ATTACHMENT

REPORT ON STRATEGIES TO IMPROVE THE CALIFORNIA LIFELINE CERTIFICATION AND VERIFICATION PROCESSES

California Public Utilities Commission

Prepared by the Staff of the Communications Division

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I. Executive Summary

This report details strategies for improving customer response rates and enrollment in the California LifeLine Program (LifeLine)[1]. The report identifies changes to General Order (GO) 153 that Staff requests the California Public Utilities Commission (Commission or CPUC) to adopt at its May 3, 2007 business meeting. In addition, the report details Staff's recommendation that any decision lifting the LifeLine suspension include guidance on the types of documentation customers can use to establish LifeLine eligibility. Moreover, it summarizes the extensive work the Staff has been doing and will continue doing to address the issue.

Pursuant to the California Public Utilities (PU) Code[2], LifeLine provides discounted residential basic wireline telephone service to eligible low-income Californians[3]. As many as 6.7 million or even 10.1 million Californians may qualify for LifeLine[4]. Currently, carriers provide the discounted service to nearly 3.5 million Californians at a cost of $304.5 million in federal funds[5] and $251.35 million in state LifeLine funds[6].

On July 1, 2006, the Commission implemented new Lifeline processes including income certification and verification as well as program eligibility. The Commission instituted the new processes in accordance with the Federal Communications Commission's (FCC) Lifeline Order[7]. To administer the new LifeLine certification and verification processes, the Commission contracted with Solix, Inc. (Solix) to serve as the so-called "Certifying Agent" (CertA), as explained below.

The certification process is for ***new*** LifeLine customers; it requires potential new customers to provide proof of program eligibility through either income documentation or participation in one of several approved assistance programs serving low-income people[8]. The verification process occurs annually for ***existing*** Lifeline customers; this process requires current LifeLine customers to demonstrate annually continued eligibility on either an income basis or via participation in a recognized assistance program. Both processes rely upon customers to complete and return LifeLine forms to the certifying agent demonstrating their eligibility.

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[1] This program is also known as the Universal LifeLine Telephone Service (ULTS) program.

[2] Chapter 4, Article 8 of the PU Code, also known as the Moore Universal Telephone Service Act, requires the Commission to implement a lifeline telephone service to meet minimum residential communications needs. Minimum residential communications needs include, but are not limited to, the ability to originate and receive calls and the ability to access electronic information services.

[3] The Commission reviews and adopts annual income limits for the LifeLine Program.

[4] Source*: <u>http://www.dhs.ca.gov/ cdic/CPNS/research/download/binder_03/ Below130%FPLand185%FPL03.pdf</u>* Staff utilized a Department of Health Services (DHS) survey to estimate how many Californians could qualify for LifeLine. The DHS survey includes the estimated number of Californians with incomes of less than 130% and of less than 185% of the poverty level (per the year 2000 census). Given increases in the population and federal poverty level since the 2000 census, Staff is seeking to refine the estimate of potentially eligible LifeLine customers.

[5] The FCC requires all telephone carriers to contribute to the Federal Universal Service Fund. The FCC permits carriers to recover this contribution through a customer surcharge.

[6] The Commission requires all California carriers to contribute to the state LifeLine program. The carriers recover this contribution through a customer surcharge on all intrastate billing. The Commission reviews and approves the surcharge on a regular basis.

[7] *FCC Lifeline and Link-Up Report and Order and Further Notice of Proposed Rulemaking*, WC Docket No. 03-109, FCC 04-87 (released April 29, 2004.)

[8] For a list of the approved assistance programs see Attachment 3 of this report.

While some decrease in LifeLine customer response rates (e.g., the completion and return of the new CPUC required forms) appears reasonable as the California LifeLine program implements the federal requirements to document eligibility, the new LifeLine process has encountered problems since implementation began in July 2006. In particular, there has been a dramatic plunge in customer response rates. As noted above, at the beginning of the new process in July 2006, approximately 3.5 million customers were enrolled in LifeLine. The response rate of these customers to the new verification process –required in order to stay enrolled in LifeLine – was very low. In August 2006, only 29.43% percent of LifeLine customers needing to send in verification forms to remain on Lifeline did so.[9] As a consequence, a large number of existing LifeLine customers were removed from the program, leading to a very large number of customer phone calls and complaints to the Commission's Consumer Affairs Branch (CAB) and the customers' carriers. Moreover, there has also been a significant drop-off in new customers signing up for Lifeline (the certification process). Just 31.64% of new LifeLine applicants returned the required forms in August 2006.[10]

On November 1, 2006, Commissioner Dian M. Grueneich issued an Assigned Commissioner's Ruling (ACR) suspending portions of GO 153[11] relating to the annual LifeLine verification process[12]. The suspension, instituted for a period of no longer than six months, has provided Commission Staff an opportunity to identify reasons for the low response rates for LifeLine verifications and certifications and to take steps to resolve these and associated problems.

Staff's review since November 1, 2006 has determined that both new customers applying for the LifeLine program and existing customers verifying their continued eligibility are being disqualified for reasons other than not meeting income or social assistance program requirements. Based on work with LifeLine consumers, consumer groups, Solix, and carriers, Staff has identified a variety of problems contributing to the low LifeLine response rates and affecting customer enrollment in the program. They include:

- Late receipt or non-receipt of LifeLine forms and documents sent by Solix to customers;
- Database interface issues between carriers and Solix;
- Issues with the information both Solix and carriers provide to customers about the LifeLine processes;
- Insufficient outreach to customers on the new federal requirements; and
- Lack of customer recognition of new program administration by a third party (Solix).

Staff has also identified significant customer billing problems. The plethora of problems summarized above has resulted in long delays in Solix reviewing LifeLine eligibility forms and larger and more burdensome back billing by carriers of those customers disqualified after the review is completed. Another problem area is conversion regrade charges applied to disqualified customers. Assigned Commissioner Grueneich issued two additional rulings on February 28 and March 28, 2007 addressing these problems.

Staff is taking a multifaceted approach to deal with the low LifeLine response rates, associated billing issues, and the overall confusion in implementation of the new processes. Staff is implementing both short-term and long-term strategies to collectively improve the LifeLine

[9] This data is based on invoices from the Certifying Agent to the Commission for administration of LifeLine processes.
[10] Id.
[11] GO 153 provides carriers and CertA with explicit responsibilities in its implementation of LifeLine.
[12] Commission Decision (D.) 06-11-017 ratified the November 1, 2006 ACR.

customer response rate and enrollment for eligible customers. These strategies are summarized in the table below.

The items in bold typeface require formal Commission action and are proposed for adoption at the Commission's May 3, 2007 business meeting. The remaining items are being handled by Staff pursuant to existing authority.

Recommended and On-Going Improvements to the LifeLine Certification and Verification Processes		
	Short-Term Strategies	*Long-Term Strategies*
General Order (GO) 153 and Clarifying Changes	♦ **Formalize extended form processing timeframe in the GO** ♦ **Formalize additional customer reminders from CertA in the GO** ♦ **Delegate to Staff authority to make ministerial GO changes going-forward via resolution** ♦ **Clarify allowable documentation to establish eligibility in the decision lifting the suspension.** ♦ **Amend the GO to require on-going carrier reminders to new LifeLine customers**	♦ Initiate a Phase II of the current LifeLine docket to ensure the short-term actions are implemented successfully and long-term strategies (e.g., possible changes in certification requirements) are expeditiously explored
Solix Contract	♦ Pursue Contract Amendment re: ♦ Form, Letter, Envelope Changes ♦ Outbound Dialer ♦ Solix-Carrier data reconciliation/ improvements ♦ System changes to extend form processing timeframe ♦ Solix IVR improvements Form, Letter, Envelope Changes ♦ Outbound Dialer ♦ Solix-Carrier data reconciliation/ improvements ♦ System changes to extend form processing timeframe ♦ Solix IVR improvements	♦ Explore mechanisms for faster/ guaranteed LifeLine mail delivery (2nd contract amendment, contractual flexibility, etc.) ♦ Audit Solix contract compliance
Outreach to Customers	♦ Provide materials to CBOs and governmental agencies ♦ Require one-time carrier	♦ LifeLine re-branding effort ♦ Expanded CBO Outreach ♦ Enhanced efforts to enroll "hard to

Recommended and On-Going Improvements to the LifeLine Certification and Verification Processes		
	Short-Term Strategies	*Long-Term Strategies*
	reminder to existing LifeLine customers ♦ Develop on-going carrier reminders to new LifeLine customers	reach" applicants
Solix-Carrier Data Interface Improvements	♦ Implement form processing improvements ♦ Implement Solix system/ database corrections	♦ Monthly forum to resolve data interface issues (more accurate carrier data, expanded Solix data capacity, etc.)
Customer-Carrier Interface Improvements	♦ Implement customer billing improvements ♦ Implement collaborative changes to expedite appeals/ complaints	♦ Monthly forum to discuss issues and identify improvements
Other Solutions	♦ Continue regular meetings of the Implementation Working Group and the Marketing Working Group ♦ Boost CPUC internal resources ♦ Assigned Commissioner will hold All-Party meetings if necessary ♦ Continue regular staff meetings with Assigned Commissioner	♦ Review unscannable customer mail ♦ Refine customer response improvements ♦ Fast track examination of possible new customer pre-qualification via Phase II of current docket ♦ Move forward with plans for web-based enrollment ♦ Examine other state solutions (i.e. automated enrollment, digital verification, etc.) ♦ Review synergies w/ other CPUC low income programs ♦ Review additional CPUC staffing and streamlining appeal/ complaint process

II. Program History and Description

Below is a brief description of the history of the California LifeLine Program and how the program functions.

a. California LifeLine Program Prior to Federal Changes

Pursuant to the Moore Universal Telephone Service Act of 1983, the Commission established the first explicit universal service policy for California through Decision (D.) 84-11-028 in 1984.[13]

[13] Although it began to address such issues in 1979 during the first phase of the Deaf and Disabled Telephone Program, the Commission had never formally adopted a universal service policy prior to D.84-11-028.

"The [Moore] Act has been, and continues to be, an important means for achieving a universal service by making basic residential telephone service affordable to low-income citizens through the creation of a lifeline class of service."[14] LifeLine subsidizes basic landline service for low-income households and is a means to achieve universal service by providing affordable residential telephone service to low-income households. Surcharges on the billed intrastate services of non LifeLine telephone customers fund the program[15].

Program Rates and Services

Current California LifeLine monthly rates are $5.34 for a flat-rate service,[16] $2.85 for a measured-rate service, and $10.00 for service connection and $10.00 for service conversion.[17] Each qualified low-income customer and members of the customer's household collectively may have only one California LifeLine telephone line.[18] A low-income household with a disabled member using a text-telephone device is eligible for an additional California LifeLine telephone line.[19] The Commission requires all carriers providing residential wireline telephone services to provide basic LifeLine service[20].

Program Enrollment, Certification, Recertification, and Verification

Until July 1, 2006, the California LifeLine program operated as follows. Customers whose total household income met income limits set annually by the Commission were eligible for LifeLine service[21]. California law required telecommunication carriers to inform new customers calling to establish residential local telephone service about the availability of LifeLine, including the availability of two LifeLine telephone lines for qualified disabled persons.

Carriers informed interested customers about income eligibility criteria. If the customer verbally certified that he or she was eligible, then the utility enrolled the customer into the LifeLine program immediately and sent the customer a self-certification form. Customers were required to return the signed form within 30 days of provisionally being admitted into the program in order to retain their eligibility. The carriers had the option but were not required to verify each customer's eligibility.[22] If the carrier determined that the customer was ineligible to participate in the program, then the carrier removed the customer from the LifeLine program and charged the customer for previous LifeLine related discounts that the customer should not have received[23]. Annually, each carrier sent all of its residential customers a self-recertification form to confirm continued program eligibility.

