50 funded by the local telecommunications carrier. *Id.* at page 3. Although U S WEST was originally allowed to charge a surcharge to fund the program, U S WEST subsequently gave up that right in Docket F-3647-8, In the Matter of the Public Utilities Commission Investigation into the Effects of the 1986 Tax Reform Act on South Dakota Utilities. Exhibit 5. In order to receive the TAP assistance, a member of the household

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The Link Up America program provides assistance in an amount equal to one-half of the qualifying subscriber's telephone service connection charges up to a maximum of \$30.00. Id. at page 3. In order to receive Link Up assistance, a customer must be receiving either food stamps or low-income energy assistance, must not presently have local telephone service and must not have been provided telephone service at his or her residence within the previous three months, and must not be a dependent for federal income tax purposes (dependency criteria does not apply to those 60 years of age or older). Id. The Link Up program is funded entirely out of federal funds. Id.

## IV

The FCC revised the current Lifeline and Link Up programs in CC Docket No. 96-45. In the Matter of Federal-State Joint Board on Universal Service, adopted May 7, 1997. Beginning January 1, 1998, the FCC found that the federal baseline Lifeline support will be \$3.50 per qualifying low-income consumer with an additional \$1.75 in federal support if the state commission approves a corresponding reduction in intrastate local rates. 47 C.F.R. § 54.403(a). Additional federal Lifeline support in an amount equal to one-half the amount of any state Lifeline support (not to exceed \$7.00) is also available. *Id.*

## V

The FCC further found that the federal support for Link Up will continue to be a reduction in the telecommunications carrier's service connection charges equal to one half of the carrier's customer connection charge or \$30.00, whichever is less. 47 C.F.R. § 54.413(b).

## VI

Pursuant to the FCC's rules, if there is no state Lifeline or Link Up program, a consumer is eligible for support if the consumer participates in one of the following programs: Medicaid, food stamps, Supplemental Security Income, federal public housing assistance, or the Low-Income Home Energy Assistance Program. 47 C.F.R. § 5.409(b) and 5.415(b). In addition, if there is no state Lifeline or Link Up program, a customer must satisfy under penalty of perjury that the customer is receiving benefits from one of the programs listed above and agrees to notify the carrier if the customer ceases to participate in such program or programs. *Id.*

## VII

The first issue is whether the Commission should approve intrastate rate reductions to allow consumers eligible for Lifeline support to receive the additional \$1.75 in federal

support. The Commission finds that it shall authorize intrastate rate reductions for eligible telecommunications companies providing local exchange service to allow eligible consumers to receive the additional \$1.75 in federal support. Thus, the total amount of federal support is \$5.25 per eligible customer.

#### VIII

The second issue is whether the Commission should set up a state Lifeline program to fund further reductions in the intrastate rate paid by the end user. The Commission finds it will not set up a state Lifeline program to fund further reductions at this time.

#### IX

The third issue is whether to modify or eliminate the existing Lifeline program or Link Up program. With respect to the existing Lifeline program, the Commission finds that it shall eliminate the existing TAP program that requires U S WEST and carriers that have purchased U S WEST exchanges to fund a \$3.50 reduction of local rates to low income customers age 60 and over. The Commission further finds that the South Dakota Lifeline and Link Up programs shall follow the FCC rules. See 47 U.S.C. §§ 54.400 to 54.417. The effect of following the FCC rules and not instituting further state funded reductions is that the FCC eligibility requirements and self-certification requirements will apply to the South Dakota Lifeline and Link Up programs. In addition, the Commission orders that the Commission staff, in consultation with the carriers, develop a standard form for self-certification. The carriers shall send these forms to each customer prior to January 1, 1998. The carriers shall also send a form to each of their new customers. Finally, the carriers shall make the forms available to any person or entity upon request.

#### X

The fourth issue is whether the Commission should file, or in the alternative, require the carrier to file information with the fund administrator. See 47 C.F.R. § 54.401(d). The Commission finds the carriers shall be required to file that information demonstrating that the carrier's plan meets the applicable FCC rules and that the carrier send an informational copy to the Commission. The carriers shall also be required to include in their annual report to the Commission the number of subscribers who receive Lifeline and Link Up support.

#### CONCLUSIONS OF LAW

##### I

The Commission has jurisdiction over this matter pursuant to SDCL Chapter 49-31, specifically 49-31-1.1, 49-31-3, 49-31-7, 49-31-7.1, 49-31-11, 49-31-12.1, 49-31-12.2 and 12.4, and 47 C.F.R. §§ 54.400 to 54.417.

## II

Pursuant to 47 C.F.R. § 54.403(a), the Commission authorizes intrastate rate reductions for eligible telecommunications companies providing local exchange service to allow eligible consumers to receive the additional \$1.75 in federal support.

## III

The Commission declines to institute a state Lifeline program to fund further reductions at this time. The existing South Dakota Lifeline and Link Up programs shall be modified to follow the FCC rules found at 47 U.S.C. §§ 54.400 to 54.417, inclusive, on January 1, 1998. The Commission staff, in consultation with the carriers, shall develop a standard form for self-certification. The carriers shall send these forms to each customer prior to January 1, 1998. The carriers shall also send a form to each of their new customers. Finally, the carriers shall make the forms available to any person or entity upon request.

## IV

Pursuant to 47 C.F.R. § 54.401(d), the Commission finds the carriers shall be required to file that information demonstrating that the carrier's plan meets the applicable FCC rules and that the carrier send an informational copy to the Commission. The carriers shall also be required to include in their annual report to the Commission the number of subscribers who receive Lifeline and Link Up support.

It is therefore

ORDERED, that the Commission authorizes intrastate rate reductions for eligible telecommunications companies providing local exchange service to allow eligible consumers to receive the additional \$1.75 in federal support; and it is

FURTHER ORDERED, that the Commission will not set up a state Lifeline program to fund further reductions at this time; and it is

FURTHER ORDERED, that the Commission shall eliminate the existing TAP program, that the South Dakota Lifeline and Link Up programs follow the FCC rules; that the Commission staff, in consultation with the carriers, develop a standard form for self-certification; that the carriers shall send these forms to all of their customers prior to January 1, 1998; that the carriers shall also send a form to each of their new customers; and that the carriers make the forms available to any person or entity upon request; and it is

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FURTHER ORDERED, that the carrier shall file with the FCC the information demonstrating that the carrier's plan meets the applicable FCC rules and that the carrier send an informational copy to the Commission. The carriers shall also include in their annual report to the Commission the number of subscribers who receive Lifeline and Link Up support.

Dated at Pierre, South Dakota, this 18<sup>th</sup> day of November, 1997.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By Aldwin Kalbs

Date 11/18/97

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg  
JAMES A. BURG, Chairman

Pam Nelson  
PAM NELSON, Commissioner

Deba Schoenfelder  
LASKA SCHOENFELDER, Commissioner