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[14] California PU Code Section 871(b). Added by Stats. 1987, ch. 163, Sec. 2. Effective July 16, 1987.
[15] D.06-08-030 allows the basic rate cap to be lifted on January 1, 2009. There may be some resulting impact on LifeLine funding after that change.
[16] The LifeLine customer does not pay the end-user common line (EUCL) charge, which is paid by the LifeLine program at the ILEC rate to the customer's carrier. The current AT&T California EUCL is $4.38 and residential flat-rate service is $10.69. The current Verizon rates are $6.50 and $17.05, respectively.
[17] California LifeLine rates are established in accordance with PU Code § 874, i.e. not more than 50% of AT&T California's rates for flat-rate service, measured-rate and service connection.
[18] GO 153, Section 5.1.2.
[19] GO 153, Section 5.1.5.
[20] PU Code Section 876 states that "the Commission shall require every telephone corporation providing telephone service within a service area to file a schedule of rates and charges providing a class of **lifeline** telephone service."
[21] GO 153, Section 5.1.3.
[22] GO 153, Section 4.1.1.2.
[23] Ibid.

In short, customers undertook their own income eligibility by filling out self certification and annual recertification forms; carriers were not required to verify customers' eligibility.

Program Funding

From its inception in 1984 through 1997, California telephone customers primarily funded the California LifeLine program.[24] In 1997, the FCC revised its Lifeline/Link-Up Program[25] and established a 4-tier support structure for Eligible Telecommunications Carriers (ETCs).[26]

The table below shows federal and state of California support for the California LifeLine program from 2001 to 2005[27].

Year	Federal Lifeline/Link-Up Support ($ in millions)	% Fed. Support/ Total	California LifeLine Support ($ in millions)	Percentage California Support/Total	Total State & Fed. Support ($ in millions)
2001	285.412	0.59	199.786	0.41	485.198
2002	292.586	0.59	201.646	0.41	494.232
2003	302.888	0.57	227.104	0.43	529.992
2004	301.723	0.54	261.351	0.46	563.074
2005	304.520	0.55	251.351	0.45	555.871
2006	n/a[28]	n/a	238.147	n/a	n/a

In D.96-10-066, the Commission allowed Competitive Local Exchange Carriers (CLECs) to begin to participate in the California LifeLine program in a competitively neutral manner. For the Lifeline/Link-Up programs, the FCC continues to limit the federal support to ETCs.[29] Since the FCC does not permit non-ETCs to participate in the federal Lifeline/Link-Up program, the California LifeLine program wholly funds non-ETCs' low-income customers in California. In 2005, nearly 3.5 million customers were enrolled in the California LifeLine program and were served by 36 carriers. Of these carriers, 22 were Incumbent Local Exchange Carriers (ILECs)

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[24] Prior to 1998, the federal Lifeline program provided two assistance plans. Both plans required state support that matched or exceeded the federal contributions. Plan 1 allowed states where subscribers' qualifications were "subject to verification" to receive a federal contribution equal to one half of the $3.50 EUCL. Plan 2 allowed states where subscribers' qualifications were "verified" to receive Plan 1 support and an additional federal contribution toward customers' rate reduction that equaled one half of the EUCL charge. Of the 44 states participating in the federal program, California was the only state receiving federal support under Plan 1.

[25] *FCC Report and Order, FCC 97-157, In the Matter of Federal-State Joint Board on Universal Service* (CC Docket No. 96-45).

[26] Pursuant to § 54.401 of Title 47 of the Code of Federal Regulations.

[27] Federal data was extracted from latest FCC report: "Trends in Telephony Service", Table 19.11, February 2007. California data are reported by participating LifeLine carriers.

[28] Based on the latest released federal data, which is for 2005.

[29] FCC 04-87, Paragraph 54. Only an "eligible telecommunications carrier" or "ETC" may receive Federal universal service support. 47 U.S.C.254 (e). ETC requirements are specified in 47 U.S.C. 214 (e). States designate which carriers in their states meet the requirements of 47 U.S.C. 214 (e) and are thus eligible to receive federal universal service support.

which were also ETCs and one was a CLEC that was designated as an ETC.[30] The remainder were non -ETC CLECs. The table below depicts the average monthly number of customers served and the amount of financial support received by ETCs and non-ETCs in 2005:

	Number of California Life Line Customers	Amount of Federal Support	Amount of California LifeLine Support	Total Support/ Customer/Mo.
ETCs	3,253,069	$304,520,000	$207,664,000	$13.12
Non-ETC	230,375	$0	$ 43,686,000	$15.80
Total	3,483,444	$304,520,000.00	$251,350,000.00	

Other California LifeLine Programs/Services

In accordance with D.96-10-066, public education and outreach for LifeLine is done in a competitively neutral manner; the Commission does so using contracts with outside consultants. At a cost of approximately $5.5 million a year, the Commission's contractor(s) seek to enroll eligible LifeLine customers who are traditionally hard to reach. The contractor operates call-centers assisting customer LifeLine enrollment in English, Spanish, Cambodian, Cantonese, Hmong, Korean, Lao, Mandarin, Tagalog and Vietnamese. LifeLine's Certifying Agent, Solix, also operates a call center specifically for the certification and verification processes.

Advisory Committee

The Commission created the Universal LifeLine Telephone Service (ULTS) Trust in D.87-10-088 for the receipt and investment of the program surcharge monies. In the same order, the Commission also created the ULTS Trust Administrative Committee (ULTSAC) charged with administering the ULTS Trust and disbursement of the program funds. In 2002, the Commission issued D.92-04-059 restructuring the ULTSAC pursuant to legislation requiring the Commission to transition LifeLine Trust monies into the State Treasury.[31] The committee advises the Commission regarding the development, implementation and administration of the California LifeLine program. In addition, ULTSAC provides recommendations and changes to the California LifeLine Marketing Plan as part of its advisory role, and monitors and CBO education and outreach activities.

b. Summary of Federal Changes

In April 2004, the FCC adopted the *Lifeline and Link-Up Report and Order and Further Notice of Proposed Rulemaking* (the FCC Lifeline Order), which ordered changes to the Universal Service

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[30] The CPUC approved the ETC designation of AT&T Communications of California (AT&T) as a CLEC (U 5002-C), on May 26, 2005 in Resolution T-16909. As of March 1, 2006, other non-ILECs that have received ETC designation include: MPower Communications Corp, a CLEC; Sprint PCS, a PCS provider; and Western Wireless, a cellular service provider. However, only AT&T provides California LifeLine and receives federal Life Line/Link-Up support.

[31] In Rulemaking (R.) 01-08-002, the Order Instituting Rulemaking on Implementation of Senate Bill 669, As It Affects California High-Cost Fund A; California High-Cost Fund B; Universal Life Line Telephone Service Trust; Payphone Service Providers Enforcement; Telecommunications Devices for the Deaf Interim Placement Committee; Public Policy Payphone Program; and California Teleconnect Fund.

Lifeline and Link-Up program to improve the effectiveness of the low-income support mechanism. In particular, the FCC Lifeline Order requires states to document a customer's income qualifications when a customer's participation in the program is based on level of income, in order to continue to receive subsidies from the federal Lifeline/Link-Up program. Specifically, the FCC Lifeline Order made the following changes to the federal Lifeline/Link-Up Program:

<u>Certification of Income-Based Eligibility</u>

In order for carriers in any state to continue to receive federal Lifeline/Link-Up support, the FCC Lifeline Order requires the state to adopt certification procedures to document a customer's eligibility for Lifeline/Link Up enrollment when that customer's eligibility is based on income.[32] A customer's certification of income-based eligibility must be accompanied by supporting documentation.[33] States that develop their own certification procedures must establish a certifying entity(s), whether it is a state agency or an ETC.[34]

The FCC Lifeline Order requires all consumers in all states qualifying under an income-based criterion to self-certify, under penalty of perjury, their eligibility to participate and that the presented documentation accurately represent their annual household income. Additionally, applicants in all states must self-certify, under penalty of perjury, the number of individuals in their households.[35]

Where states mandate and operate their own state Lifeline/Link-Up programs, such as California, an officer of the ETC must certify that the ETC is in compliance with state Lifeline/Link-Up income certification procedures and that, to the best of his or her knowledge, all Lifeline customers have presented documentation of income.[36]

<u>Certification of Program-Based Eligibility</u>

A customer may also qualify for federal Lifeline/Link-up support based on the customer's participation in one of several means-tested programs. To be eligible under this criterion, a customer must certify, under penalty of perjury, that the customer participates in at least one of the federal programs on the FCC's list of qualifying programs, such as Medicaid, Food Stamps, Low Income Home Energy Assistance Program (LIHEAP) etc. In the FCC Lifeline Order, the FCC added two new programs to its list -- the Temporary Assistance to Needy Families Program (TANF) and the National School Lunches program (NSL).

A state that has its own state LifeLine program may adopt a program-based criterion as an alternative option for eligibility for the state program. In response to the FCC Lifeline Order, the Commission adopted a program-based criterion for LifeLine eligibility in addition to an income-based criterion.

<u>Verification of Continued Eligibility Under Program-Based and Income-Based Eligibility</u>

The FCC Lifeline Order requires all states to establish procedures to verify consumers' continued eligibility for the Lifeline/Link-Up program under both program-based and income-based criteria.

[32] *Lifeline and Link-Up Report and Order and Further Notice of Proposed Rulemaking*, WC Docket No. 03-109, FCC 04-87, (rel. April 29, 2004) at para. 29.
[33] *Id* at para. 28.
[34] *Id* at para. 29
[35] *Id* at para. 32.
[36] *Id* at para. 31

Verification procedures can include random beneficiary audits, periodic submission of documents, or annual self-certification.[37]

Other FCC Mandates

The FCC also adopted an appeal process for the termination of Lifeline benefits which includes a 60-day advance notice to give the customer time to appeal. However, the FCC did not require adoption of these termination procedures by states that have existing dispute resolution procedures between telephone companies and consumers governing termination of telephone service that could apply to termination of Lifeline benefits. The FCC stated that if a state's procedures, at a minimum, include written customer notification of impending termination thus giving customers time to appeal, then the state may develop its own appeal process. The FCC ordered that states make their own determination as to whether the state's existing law could apply to termination of Lifeline benefits.[38]

The Lifeline/Link-Up Order codified the requirement that all ETCs must maintain records to document compliance with FCC and state requirements governing the Lifeline/Link-Up programs and provide that documentation upon request to the FCC or Universal Service Administrative Company (USAC), which processes federal Lifeline claims. All ETCs must retain such documentation for the three preceding calendar years.[39] The FCC also clarified that non-ETC resellers who purchase Lifeline-discounted wholesale services from ETCs in order to offer discounted services to low-income consumers, must also comply with the applicable federal or state Lifeline/Link-Up requirements, including certification and verification procedures.[40]

c. California LifeLine Program After Federal Changes

On April 7, 2005, the Commission adopted D. 05-04-026 amending the LifeLine program to comport with the FCC Lifeline Order in order to maintain the $330 million annual federal Lifeline/Link-Up funding. The Commission:

- Revised income-based eligibility from self-certification to income-documentation;
- Added a program-based criteria for LifeLine enrollment;
- Directed its Telecommunications Division (now its Communications Division (CD)) to seek a third-party agent (Third Party, Certifying Agent, or CertA) to qualify new LifeLine customers and to continue the eligibility of existing LifeLine customers; and
- Shifted the responsibility of verifying LifeLine customers' eligibility from carriers to the CertA.

The Commission also ordered CD to conduct two workshops to discuss various issues relating to the CertA[41] and GO 153 revisions.[42 and 43]

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[37] *Id* at para. 33.
[38] *Id.* at para. 21 and para. 22.
[39] *Id.* at para. 39.
[40] *Id*. at para. 40.
[41] In April and May 2005, CD conducted a workshop attended by representatives from carriers, community based organizations (CBOs), the CPUC's Consumer Affairs and Information Services Division (CSID) and Division of Ratepayers Advocates (DRA), consumer advocates, and prospective certifying agent bidders. Based on the workshop results, the Commission issued a Request for Proposal (RFP) on June 10, 2005 and Addendum #1 to the RFP on June 15, 2005. To better clarify some of the items in the RFP, the RFP and addendum were replaced with a revised RFP posted on July 1, 2005.

On December 12, 2005, the Commission adopted D. 05-12-013 approving a revised GO 153 and providing for the adoption of enrollment forms, the effective date of the GO and a standard customer notification notice through the Commission's resolution process. In Resolution T-16996, the Commission adopted the enrollment forms for the new LifeLine program, effective July 1, 2006, and a uniform customer notification sent as a bill insert by all carriers to their residential and LifeLine customers (other than customers of foreign exchange or farmer lines) in monthly bills rendered from June 1- 30, 2006.[44]

Third Party Certifying Agent to Perform Certification and Verification Functions

In D. 05-04-026, the Commission decided that the certifying agent would perform the certification and verification functions as part of its implementation of the new federal changes. The Commission determined that having a centralized certifying agent would ensure consistency in review of documents, assure privacy of personal documents, and be more cost effective than having 40 different carriers all performing the same function as occurred prior to the federal changes. With a single data base, customers would be able to move from one carrier to another, or to another part of the state, and not have to go through the LifeLine eligibility process again. The Commission however did not adopt the use of a certifying agent to process customer applications where the customer resides on tribal lands.[45]

The Commission required the certifying agent to establish a web-based system to be used for program-based certification and annual verification processes.[46] The Commission also directed the certifying agent to develop a mechanized process for the exchange of information with carriers.[47]

Initial Program Set-up

After a competitive bid process, the Commission awarded Solix, Inc. the certifying agent (Cert A) contract. On July 1, 2006, CPUC began implementing the new process of qualifying new LifeLine customers and verifying the continued participation of existing customers. Under the new process, the CertA (Solix) is responsible for:

- qualifying new LifeLine customers through a Certification process.
- qualifying new disabled customers eligible for two LifeLine lines; and
- qualifying annually the continued eligibility ("verification") of existing LifeLine customers and randomly selecting 3% of these verification customers to provide documentation to confirm their continued eligibility as follows:
    - income-based customers to provide income documentation, and
    - program-based customers to provide program enrollment documentation.

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[42] A workshop to discuss proposed revisions to GO 153 was conducted in June 2005, again including carriers, CBOs, CSID and DRA staff, and prospective certifying agent bidders.

[43] The GO 153 prescribes the procedures for the implementation of the Moore Universal Telephone Service Act [California PU Code § 871 et seq.]. This GO is applicable to all telecommunications carriers operating in California and to residential customers eligible for ULTS pursuant to the Moore Universal Telephone Service Act.

[44] See Attachment 3 for details on changes to the program.

[45] D.05-04-026 at pp.27-28.

[46] *Id*. at pp. 31-32.

[47] *Id*. at pp. 36-37.

The CertA (Solix) is required to:

i. Create a master database for the storage and updating of LifeLine customers' data information;
ii. Set up a mechanized communication system for the daily exchange of customers' data information between carriers which enroll low-income customers in the program subject to qualification and Solix which qualifies customers;
iii. Design an informational web-site for consumers;
iv. Design an online system allowing CAB to have access to the master database for the purpose of resolving consumer complaints regarding LifeLine qualification;
v. Operate a seven-language (English, Spanish, Chinese, Japanese, Korean, Vietnamese and Tagalog) and text-telephone device capable call-center[48]; and
vi. Translate the certification forms, verification forms and customer notification letters into Braille (English only) and into six languages: Spanish, Chinese, Korean, Japanese, Vietnamese, and Tagalog.

<u>Program Suspension</u>

On November 1, 2006, Commissioner Grueneich issued an Assigned Commissioner's Ruling (ACR)[49] temporarily suspending for a period not to exceed six months, portions of GO 153 relating to the annual LifeLine verification process because the low response rate of customers returning LifeLine verification forms resulted in significant numbers of current Lifeline customers being removed from the program. Staff and interested parties were ordered during the suspension to determine the reasons for the low response rate and to take steps to solve the problem. In August 2006, 29.43% of LifeLine customers returned the verification forms; currently just over 49% return the forms. Telephone carriers who conducted the LifeLine process prior to the federal changes report response rates of over 70%. (See section VI of this report for additional discussion of this data).

Since adoption of the new federal requirements, customer complaints and appeals regarding the LifeLine program have increased dramatically. Under the new process, those customers who do not return verification forms are sent a letter disqualifying them from the LifeLine program and notifying them that they will be required to pay regular telephone rates. Disqualified customers may appeal the decision to the CAB at the Commission. Customers also find out about their Lifeline disqualification via their monthly bills when their telephone service is regraded to regular rates. The LifeLine disqualifications and related phone bill regrading resulted in an increased volume of letters received by CAB (up to 300-500 per day) from customers appealing their elimination from the Lifeline program. At the same time, the number of phone calls from these customers has deluged both the CAB offices as well as the consumer representatives for the telephone carriers.

The November ACR:

- Ordered CPUC Staff to hold a workshop including telephone carriers, Solix, and other interested parties to discuss solutions to the verification form response rate problem; and

[48] This call center is distinct from the one operated pursuant to D.96-10-066 which is operated by outside consultants and not by CertA.
[49] The ACR temporarily suspended the following sections of GO 153: 4.5, including Appendix C; 5.5; those portions of 6.3 and 6.4 as they relate to the annual verification process; Appendix C; and the portion of Appendix E titled "Existing ULTS Customers (Verification)."

- Directed Solix to send letters to all customers who were sent verification notices since July 1, 2006, but did not return the forms. The letter informed those customers of their temporary reinstatement in LifeLine program, with full reinstatement pending later action.

The Commission later approved D.06-11-017 ratifying the ACR.

Workshops and Establishment of Working Groups

In compliance with D. 06-11-017, Staff convened workshops on November 13 and 14, 2006. Problems associated with the verification process were identified and Staff established two working groups: the Implementation Working Group and the Marketing Working Group. The Implementation Working Group began meeting weekly on November 16, 2006, to further discuss and find solutions to the low response rate in the verification process. The Marketing Working Group convened on November 30, 2006, and meets regularly to develop marketing strategies and improve customer recognition of LifeLine changes.

d. Growing Issue with Certifications

While the November ACR and associated decision (D.06-11-017) suspended the verification process for ***existing*** LifeLine customers, it did not suspend the certification process for ***new*** LifeLine customers because it did not appear problematic at that time.

However, Commission Staff has since determined that customers are also experiencing problems with the certification process similar to those that occurred with the verification process. In fact, the percentage of certification forms returned stands at about 46%, compared with about 49% for verification forms.[50]

One contributing factor to the low certification response rate may be problems with the carrier-customer interaction when new LifeLine customers are signed up. Since January 29, 2007, CAB Staff has conducted approximately 50 calls to Verizon and AT&T call centers to determine whether customers receive correct and complete information regarding the California LifeLine program. Nearly half of the AT&T and Verizon call center representatives provided incomplete or inaccurate information on the program to customers, a direct noncompliance with GO 153.

Further, AT&T's customers who applied for the LifeLine discount but were rejected were being charged a conversion/regrade charge when they are placed back onto a non-LifeLine residential service rate. This also does not comply with GO 153, Section 5.4.4. As a result of these findings, on February 28, 2007 Commissioner Grueneich issued another ACR directing carriers to comply immediately with GO 153 and D. 06-11-017 and set follow-up actions. The ACR requires carriers to hold customers harmless from the imposition of all charges that would otherwise not accrue pursuant to the certification process of GO Section 5.4.4, and directs carriers to charge customers only those charges specified in the GO, which are previously waived or discounted charges, service initiation charges, end user common line charges, taxes, and surcharges associated with ULTS discounts. The GO also states the customer will be subject to the utility's rules applicable to the establishment of credit, including any deposit requirement. Moreover, Commissioner Grueneich issued a third ACR on March 28, 2007 with further clarification and direction on the billing problem.

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[50] LifeLine Program actual results July 2006 through February 2007 (see section VI of this report).

III. Federal Rules Allow Substantial Flexibility

The FCC Lifeline Order gives states with their own state-mandated low-income universal service support programs, such as California, a great deal of flexibility in how these states implement the federally-mandated changes to their programs. The Order also permits these states to determine the certifying entity they will use to administer the program (state agency, ETCs or a third party).[51] This flexibility, as outlined in more detail below, gives the CPUC adequate leeway to make the necessary changes to California's LifeLine program to improve the response and enrollment rates.

a. Certifying New Customers

In states that have their own state-mandated Lifeline programs, the consumer must meet the eligibility criteria established by the state, consistent with sections 54.409(a) and 54.415(a) of the FCC's rules.[52]

Section 54.409 (a) of the FCC's rules states: "To qualify to receive Lifeline service in a state that mandates state Lifeline support, a consumer must meet the eligibility criteria established by the state commission for such support. The state commission shall establish narrowly targeted qualification criteria that are based solely on income or factors directly related to income…."

Section 54.415(a) of the FCC's rules states: "In a state that mandates state Lifeline support, the consumer qualification criteria for Link-Up shall be the same as the criteria that the state established for Lifeline qualification in accord with Sec. 54.409(a)."

State certification procedures and outreach efforts can take into account existing state laws and budgetary limits.[53]

<u>Program-Based Eligibility</u>

For federal default states, the FCC only requires self-certification, under penalty of perjury, for certification of program-based eligibility. States operating their own programs are allowed to devise more strict measures as they deem appropriate.[54]

Under FCC rules, states with their own mandated Lifeline/Link-Up programs have the flexibility to consider federal and state-specific public assistance programs with high rates of participation among low-income consumers in the state for program–based qualification purposes.[55] Eligibility under the program-based option is not subject to the FCC's income requirements.[56]

In its Lifeline Order, the FCC encourages states to adopt automatic enrollment as a means of certifying that consumers are eligible for the Lifeline/Link-Up program or the equivalent state program.[57] The definition of automatic enrollment in this context is an electronic interface

[51] FCC Lifeline Order at para. 29.
[52] *Id* at para. 7.
[53] *Id*. at para. 5.
[54] *Id*. at para. 27.
[55] *Id*. at para. 5.
[56] D. 05-04-026 at p.21.
[57] FCC Lifeline Order at para. 25.

between a state agency and the carrier that allows low-income individuals to automatically enroll in Lifeline/Link-Up following enrollment in a qualifying public assistance program.[58]

The Commission considered adoption of automatic enrollment during the rulemaking process, but decided not to adopt automatic enrollment at that time. It deferred the issue to the Commission's current proceeding that is comprehensively reviewing California's universal service program.[59]

In D.05-04-026, the Commission required the CertA to establish a web-based system to be used as one alternative for customers applying for the LifeLine program based on program-eligibility[60], as well as for the annual verification process.[61] In that Decision, the CPUC deferred the details as to how such a web-based system should be structured to subsequent workshops and said it would finalize the parameters of the web-based system in a subsequent Commission decision.[62] In D.05-12-013, the Commission reiterated its intent to develop a web-based system and ordered the Telecommunications Division [now the Communications Division] to work with the CertA to begin development of such a system within one year of the time when the CertA's contract is implemented. The Commission stated that the system should be operational within one year after work begins. In other words, the system would be operational within two years of CertA's contract implementation (by July 2008).[63]

<u>Income-Based Eligibility</u>

The FCC requires that income certification be accompanied by supporting documentation. However, the FCC stated that income certification from another means-tested program is not suitable documentation of household income because it could be difficult to verify that the means-tested program utilizes the same income eligibility threshold.[64]

The FCC also determined that states that operate their own Lifeline/Link-up programs should maintain the flexibility to develop their own certification procedures other than self-certification, including acceptable documentation to certify consumer eligibility under an income-based criterion, and to select the certifying entity, whether it is a state agency or an ETC. The FCC determined that this flexibility will permit states to develop certification procedures that best accommodate their own Lifeline participants based on the available resources of ETCs and state commissions, each state's eligibility criteria and local conditions. However, ETCs must be able to document that they are complying with state regulations and recordkeeping requirements.[65]

b. Verifying Existing Customers

Verification procedures can include random beneficiary audits, periodic submission of documents, or annual self-certification. However, verification must ensure that the low-income support mechanism is updated, accurate, and carefully targeted to provide support only to eligible consumers.[66] Pursuant to D.05-04-026, GO 153 permits random audits as the Commission deems necessary.

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[58] *Id* at footnote 97.
[59] D. 05-04-026 at p. 41.
[60] *Id*. at pp.31-32.
[61] *Id*. at pp.31-32.
[62] *Id* at p. 32.
[63] D. 05-12-013 at pp. 51-52.
[64] FCC Lifeline Order at para. 28.
[65] *Id*. at para. 29
[66] *Id*. at para. 33.

The FCC Order allows states that administer their own programs the flexibility to design and implement their verification procedures to validate consumers' continued eligibility. The FCC stated that this flexibility will permit states to develop verification procedures that best accommodate their own Lifeline participants based on the available resources of ETCs and state commissions, each state's eligibility criteria, and local conditions. [67]

The FCC also determined that states should develop on-line verification systems, where states can obtain and provide data to allow ETCs real-time access to a database of low-income assistance program participants or income reports. However the FCC did not mandate such on-line verification systems. As noted above in the discussion under "Certification of Program-based Eligibility" the CPUC required the CertA to establish a web-based system to be used for the annual verification process, to complement the paper system.[68]

IV. Short-Term Strategies for Improving LifeLine

Several strategies to improve customer response rates in the short-term are described below. These strategies include a contract amendment that outlines and funds changes in the administrative and marketing activities that Solix will conduct. Staff recommends amendments to GO 153 in order to improve the response rates and eligibility processing. Additional short-term improvements discussed below include: clarifying which documentation can be used to establish program eligibility, increasing program awareness through specific outreach efforts; continuing implementation and monitoring of the interface between Solix and carriers; and improving customer-carrier interface. The GO changes and documentation clarification require formal Commission action. All other short-term strategies are being handled by Staff.

a. General Order Changes and Decision Clarification[69]

The following discussion details Staff recommendations on formal action that the Commission should take to improve LifeLine processes in the short-term. First, Staff recommends amending GO 153 to allow more time for the return and evaluation of LifeLine forms due to current mailing and response delays. In addition, Staff recommends amending GO 153 to provide more reminders to customers from the LifeLine certifying agent and from carriers. Correspondingly, Staff proposes that the Commission delegate it authority to make further amendments to GO 153 via resolution as long-term solutions on the mailing and other issues are achieved. Furthermore, Staff recommends that any decision lifting the LifeLine suspension include guidance on the types of documentation permissible under the LifeLine program.

<u>Address Mailing and Response Delays</u>

Staff proposes that the Commission amend GO 153 regarding the timeline for the return and processing of LifeLine forms as follows.

Certification Form Return and Review

- Delay customer reminder from CertA to return forms by 7 days to offset mailing delays
- Increase the timeframe for new customers to return certification forms from 30 to 44 days

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[67] *Id*. at para. 34.
[68] *Id*. at pp. 31-32.
[69] These recommended changes require Commission approval.

- Add an 8-day grace period for the late receipt of certification forms[70]

Verification Form Return and Review

- Mail verification forms to existing customers 104 days prior to their anniversary dates instead of 60 days prior
- If verification form is not received within 44 days, send 2nd form to customer and allow another 21 days to return it

LifeLine Form Corrections

- Expand the timeframe for customers to correct problems with their certification and verification forms from 15 to 22 days

Attachment 1 of this report details how these proposed changes can be specifically incorporated in GO 153[71].

Staff also proposes that the Commission allow it to make further amendments to GO 153 via resolution as long-term solutions on the mailing issue are achieved and mail times are decreased.

Many proposed changes pertain to Solix mail delays. Both carriers and the CAB Staff report that LifeLine customers complain about delays in receiving or non-receipt of LifeLine certification and verification forms and associated correspondence from Solix. Solix uses standard mail to send Lifeline forms[72]. Recent information indicates that mail delivery of LifeLine forms and documents takes approximately 8 to 14 days to reach customers. Because standard mail delivery is not guaranteed, the US Postal Service assures neither the delivery of LifeLine forms and documents nor the return of undelivered mail to Solix. GO 153 does not specify a timeframe for the mailing of LifeLine forms and documents from the CertA to customers. When the Commission approved the decision adopting the GO, it did not anticipate mailing delays. The proposed changes would address these issues.

In addition, Solix reports untimely receipt of a significant number of certification and verification forms from LifeLine customers. Currently, GO 153 mandates that new customers return completed certification and verification forms to CertA within 30 days from the date they were mailed to customers. If a form is received after the 30-day period, the customer is disqualified from the LifeLine program for "non-response". During the suspension period, customers were allowed an additional four-day grace period before they were disqualified for the late receipt of LifeLine forms[73]. Between July 1, 2006 and December 17, 2006, Solix received a total of 22,783

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[70] Under this proposal, customers would still be given a deadline of 44 days to return certification and verification forms. However, the CertA would accept late-filed forms received within the 8-day grace period.

[71] The contract amendment discussed earlier in this report incorporates the expanded timeframe for return and processing of verification forms In addition, Solix has agreed to allow an expanded timeframe for the return for certification forms without a further contract change. Moreover, CAB staff began using the expanded timeframe as a criterion in considering LifeLine appeals regarding certifications beginning in March 2007.

[72] Solix indicates that it will soon begin to mail customer reminders to return certification forms via first class mail.

[73] The four day grace period allowed for form receipt delays due to no work activity on weekends and holidays.

certification forms and 58, 412 verification forms after 34 days. Of those late responses, 82% of the certification forms and 77% of verification forms were received within 60 days. Mailing delays appear to be a significant factor in untimely receipt of LifeLine forms from customers and resultant denials. Again, the proposed changes would address these issues.

Mailing delays may also impact the ability for LifeLine applicants to correct deficiencies on their form to avoid disqualification. GO 153 provides 15 days for customers to correct problems with their certification and verification forms, as identified by the CertA. If customers do not return the correction to the CertA in that time period, they are disqualified from the LifeLine program. Clearly, if the requests for correction are not getting to customers on a timely basis (with as much as 14-day mail delivery timeframe), LifeLine customers do not have sufficient time to make and return corrections to Solix within 15 days. (For a more detailed discussion of the mailing issue and long-term strategies for addressing it, see VI.a of this report.)

While the above changes to the GO do not address the problem that standard mail is not guaranteed to be delivered to customers, they will help remedy the problem of LifeLine customers being penalized with unwarranted disqualification due to untimely mail delivery. By augmenting the timeframe for customers to return LifeLine forms, the volume of LifeLine customers processed by Solix will hopefully increase and the number of customer complaints to CAB and carriers will be reduced. Nonetheless, expanding the timeframe in GO 153 to account for mailing delays has the potential trade-off of increasing the amount of regraded bills for customers who are ultimately disqualified from eligibility for LifeLine program.

<u>Remind and Notify Customers</u>

Staff has directed Solix to provide additional reminders and notifications to LifeLine customers to encourage them to complete and return the required forms. Correspondingly, Staff recommends minor amendments to GO 153 to permanently include them in the LifeLine qualification process. Attachment 1 incorporates GO 153 changes to require the CertA to:

- Alert customers at the time when LifeLine certification and verification forms are mailed to them; and
- Provide additional reminders to LifeLine customers to complete and return certification and verification forms if the forms have not been received by the CertA within 21 days of mailing.

As described earlier, the current contract amendment calls for the CertA to provide the above notifications and reminders via postcard and autodialer.

Staff recognizes that as long-term strategies are developed and employed in the LifeLine program, the Commission may determine that it is beneficial to change the timing or frequency of reminders and notifications from the CertA. Thus, Staff also recommends that the Commission allow it to make ministerial changes to the GO 153 via Commission-approved resolution on a going-forward basis.

<u>Clarify Allowable Documentation</u>

Staff has become aware of an issue raised because of an undefined term in GO 153. Specifically, the GO sets forth a list of specific types of documentation an applicant can submit to be determined eligible for the LifeLine program. The last item on the list of possible documents is identified simply as "other official documents". Since neither the GO nor D.05-04-026 specify what documents would fall into this category, it is unclear what documents would qualify as an "other official document"[74]. Recently, for example, Staff was contacted by a LifeLine applicant who had presented to the CertA and subsequently to CAB a document not on the list. Because the document was not listed, Staff was uncertain about how to treat the information.

To alleviate this problem, the Commission should clarify how the term "other official documents" is defined in any decision it adopts lifting the LifeLine suspension. Staff recommends that the Commission adopt a broad definition including categories of documents that will allow Staff some discretion to review documents presented, and to develop some guidelines for what specific documents should be accepted. Staff recommends that the Commission deem documents from a state or federal agency or from a state or federal judicial or administrative court as "other official documents" for purposes of meeting the requirements set forth in GO 153. Staff also recommends that the Commission delegate to Staff the authority to interpret and apply that definition so as to accord applicants some flexibility in the certification and verification process.

Additional Carrier Outreach

As described later in this report, the short-term outreach improvements being developed include carrier correspondence to new LifeLine customers informing them that LifeLine certification forms are being mailed to them and of the need to return the completed forms in a timely manner to CertA. Staff recommends that the CPUC formalize the requirement that all carriers send such correspondence to new LifeLine customers in GO 153 (see report Section IV.c and Attachment 6).

b. Contract Amendment

The aforementioned workshop held on November 13 and 14, 2006, and related working group meetings resulted in the identification of a number of issues contributing to the low LifeLine response rates as well as potential solutions to those issues. Because the recommended solutions are procedural changes that were not envisioned and were not included in the original existing contract, a contract amendment is required both to incorporate these changes in Solix's administrative activities as well as to provide $10.496 million in additional funding for them. Because of the large incremental cost involved (the original contract cost is $19.995 million) the contract amendment is subject to the Department of General Services' (DGS) guidelines on Non-Competitive Bids (NCB). Staff sent a NCB request to the DGS and is actively working for its approval. As of March 21, 2007, the NCB was approved by DGS. This means that the CPUC has attained approval to amend the contract. The next step is for CPUC to send the contract amendment to the Office of Legal Services of DGS for approval.

The procedural changes contained in the contract amendment include improvements in the existing communication process with the customers and other improvements such as:

- changing the appearance of the envelopes in which LifeLine applications are sent;

[74] While D.05-04-026 did not specifically define other official documents, it did generally support the FCC conclusion that if a consumer chooses to proffer any document other than a previous year's tribal, federal, or state income tax return as evidence of income, such as current pay stubs, the consumer must present three consecutive months worth of the same type of statements within the calendar year. Additionally, the decision noted that if someone provides a divorce decree or child support document, that person must certify that he or she receives no other source of income. Moreover, D.05-04-026 noted that since the CPUC was adopting program-based eligibility (in addition to income-base eligibility), it may not be necessary to have an exhaustive list of documents that participants can use to certify their income.

- using an outbound dialer to inform the customer that a certification or verification form has been sent to them and reminding the customer to return the completed certification/verification forms;
- implementing revisions in the form letters and certification and verification forms;
- instituting changes in the verification process to allow a “soft" denial on the 45th day instead of an outright denial on the 31st day (in the existing process) and using the balance of the period prior to the customer’s LifeLine anniversary date to get the customer to respond to the request for verification;
- periodically updating and maintaining Solix’s Interactive Voice Recognition (IVR) system; and
- creating a “True Up” file for carriers to improve data reconciliation between carriers and Solix.

Change In Appearance of Envelopes

The reasons identified for the low response rate include non-recognition of the LifeLine name and logo as well as customers mistaking LifeLine envelopes from the certifying agent for junk mail. Although improvements in the appearance of the envelope were implemented prior to the suspension, (i.e., incorporating a message in English and in Spanish in big red font on the envelope that it contains LifeLine documents) both the Implementation Working Group and the Marketing Working Group determined that additional changes in the appearance of the envelope should be explored further. From December 20, 2006 through January 24, 2007, the CertA tested 6 different envelopes with 12,000 customers. The test highlights were:

- *Customer sample tested*:
  - Cross-section of English, Spanish, and Asian language groups
  - Cross-section of carriers
- *The highest return rates*:
  - Pink Envelope with Red Lettering and no logo
  - Asian language customers
- *The lowest return rates*:
  - Pink Envelope with logo with no Red Lettering
  - Spanish language customers

The envelope that had the highest response rate will be used when DGS approves the pending contract amendment.

Use of Outbound Dialer

Workshop participants identified the failure of customers to return the forms as another issue. Solix will begin using an outbound dialer to call customers and remind them to return their completed certification and verification forms before the due date stated on the forms. Two calls will be made to certification and verification customers. The first call will be made when the form is mailed and the second call, 21 days from the form mail date.

Revised Form Letters, Certification Forms, and Verification Forms

Feedback from LifeLine customers, the carriers, the CBOs and CAB indicates that some customers have difficulty completing the LifeLine application forms. The forms are presently being reviewed in the working groups to institute changes that will make them easier for the customers to complete. Form changes include eliminating overly technical verbiage on the forms and putting additional reminders at the bottom of each page (such as "submit completed original form, do not send copies, etc.).

Implementation of Changes to Extend Application Processing Time

The workshop participants noted that customers were not returning verification forms to Solix by the due date and as a consequence those customers were being removed from the program. Under the existing verification procedure, Solix sends customers verification forms 60 days before their anniversary date in order to verify the customer's continued participation in LifeLine. Failure to submit the forms on the 31st day will disqualify a customer from remaining on the program[75]. Since this may be insufficient time for the customers to respond, the timeline for the certification and verification processes will be revised in accordance with the recommended GO changes described earlier and included in Attachment 1.

Periodic Update and Maintenance of the Interactive Voice Recognition System

The current implementation problems have led to a need for Staff to assess periodically the efficiency of the Interactive Voice Recognition system (IVR) and update the system based upon customer feedback to carriers and CAB. The IVR automates interaction with telephone callers. It uses pre-recorded voice prompts and menus to present information and options to callers and a touch-tone telephone keypad entry to gather responses. The IVR enables customers to make a selection from a menu to retrieve information on their LifeLine application such as the status of their application, the date Solix sent the form, request for another form, and questions about letters received from Solix, etc.

Institute Database Improvements

Since the start of the program on July 1, 2006, carriers have not had an opportunity to reconcile their database with the Solix database and would like additional information on their customer activity (i.e., when the form is sent to a customer, etc). During the first three months of the program, Solix assisted a few carriers by providing them with a list of "active" customers in order to better process LifeLine forms and enrollment. When more carriers started to request "true-up" information and supporting data for large groups of customers, Solix found that it was spending more time and resources investigating these requests than the contracted resources permitted. Thus, a one-time true-up and the customer activity report in the Daily Return Feed to the carriers will be performed once the contract amendments are approved. In the longer term, Staff will evaluate whether more true-ups will be needed and will identify the best mechanism for achieving them if so.

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[75] During the LifeLine suspension, customers were afforded a 3-day grace period with form disqualification on the 34th day due to slowed work activity on holidays and weekends.

c. Short-Term Outreach Efforts

A contributing factor to the low response rate may be customers' lack of awareness of the new LifeLine processes. Staff identified that more "touches" or outreach efforts were needed to inform and educate customers of the program changes. A description of short-term outreach measures already implemented or under way follows below. (In addition, long-term outreach measures are described in Section V of this report.)

Educating Consumers and Involving Key Agencies

On February 6, 2007, in recognition of Consumer Protection Week, the Commission issued a press release announcing the launch of a new initiative to educate consumers about the LifeLine Program. The Commission sent the press release to some 400 media news outlets.

In addition, the Commission, under direction from Commissioner Grueneich, designed a brochure specifically addressing the current issues with Lifeline phone service enrollment or verification. The brochure provides resources that consumers could use if they were having problems with their LifeLine service. The Commission sent the brochure to over 500 CBOs and government agencies, along with an invitation to contact the Commission to sign up for LifeLine training sessions to be held later this year. Originally sent out in English, the brochure is now also available in Spanish and Chinese.

Expanding Carrier Communications

Staff has identified the need for additional outreach or "touches" to customers informing them of the new LifeLine verification process. As mentioned earlier, a Marketing Working Group, consisting of carriers, consumer interest groups, Solix, and CPUC Staff, has been meeting on a regular basis to develop messages that would better inform LifeLine customers.

The Marketing Working Group is also developing a communications piece (postcard or letter format) that will be sent by all carriers to all of their existing LifeLine customers informing them of the new LifeLine verification process. This item, using both the carrier's name and the LifeLine name, will highlight the partnership between the carrier and the LifeLine program, inform the customer of the new verification process, and provide a phone number for customers to call to learn their anniversary date for program renewal. The communications piece will be sent out prior to re-launch of the verification process.

The Marketing Working Group is also working with carriers to assure that the carriers send reminder materials to new LifeLine customers informing them of the arrival of application forms and the need to return the completed forms in a timely manner. Since some carriers already send out confirmation letters to customers with similar information, the final details on this measure are still being developed. Staff recommends that the CPUC formalize the requirement that all carriers send such reminders to new LifeLine customers in GO 153. See Attachment 6 for the specific changes that staff proposes.

Improving LifeLine Outreach Materials

The Marketing Working Group has developed language and format changes to the verification and certification instructions and application forms to more clearly instruct customers. Once DGS approves the Solix contract amendment, Solix will change the instructions and forms. Unfortunately, the application form itself is a scanned document and cannot be easily modified without incurring millions of dollars in additional expense to reprogram the scanning equipment. Thus, no major modifications to the forms will be made at this time, but less extensive changes are being developed in the short-term. Nonetheless, Staff recognizes that it is desirable to make some modifications to the scanned portion of the application forms and recommends implementing changes as part of the next contract cycle (July 2008).

Lack of consumer familiarity with the LifeLine Logo along with plain white envelopes containing the forms were identified as possible contributing factors to the low response rate. As noted earlier, Solix and Staff conducted an envelope mailing trial, in which six different envelopes containing forms were sent to LifeLine customers[76]. The results of the envelope trial are illustrated in the following table.

LifeLine Envelope Mailing Trial Results			
	Total Forms sent to Customers*	Customer Forms Received	Response Rate
Pink Envelope w/Logo	1,956	785	40.1%
White Envelope w/Logo & Red Message	1,947	781	40.1%
Pink Envelope w/Logo & Red Message	1,958	790	40.3%
Pink Envelope & No Logo	1,951	788	40.4%
White Envelope & No Logo w/Red Message	1,944	838	43.1%
Pink Envelope & No Logo w/Red Message	1,950	850	43.6%
* Total forms sent in each category reduced from 2,000 by the number of customers disconnected/removed by carriers during process			

Based on the results of this trial, Staff has directed that all future mailings be made in a pink envelope with the red message but without the LifeLine logo. The aforementioned Solix contract amendment contains additional funding for this mailing option.

d. Short-Term Solix-Carrier Interface Improvements

In order to resolve issues with regard to the interface between Solix and carriers, Staff have served as mediators between Solix and carriers, especially on database issues. As a result, a collaborative process has evolved for Staff, carriers and Solix to identify interface issues and quickly develop solutions. For illustrative purposes, Staff highlights some of the short-term fixes that have been implemented through this process.

<u>Creating an Efficient and Effective Process</u>

Since July 2006, CPUC Staff has been working with Solix to improve the certification and verification processes. Based on the feedback received from the carriers, CAB Staff and customers, these improvements include:

- Easing the application requirements on signatures and printing of applicant's name on the form;
- Making the IVR accessible to LifeLine customers using rotary phones;

[76] Envelopes were mailed to customers in late December 2006 through early January 2007.

- Modifying the IVR by rearranging prompts and introducing new prompts to make it easier for customers to obtain information and order new forms;
- Expanding the name field in Solix database to accommodate multiple name entries; and
- Correcting database errors that incorrectly disqualified LifeLine customers attempting to transfer to a new carrier.

Details on the changes implemented since the start of the program are summarized in Attachment 2. Once the database reconciliation between Solix and carriers occurs pursuant to the contract amendment (described earlier in the report), Staff anticipates a decrease in database problems.

<u>Correcting Solix Database Errors</u>

Since the start of the implementation of the new LifeLine process, Solix has encountered glitches in its system which have impacted LifeLine customers and the review of eligibility in the program. Staff highlights two of these problems for illustrative purposes and then summarizes others.

Disqualifications

Solix incorrectly disqualified LifeLine certification forms for 7,940 customers. On December 5, 2006, Solix's system did not properly recognize form due dates in the new year and incorrectly sent these customers denial letters and new certification forms. Specifically, forms dated January 2007 were read as January 2006 and thus rejected as outdated. To remedy this problem, Solix took four corrective actions:

- Called each affected customer to explain the problem;
- Sent customers a new certification form and letter explaining the error, informing customers that they were not immediately denied, and instructing them to complete and return the enclosed form;
- Automatically extended the due date for the second certification by five days; and
- Sent a second certification form to each customer whose form was not received by day 15.

These actions led to 52.6% response rate, which is 6.5% higher than the current response rate certification forms.[77] In addition to fixing the problem, these results indicate that increased well-targeted customer outreach results in higher response rates.

Due Date Errors

The LifeLine eligibility/certification process is designed such that, within 45 days of receiving an application, Solix would notify carriers whether a customer is eligible for LifeLine. Within this same timeframe, customers would learn from Solix whether they are eligible or not.

In December 2006, some small ILECs discovered that they were not being informed within this 45-day window of customers' eligibility. Sometimes these carriers heard nothing at all regarding customer eligibility status for up to six months. Upon identification of the problem, Solix also realized that some customers had not been mailed the forms that initiate the certification/verification processes.

[77] The LifeLine certification form response rate was 46.44% as of February 2007. See section VI of the report for a fuller discussion on response rate data.

This breakdown in the system led to corrective actions. Once discovered, Solix sent customers the certification forms and Staff worked with carriers to minimize re-billing burdens on customers who faced large billing regrades when they were ultimately deemed ineligible for LifeLine discounts.

Solix has responded by making database changes to prevent similar situations in the future. Further, the aforementioned Solix contract amendment allows carrier and Solix to reconcile data to catch problems of this nature more quickly. In the meantime, Staff has directed carriers to closely monitor their LifeLine applicants and make sure they hear back from Solix in a timely manner.

Other Problems

Other problems in the LifeLine process have been discovered:

- Initial problems in the transmission of data from the carriers to Solix resulted in some customers mistakenly being removed from the program for the following possible reasons: carrier's data file was corrupted in transmission between the carrier and Solix, Solix's systems incorrectly downloaded the information and omitted some customers; or carrier's original data file sent to Solix omitted some customers. Solix has corrected this problem.
- Solix mistakenly sent nearly 1,500 customers disqualification letters when these customers should have received correctable denial letters offering them a chance to correct mistakes or supply any missing information on their LifeLine forms. Solix has rectified the error by sending correctable denial letters to the customers and updating their database accordingly.
- Solix sent customers either disqualification or 'correctable denial' letters, but provided no reason for denial or explanation LifeLine form deficiencies. Without such information, customers were unable to correct the errors or appeal the eligibility decision of Solix to CAB. Solix sent each affected customer another letter and adjusted the due date to give the customers sufficient time to complete the documentation required.
- Solix failed to timely send some carriers the update on customers' certification and verification status. Thus, carriers were back-billing some customers 4 or 5 months from the customers' sign-up date with the carriers. Some carriers scheduled to send and receive files using the Secure FTP data exchange format were having difficulty formatting files for sending and receiving data under this data exchange process. These carriers switched to the web interface format in August. Since the Solix system is not designed for carriers to have input data over the SFTP and then have those customer records be acted upon over the web interface, this required numerous adjustments in the Solix system. These delays occurred because data from the web interface was not updated in the Master Customer Database (MCDB) until September.
- Solix sent approximately 20,000 denial notices to customers but failed to provide the appropriate data feed to carriers. Solix sent a notice to all carriers informing them that decisions on a subset of customers across several carriers and rendered as early as October were never returned to the carriers. The customers received their decision letters in a timely manner. Solix updated the carrier files to ensure that the return feeds to the carriers contain this information. Solix also automated this process.

e. Customer-Carrier Interface Solutions

CAB is responsible for the intake of informal complaints to the Commission. Upon initiation of GO 153, the CPUC designated CAB as the arbiter of any appeal that a customer has regarding Solix's determination of Lifeline eligibility in the verification or certification process. The process permits CAB representatives to uphold or overturn any decision by Solix regarding the customer's eligibility – after review of the case materials. The Commission has authorized CAB representatives to update customer status in the Solix database with appeal outcomes, which in turn is updated and forwarded to carriers.

Unfortunately, for reasons described in this report, many verification and certification customers have not been able to complete eligibility processes for LifeLine under GO 153. This resulted in backbilling as the customer is moved from LifeLine service to basic residential service over a period of months. These customers have contacted CAB disputing the backbilled charges and/or Solix's determination of ineligibility. As a result of the rising portion of CAB's workload related to LifeLine implementation issues, CAB has established regular meetings with AT&T and Verizon to address customer related issues. A general prioritization of problems has resulted from these meetings as well as identification of some short-term solutions.

<u>Tackling Customer Billing Issues</u>

Starting in September 2006, and escalating rapidly through October, written appeals and phone calls to CAB created a major workload impact. From July 2006 through the end of January 2007, CAB has received 12,400 LifeLine appeals, with over 4,000 of those appeals still open. Furthermore a number of those appeals have been in languages that CAB has not historically supported (e.g., Japanese, Korean). The Commission is working on a number of program improvements, each of which may result in reductions to written complaints and calls to CAB. Problems with LifeLine have increased call volumes, call durations, and written appeals. These increases have reduced CAB's ability to respond to phone calls and resolve written complaints.

LifeLine Appeal/Informal Complaint Activity			
Date	**Informal Complaints (ICs) Open**	**LifeLine Appeals**	**LifeLine Appeals as % Of Open ICs**
May-06	242		
June-06	217		
July-06	286		
Aug-06	378	15	4.0%
Sep-06	463	34	7.3%
Oct-06	1794	970	54.1%
Nov-06	2444	1350	55.2%
Dec-06	2367	1037	43.8%
Jan-07	1739	616	35.4%
Total	**10523**	**4022**	**38.2%**

Expediting Appeals and Complaints in Collaboration with Carriers

Since the issuance of the November 1, 2006 ACR, CAB has endeavored to meet with carrier Staff responsible for customer service on a regular basis to discuss LifeLine issues and work through solutions. By leveraging the expertise of the CAB and carrier executive level staffs, the team effort identified the problems associated with LifeLine appeals and informal complaints and developed and initiated processing improvements where possible. To date most discussions have been focused on establishing expeditious processes for appeals or informal complaints responsive to both the November, 2006 and February, 2007 ACRs.

CAB/Carrier Customer Issues			
Issue	**Impact**	**Action**	**Next Step**
ACR Credits and Reinstatements for Verification	Billing cycle lag has increased CAB contacts – carrier must be contacted for status of reinstatement credit.	Carriers processing reinstatements and credits.	Vast majority of reinstatements were processed. Certain reinstatements to be manually processed.
Eligible Certification Customers Applying Late or not Returning Forms Removed from System	Appeals in CAB cannot be processed until customer completes reinstatement.	Established "pending claim" processes with carriers whereby non-LifeLine charges are not collected while system fixes are implemented.	Working with carriers to categorize charges and develop procedures for when pending claims can be lifted.
Appeals as Share of ICs and Impact on Backlog	See above table. CAB LifeLine workload as percentage of ICs is nearing 40%.	All CAB reps were granted access to Solix database to expedite status checks and case closure. Telco Division personnel assigned to aid in the close of	Discreet team in CAB will handle only LifeLine issues (call intake and written appeals) in concert with changes in CPUC IVR system.

CAB/Carrier Customer Issues			
Issue	**Impact**	**Action**	**Next Step**
		appeals – especially in-language.	Initiating quantification of appeals that are ministerial and those that may merit CAB intervention.

Boosting CPUC Internal Resources

CAB management is in the process of designating one supervisor and a group of four representatives to categorize all existing LifeLine appeals and informal complaints, and to do telephone intake on only LifeLine issues. This LifeLine team has had a great deal of experience working on the issues since July 2006, including having close contact with carrier executives. Solix, CPUC decisionmakers and LifeLine customers since GO 153 became effective. The team will field all LifeLine calls via the CPUC's IVR. Furthermore, management has reconfigured the team to direct LifeLine customers away from "regular" complaint/inquiry channels into a specific LifeLine queue that will have automated responses to frequently asked questions – and the ability to access a team representative.

CAB management projects that customer wait times will increase initially. Eventually, the team will be able to handle LifeLine appeals and informal complaints more efficiently and effectively. As other LifeLine solutions are implemented as a result of this report and as the CPUC's/carrier's/CBO's outreach and education efforts take hold, management anticipates that LifeLine issues as a percentage of CAB's work will decrease. The next section of this report describes certain longer-term fixes being explored for the expeditious handling of LifeLine issues within CAB.

V. Long -Term Strategies for Improving LifeLine

In the longer-term, Staff has identified a number of approaches to improve LifeLine program efficiency and effectiveness. These approaches are discussed below and include strategies to expand, minimize or eliminate issues related to: mailings, outreach, non-response data, eligibility approvals, the data interface between Solix and carriers, synergies with other low income programs, and dealing with complaints and appeals. Additionally, California can learn a great deal from experiences in other states

a. Improvements in Mail Delivery

The existing contract does not specify the mail class (whether first class, priority, etc.) Solix should use to send LifeLine forms (including self-addressed return envelopes) to customers. Based on the timeline established for certification and verification processes, Solix nonetheless asserted a delivery time of 3-5 days once it mails forms and other documents to LifeLine customers.

Since August 2006, CAB and the carriers have received complaints from LifeLine customers about correspondence from Solix. Customers report non-receipt or late receipt of forms, and non-receipt or late receipt of letters from Solix informing them of the status of their application forms.

In sending forms, letters, and reminders to the customers, Solix uses presorted standard mail which does not guarantee delivery time and return of undeliverable mail to the sender[78]. Presorted standard mail is generally used for advertisements, circulars, newsletters, etc. Further, standard mail cannot be used for sending personal correspondence, handwritten or typewritten letters, bills and statements of accounts. Despite verbal assurances, Solix could not provide Staff with documentation of mail deliveries in 3-5 days.

Testing Mail Time

CPUC Staff and carrier representatives participated in a test to determine whether the use of presorted standard mail is the reason for the low response rates from LifeLine customers. In February 2007, Solix mailed a certification form, a verification form and a postcard reminder to each test participant in different addresses in different locations. Based on the results of the test, Staff has surmised that the LifeLine mail delivery time takes an average of 8 to 14 days. Furthermore, some forms and reminders never reached test participants. Carriers continue to test and monitor LifeLine mail deliveries and report mail delivery timeframes matching the February test results or longer as well as non-receipt of LifeLine forms and correspondences.

Developing Contractual Solutions

It is critical that Solix send the forms and letters to LifeLine customers using at least first class mail so that quicker and more guaranteed delivery of these forms and correspondences can occur. Any changes in this regard will likely be a long-term measure since Staff did not discover this issue until after the NCB request had been submitted to DGS in December 2006. At this time Solix contends that it cannot change the class of mail from presorted standard mail to first class because such a change would likely involve additional funding. One alternative for securing such funds is submitting another contract amendment. If an additional contract amendment is pursued later prescribing first class mail, the additional cost would be approximately $2.5 million. However, Staff is exploring whether there are alternatives for dealing with the mailing and associated funding issues.

While Staff devises a long-term solution, Solix proposes to send the reminder postcards using first class mail. Staff is considering whether funds can be temporarily diverted to allow first class mailing of LifeLine forms after the Commission lifts the verification suspension. Staff is also evaluating whether funds can be diverted if anticipated certification and verification processing volumes are below expected levels after the suspension is lifted.

Given all the changes in the Solix contract and the proposed amendment, staff recommends that the Commission perform an audit of the Solix contract to ensure that all measures have been implemented and Solix is in full compliance with its contract and any amendments.

b. Long-Term Outreach Efforts

In addition to the outreach measures already underway or planned in the short-term as described earlier in this report, Staff is exploring other outreach measures to target and educate consumers on the new LifeLine process.

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[78] As noted earlier, Solix will soon upgrade to first class mail the customer postcards reminding them to return certification forms. Solix plans to reduce the size of the reminder postcards to accommodate the cost of mailing them first class instead of via standard mail.

Re-Branding the Program

There has been much discussion about the effectiveness of the current logo being used by the program. Staff assessed the feasibility of hiring a marketing/branding expert to assess the current LifeLine logo, analyze the CPUC's marketing/branding program, and make recommendations on how the CPUC can improve its branding efforts. Staff performed a market survey of possible firms currently on the California Multiple Award Schedule (CMAS) list[79], to solicit feedback from those firms on their interest in the project and an estimate of costs.

Staff determined that if a contract was 1) less than $10,000 and 2) granted to a firm that is on the CMAS list, then the Commission would not have to follow the DGS request for proposal (RFP) process to grant a contract, but rather could enter into a short-term contract without the requirement of external review and approval. Staff prepared a list of the firms that met the above requirements, along with a summary of their proposals. Staff will decide soon whether such a contract will be granted, and if so, to which firm.

Assisting Community-Based Organizations

The Public Advisor's Office (PAO) has entered into a contract with Richard Heath and Associates (RHA) to assist CBOs on outreach and education to their constituents about telecommunications issues. Lifeline is one of the issues that will be included in the education and outreach program. RHA has just begun its activities under the contract and the education components are still under design.

In addition, the Commission, under direction from Commissioner Grueneich, designed brochures that specifically address the current issues with Lifeline enrollment or verification. The brochure provides resources that consumers can use if they are having problems with their LifeLine service. The Commission sent the brochure to over 500 CBOs, along with an invitation to contact the CPUC to sign up for LifeLine training to be provided later this year.

Enhancing the LifeLine Marketing Contract

In addition to the aforementioned contract on CBO outreach, the CPUC has another contract with RHA to market the LifeLine program and target hard to reach demographic groups. That contract ends in August 2007. CPUC Staff is in the process of developing an RFP for a replacement contract. It is anticipated that the new contract will include additional outreach and education targeted at a wider audience than the existing contract. Staff is exploring how the CPUC can enhance this outreach program and design the new contract to address issues raised during the LifeLine program suspension. Staff is considering whether to include as part of the new contract, a toll-free number for consumers to access additional information on LifeLine program changes and receive help in completing LifeLine forms. It is anticipated the new contract will commence when the old contract ends so as to ensure seamless coverage of marketing efforts.

c. Refinements in Customer Responses

The CPUC may be able to make further improvements to the LifeLine customer enrollment in the longer term by targeting certification and verification non-responses. Currently, Solix disqualifies LifeLine customers whose certification and verification forms are categorized as

[79] Vendors on the CMAS list have been pre-approved by DGS for contracts below $10,000.

"non-responses"[80]. Between July and December 2006, data from Solix indicates that approximately 53% of certification forms and 50% of verification forms mailed to LifeLine consumers were non-responses.

Processing Unscannable Mail

The non-response category includes customers who did not return LifeLine forms as well as correspondence which cannot be scanned and automatically accounted for in Solix's systems. While Staff has already discussed a variety of other proposals (the contract amendment, better outreach, etc.) which generally addresses non-receipt of LifeLine forms, the non-responses that are deemed unscannable have not been addressed.

Solix indicates that it is currently taking no action with regard to the LifeLine correspondence that is unscannable mail. Originally, Solix planned to shred the unscannable mail from LifeLine customers. Due to concern over the treatment of that correspondence, Solix does not currently shred these items. Instead, it collects and stores them, but has no manual process in place to review them. The unscannable mail includes but is not limited to:

- Mail returned to sender
- Partial customer application forms[81]
- Correspondence indicating addressee is no longer eligible for LifeLine or is deceased
- Customer requests for new LifeLine application forms
- Complaints
- Checks, program cards, income documentation, etc.

Solix data indicates that unscannable mail accounts for less than 1% (or just over 9,200 items) of the LifeLine application forms mailed to Solix since the program began in July 2006. However, Solix data likely underestimates the unscannable mail since it relies upon standard mail delivery to send correspondence to LifeLine customers and that class of mail is not guaranteed to be returned to Solix if it does not reach the addressee. CAB Staff report LifeLine complaints and appeals from customers who can document that they mailed LifeLine forms to Solix. Some of these customer forms may be included in the stored unscannable mail.

Staff is evaluating whether a manual process for reviewing the unscannable mail can be developed and how it would be funded. With such a review, customers who submitted partial LifeLine forms to Solix could be given the opportunity to correct their applications. In addition, correspondences indicating that verification applicants are no longer eligible for the program could be logged. Both of these strategies could improve the certification and verification response rates and overall customer enrollment.

Remedying Other Issues

Staff will also take a more granular look at the non-response data as a whole to inform other strategies described in this report. Breaking down the non-response data may provide the CPUC

[80] Solix also disqualifies LifeLine customers who return certification and verification forms but do not meet income or program-based criteria.
[81] Prior to July 1, 2006, LifeLine customers were required to sign the certification forms and return only that portion of the form. After July 1, 2006, some customers accustomed to that practice have continued to tear the application forms and return only the signature portion of the form despite being instructed to return the form in its entirety.

with other clues on how to improve the LifeLine process. For example, if the non-response data demonstrates a problem with forms being returned from customers of a particular carrier or class of carriers, or by a certain customer language group, strategies could be appropriately tailored to resolve specific issues. While preliminary data from Solix generally demonstrates an expected higher percentage of non-responses from large ILECs that have a large share of LifeLine customers and applicants, some small CLECs and resellers may have a disproportionate share of the non-responses. Additionally, the larger ILECs appear to have non-response rates commensurate with the non-response rates for the overall LifeLine program, while smaller carriers may have higher non-response rates. Moreover, preliminary data suggests that some of the Asian language customer groups have a lower non-response rate than the English and Spanish language groups.

d. Customer Pre-Qualification

It has been a long-standing practice that LifeLine customers are given the discounted phone rate when new customers originally enroll in the program. In the past, this practice did not present any hardship to LifeLine customers as they self certified their eligibility. Since the certification process has changed and customers are now required to prove income eligibility, customers who are rejected from the LifeLine program are now required to repay the discounted rates, a higher connection fee, and other federal and state taxes and surcharges. If such back billing is for several months, as is often the case, the additional back billing costs can total more than $100.00. Given that many applicants who are ultimately deemed ineligible for LifeLine discounts marginally exceed LifeLine income thresholds, CAB has received many complaints from customers indicating that the additional repayment amount is a hardship.

Some states do not grant the discounted rates when new customers originally enroll in LifeLine. Rather, the customer is charged the full residential rate and once their eligibility in the program is certified, they are then placed on the LifeLine program and given a credit for the difference between the full residential rate and the LifeLine rate. While this solves the back billing issue, Staff believes the higher initial costs of a pre-qualification process may act as a barrier to enrollment for low-income Californians, especially those in traditionally hard to reach demographic groups.

Some carriers have suggested that the CPUC implement pre-qualification to address the back billing issue. Some suggest the associated initial cost issue could be addressed by requiring carriers to apply a three month payment plan to assist customers with regular connection charges. Staff believes this issue requires further policy development in a subsequent Phase II of the current docket; the Commission must balance the needs of low income customers ultimately eligible for LifeLine with those who are found to be ineligible and suffer financial hardship from the back billing.

e. Long-Term Solix-Carrier Interface Improvements

Some improvements to the data exchange interface between carriers and Solix may require longer term resolution. Several short-tem improvements to the Solix-Carrier data interface were described earlier in this report, including those in the contract amendment and others facilitated by CPUC Staff. Once the short-term improvements are implemented, it would be prudent to evaluate whether additional changes are needed to increase the response rate from LifeLine customers and enhance the processing of their eligibility for the program. For example, Staff is currently working with Solix and carriers to resolve database errors resulting in rejection of LifeLine forms due to carriers inclusion of old records in the data they provided to Solix. Solix and carriers are currently developing a mechanism to allow better information exchange between carriers when these errors occur. This mechanism alleviates the problem until improved database reconciliation can occur pursuant to the contract amendment. While Staff anticipates these measures will ultimately reduce these database errors and resultant LifeLine form rejections, this issue should be monitored once those measures are in place. On a more global scale, additional fields added to the database may accommodate more input from carriers and easier processing of LifeLine forms. Staff will also evaluate whether more true-ups will be needed beyond the one-time true-up included in the pending contract amendment.

For six months after the verification process suspension ends, Staff intends to conduct meetings with Solix and the carriers on at least a monthly basis to facilitate resolution of interface issues that Solix and carriers have not otherwise been able to resolve. While this does not obviate the need for Solix and carriers to resolve issues on a day-to-day basis, it will facilitate the resolution of larger issues that require more complex solutions.

f. Synergies with Other CPUC Low Income Programs

The Commission may be able to improve LifeLine response rates and customer enrollment through synergies with other Commission low-income programs. Currently, the Commission oversees such programs assisting low-income water and energy consumers. One strategy to consider is automatically enrolling customers from these programs into the LifeLine program. However, implementation of such a strategy would require resolving privacy concerns with sharing customer information and resolving differences in income thresholds for each program. Staff recommends an analysis of these synergies be addresses in a subsequent Phase II of this docket. A brief description of the potential programs follows:

<u>Water Low Income Program</u>

The CPUC has authorized low-income water programs for parts of Golden State Water Company's (previously Southern California Water Company) service area and California American Water Company's Monterey District. Customers qualify for the low-income water programs if their total annual household income is at or below set limits. The income limits are evaluated every year and may change depending on the cost of living. The Commission is considering more low-income programs for consumers of the other regulated water utilities.

<u>Energy Low-income/Assistance Programs</u>

The Commission provides several energy related assistance programs:

California Alternative Rates for Energy (CARE)

Low-income customers that are enrolled in the CARE program receive a 20 percent discount on their electric and natural gas bills and are not billed in higher rate tiers that were created for Southern California Edison (Edison), Pacific Gas and Electric Company (PG&E) and San Diego Gas and Electric Company (SDG&E). CARE is funded through a rate surcharge paid by all other utility customers.

Eligible customers are those whose total household income is at or below certain income limits. California has a Low-Income Oversight Board (LIOB), which was established by the Legislature to advise the PUC on the energy low-income assistance programs of utilities under the Commission’s jurisdiction.

The Family Electric Rate Assistance Program (FERA)

Families whose household income slightly exceeds the low-income energy program allowances qualify to receive FERA discounts, which bills some of their electricity usage at a lower rate.

Low-Income Energy Efficiency Program (LIEE)

The LIEE program provides no-cost weatherization services to low-income households who meet the CARE income guidelines. Services provided include attic insulation, energy efficient refrigerators, energy efficient furnaces, weather stripping, caulking, low-flow showerheads, water heater blankets, and door and building envelope repairs that reduce air infiltration. On January 25, 2007, the CPUC opened a proceeding to improve the LIEE program and increase participation levels.

Discounts, Payment Plans, and Assistance Paying Energy Bill

Some utilities have shareholder-funded emergency payment assistance programs for their customers, which provide cash assistance to help offset the costs of heating and cooling their homes.

Medical Baseline

All residential customers are billed a certain amount of their natural gas and electricity use at their utility company's lowest residential rate. This is called the "Baseline Allowance" and it is set depending on what climate zone the customer's home is in and whether it is the utility's "winter" or "summer" season.

Extra allowances of natural gas and electricity are billed at the lowest rate for customers who rely on life support equipment, or those who have life threatening illnesses or compromised immune systems. The extra allowances are called Medical Baseline. Also, in consideration of their increased heating and cooling needs, the Medical Baseline allowance is available to: paraplegics and quadriplegics, multiple sclerosis patients, scleroderma patients, and people being treated for a life threatening illness or who have a compromised immune system.

Federal Low-Income Programs Administered by the Department of Community Services and Development (CSD)

CSD administers Federal low-income home energy assistance, energy crisis intervention, and low-income weatherization programs (LIHEAP). These programs are funded by federal grants to provide weatherization services and cash to help low-income customers pay their energy bills.

Joint LIOB and LifeLine Outreach Efforts

Joint LIOB and ULTSAC Report: dated January 24, 2003

In D.02-07-033, the Commission ordered, among other things, that the LIOB hold public meetings for targeted outreach to specific telephone utility service areas for the purpose of soliciting public input on coordinating customer outreach between the CARE and ULTS (now known as California LifeLine) programs. [82]

The following is a summary of the joint LIOB and ULTSAC recommendations:

- Coordination of CARE and ULTS outreach efforts should focus on utilizing existing outreach activities currently used and planned for both programs.
- Definitions, re-certification and verification differences between CARE and ULTS should be standardized when feasible;
- Low-income target groups are generally the same for both programs enabling information on several programs to be provided in a coordinated manner;
- The ULTSAC should provide energy utilities written information, talking points and contact information to assist the energy utilities in disseminating ULTS information; and energy utilities should use existing CARE materials to inform customers about ULTS and the ULTS marketing efforts should incorporate messages about CARE.
- Potential standardization of definitions, eligibility thresholds, recertification and verification processes for CARE and ULTS programs; and potential use of ULTS call center, once reestablished, to advise ULTS eligible customers of potential eligibility for CARE program.
- Establishment of a call-center to provide information on both telephone and energy low-income programs.
- Energy utilities should utilize existing CARE materials to inform their customers about ULTS.
- The ULTSAC should provide energy utilities with brochures, other written materials, and talking points that can be disseminated to customers, agencies, and energy utility employees when conducting CARE and LIEE outreach activities.
- Use tools developed for the ULTS marketing plan (media, community outreach, CBO outreach, etc.) to incorporate messages about CARE.

g. Lessons from Other States

Through a query of Lifeline programs in other states, Staff gathered information on strategies it is considering to affect long-term improvement in the LifeLine process. A brief description of those strategies follows and how the CPUC may consider incorporating them. Also, detailed information on state programs is located in Attachment 5 at the end of this report.

1. *Automated online application*: Go forward with implementing the CPUC’s long-term plans[83] to apply this process to certifications as well as verifications. For certifications, applicants would be given the option of enrolling via the internet in lieu of submitting a paper application form. For verifications, existing customers would be allowed to renew LifeLine eligibility online. This strategy ultimately streamlines the application process and circumvents problems with standard, presorted U.S. mail as the medium for sending and receiving verification forms.

[82] D.02-07-033 was issued in response to Senate Bill X2 2 establishing assistance to low-income electric and gas customers. Among other things, that bill required the CPUC to explore synergies between CARE and ULTS programs. Although automatic enrollment of ULTS customers into CARE was not feasible at that time, a report was issued recommending possible outreach and enrollment synergies.

[83] See section III of this report for a discussion of the Commissions directives on web-based applications.

2. *Improve LifeLine verification notices*: Replicate and modify as necessary New York's LifeLine verification letter (see Attachment 4) since this letter has undergone several iterations with the final version yielding 78% response rate.

3. *Automatic enrollment*: Develop a process whereby potential users that currently partake in a state and/or federally approved low-income assistance program[84] are automatically enrolled in LifeLine. Since these individuals are already classified as low-income, they would be eligible to participate in and benefit from the LifeLine telephone discount. Unlike many other states, any automatic enrollment process in California must consider the impact of state privacy laws regarding how and when customer information can be shared. The CPUC is beginning a pilot automatic enrollment program for its CARE program.

4. *Program administration by carriers*: Revisit the feasibility of having carriers administer the certification and verification of new and renewing customers respectively. In addition, hold carriers responsible and accountable for maintaining records that show the carrier is in compliance with all federal and state regulations set forth for the program.

5. *Digital verification*: Implement a process where the social security number from a State department or agency (e.g., the California Department of Health Services or the California Health and Human Services Agency) that compiles or has access to individual income or tax information can be electronically juxtaposed to the Commission's or CertA's list of LifeLine applicants seeking to renew. When data from the two systems correspond, these existing consumers are automatically enrolled. In contrast, when a match does not occur, these users are issued a warning letter indicating that they need to respond with proof that they qualify for LifeLine within a specific number of days or risk removal from the program; or, they are automatically dropped.

6. *Income verification via State agency*: Use the California Franchise Tax Board, for instance, to serve as the entity to verify current users and certify new users since this agency has access to individual income tax information.

7. *Three-way conference call for verification/certification review*: Adopt a process for the customer or potential customer, the carrier, and the certifying agent (in this case Solix) to engage in a simultaneous conference call in which verification or certification would be determined. This method affords a number of benefits such as mitigating billing errors resulting from incorrect consumer information and back-billing issues since carriers and customers would be cognizant immediately whether or not the applicant is qualified for LifeLine.

h. Long-Term Appeal and Complaint Solutions

As expressed in the previous section on short term strategies, CAB has instituted certain solutions in concert with carriers and Solix that address issues during the pendency of the November, 2006 and February 2007 ACRs. When the ACR process suspensions are lifted, CAB has explored how to more effectively process LifeLine appeals and complaints. The focus of consideration of longer term solutions must be the efficient processing of LifeLine customers. This entails a balancing of resources so that CAB can also process non LifeLine customer inquiries and informal complaints.

[84] See Attachment 3 for a list of assistance programs.

Commission Staff is working with state control agencies regarding the Commission's need to hire more Staff or to identify an alternative approach to managing the additional LifeLine appeals work. Also under consideration is a process where another California State agency, that has access to income information, could aid the CPUC in the tasks associated with the income verification that is part and parcel of the LifeLine eligibility process under GO 153.

VI. Response Rate Comparison

Given the problems with the California LifeLine process since the federal changes, the open question is what, if any, benchmark should be used as an acceptable rate of response. Some attrition from the LifeLine program appears reasonable as customers must substantiate their eligibility in either an income or program basis. However, the large number of LifeLine customer complaints suggests that current response rates are too low with eligible customers and applicants being removed from the program. An analysis of customer response rates before and after changes instituted by the FCC's Lifeline Order is presented below. There is also an assessment of response rates in other states and jurisdictions.

a. Carriers Obtained Rates of Over 70%

Staff sent a data request to Verizon and AT&T in order to evaluate the LifeLine response rates prior to the recent federal changes. While the information from these carriers suggests that response rates were over 70% when carriers administered the California LifeLine program, those rates are not wholly comparable to present rates given differences in program requirements prior to the federal changes and the limitations in the way carriers tracked response rate data at that time. In particular all customers self-certified their eligibility for the program, with no supporting documentation requirement or random auditing. Such program differences clearly contributed to LifeLine response rates over 70%.

Verizon and AT&T Customer Response Rate Prior To July 1, 2006[85]

As shown in table below, Verizon reports that in 2003, it experienced nearly a 75% return on its recertification (aka verification) letters and notices (including those sent using bill messages and Asian direct mail). In 2004, Verizon claims that it repeated the 75% return. In 2005 however, it reported a return rates not as high as previous years, i.e. a 67% return. Verizon points to the absence of reminder signs in its retail stores as a reason for the 2005 implementation decrease. Verizon also contends that from January 1, 2006 to July 1, 2006, it achieved a response rate of 65%.

Verizon Verification Response Results

Period	Response Rate
2003	74.63%
2004	75.25%
2005	67.12%
2006 (to July 1)	64.65%

[85] Verizon and AT&T requested their raw data be treated as confidential; thus, only percentages are presented here.

Verizon notes typically, in terms of daily form returns, the greatest response came from the second mailing (i.e. direct mail), beginning around the end of September through the middle of October. For the first mailing (mainly via bill message), the responses peaked around the end of July and stayed high through the third week of August. Verizon experienced a low response rate between those two peak periods.

As for reasons for high return rates throughout years prior to July 2006, Verizon hypothesizes that customers were accustomed to the recertification (now verification) process and to its timing each year. Verizon further adds that when it administered certification/verification of its customers, LifeLine customers were given ample time to respond during which time the customers were provided several different types of notifications. Without an independent study or otherwise factual proof regarding the carrier's hunch, Staff cannot corroborate this hypothesis.

AT&T on the other hand claims it did not track LifeLine data in the same manner (e.g., the rate of return of notifications sent). Therefore, it did not provide the rates of returns for each period and as such, it did not claim any particular reason for high rate of returns. However from the data provided by AT&T, Staff reasonably concludes that AT&T was able to get an average of just under 80% return on initial certification and close to an average of 74% for its annual recertification (verification) returns for the 18 month period prior to implementation of the new LifeLine procedures.

The table below is constructed from the AT&T data as provided to the Staff and demonstrates the response rates for that period.

AT&T Certification and Verification Response Results

Period	% of Initial Certification Responses	% of Annual Recertification (Verification) Responses
2005/01	63.32%	62.26%
2005/02	81.74%	80.02%
2005/03	91.93%	81.93%
2005/04	115.79%[86]	58.78%
2005/05	66.70%	69.82%
2005/06	82.92%	73.90%
2005/07	80.21%	75.04%
2005/08	68.95%	68.46%
2005/09	81.23%	83.44%
2005/10	76.91%	76.60%
2005/11	79.19%	80.61%
2005/12	68.52%	70.81%
2006/01	75.62%	51.37%
2006/02	84.96%	86.99%
2006/03	80.12%	78.64%
2006/04	81.76%	83.83%
2006/05	74.74%	72.99%
2006/06	74.31%	74.68%
Average	79.38%	73.90%

While the carrier does not explain the exceptional peaks and valleys occurring during the eighteen-month period (especially in April 2005 and Janurary 2006), it does not diminish the overwhelmingly consistent high rate of return that was on average above 70% for both measures.

Although the response rates for AT&T and Verizon methodologically differ, the data findings point to a high rate of return for the two major carriers in California who collectively account for around 90 percent of LifeLine customers. The data suggests an overall 70% rate of return for both certifications and recertifications (verifications) during the pre-2006 self-certification period.

<u>Lessons Learned</u>

Certain lessons can be learned from carriers' past processes:

1. *Grace period*: While carriers had to adhere to the provisions of the GO 153, they used some degree of business judgment to increase the response rates and avert regrading customers and dropping them from the LifeLine program. For instance, one carrier

[86] According to AT&T, the response rate is over 100% for April 2005 due to the manner in which it tracked the certification response data. The data for that month likely includes information attributable to previous periods.

added a six-day grace period after the specified due date to allow receipt of late-filed LifeLine certifications and re-certifications (verifications) from customers.

2. *Long lead-time*: One carrier's customers enjoyed a lead-time of 3 to 4 months to respond since their recertification process would commence on a predetermined date (November 1st) each year. This carrier sent out LifeLine notices 3 to 4 months prior to the customers' anniversary date.
3. *Direct contact*: Seemingly, customers were accustomed to receiving LifeLine forms from their carriers and sending their responses to the carriers. There was no intermediary or third party. Customers did not need to remember to send to and receive from an independent party other than their carrier, the certification/verification forms and other communications. Staff survey of return rates in other states (see discussion that follows) suggests that some states may have sustained higher return rates by keeping Lifeline administration with the carriers.
4. *Manual review*: In some circumstances, (e.g., if a form was incomplete), carriers could manually handle the form to allow easier remedy of customer application problems.
5. *Calling the Customer*: Carrier representatives made calls to customers to clarify, correct, and complete the forms to prevent the customers from loosing LifeLine eligibility. Both AT&T and Verizon practiced this process.
6. *Manual customer removal*: One carrier practice was to remove each customer by a reviewer rather than automatically dropping the customer by a computerized process.
7. *Redundant means*: Customers were exposed to the same information on the need to certify-recertify through different media such as second notices in intervals, bill inserts, direct mailers, posting of reminder notices at retail stores, newspaper notices and articles.
8. *Rechecking of undelivered mail*: Attempts were made to check and re-send returned mail to LifeLine customers.
9. *Staff additions*: At peak return mail times, carriers added additional Staff to expedite the LifeLine review process.
10. *Learning curve*: Neither customers, nor the carriers, had to go through a steep and short learning curve because they were accustomed to the certification/recertification process in place for many years.
11. *Carriers' incentive*: Carriers had the responsibility of certification/recertification of their LifeLine customers. They had to inform the customers of upcoming certification or recertification deadlines, prepare forms, send them to customers, and make attempts to rectify problems to retain the customer. This was an all-inclusive process from initial customer interest to establish eligibility, to the enrollment process, and to send/receive of self-certification/recertification forms. To this end, carriers were accountable to the customers and ultimately to the Commission for LifeLine program success. They had an incentive to be proactive toward non-responses and incomplete forms in a manner that would not interrupt the LifeLine service to the customer.

b. Current Rates Are Less Than 50%

Since changing to the California LifeLine program to align with the new federal requirements, the LifeLine response rates have been low. As reported in the Novmeber 2006 ACR, CertA data indicated approximately a 29.43% verification response rate in August 2006.[87] The same data also indicated a certification response rate of about 31.64% for August 2006.[88]

[87] This data was based on CertA invoices to the CPUC for administration of the LifeLine certification and verification processes.
[88] Id.

Current Solix data indicates that while California LifeLine response rates have increased, they are still below 50%. Between July 2006 and February 2007, Solix data indicates a cumulative certification response rate of about 46% and a cumulative verficiation response rate of about 49% (see table below).

Current California LifeLine Response Rates						
Period	Certifications Sent	Certifications Returned	Certifications Response Rate	Verifications Sent	Verifications Returned	Verifications Response Rate
July 06 - Feb 07	921,211	427,423	46.40%	1,515,544	748,860	49.41%

c. Other State Response Rates Vary Widely

For comparative purposes, Staff queried other state regulatory agencies in regards to their experiences with implementing the FCC Lifeline Order and gathered information on Lifeline response rates and administration in other states.[89] States administer Lifeline programs in different ways. While California's program now includes both income-based and social assistance program-based eligibility components as well as use of a third party (CertA) in program administration, other states do not use all of those elements in their programs. The table below summarizes the differences in Lifeline program administration by other states.

State	Program-based eligibility	Income-based eligibility	Third-Party Administrator
Arizona	☐	☒	☐
Florida	☒	☒	☐
Georgia	☒	☐	☐
Idaho	☐	☒	☒
Indiana	☒	☐	☐
Michigan	☒	☒	☐
Missouri	☒	☐	☐
Nebraska	☒	☐	☐
New York	☒	☒	☐
North Carolina	☒	☐	☐

[89] Research methodologies included informal email queries, a survey with questions that pertained to certification and verification response rates as well as best practices, insights, observations, and/or lessons learned from states' implementation of the FCC Lifeline Order. It also included independent research via exploring websites and obtaining anecdotal reports from utility regulatory bodies of other states.

State	Program-based eligibility	Income-based eligibility	Third-Party Administrator
Ohio	☒	☒	☐
Oregon	☒	☒	☐
Pennsylvania	☒	☒	☐
Tennessee	☒	☒	☐
Texas	☒	☒	☒
Washington	☒	☐	☐

Synopsis of Response Rates in Other States

The table below summaries data on Lifeline response rates in other states. It also provides data on population and access lines for comparison with California. There is clearly a wide variety in response rates for the state's reporting data.

	Georgia	New York	Ohio	Texas
Population	9,072,576	19,306,183	11,478,006	23,507,783
Aggregate number of End-User Switched Access Lines Deployed	2,553,113	11,329,342	6,319,400	11,863,981
Current response rates for customers requiring verification	55.62%*	20-78%	31%	30-40%
Current response rates for customers requiring certification	Not Provided	Not Provided	Not Provided	Not Provided

*Georgia only provided data on program-based subscribers who returned their certification forms.

Key details from these state's Lifeline programs appears below.

Georgia

Georgia's Lifeline program is purely program-based. The 55.62% rate depicted above represents the number of subscribers audited for program-based eligibility who returned their verification paperwork. Georgia also reported an increased number of consumers receiving Lifeline discounts (from 66,285 to 72,373) after implementation of the FCC Lifeline Order.

New York

Beginning in 2005, Verizon (s New York's largest provider of Lifeline) completed its verification of existing Lifeline customers under the new FCC rules. Verizon sent out an initial mailing to its Lifeline customers indicating that they were in jeopardy of losing their discounted telephone service should they be unable to provide proof of eligibility; the response rate to the letter was marginal (20 %). A second notice was mailed to those Lifeline customers who had not responded to the first letter; the response rate rose slightly. Finally, a third letter (depicted in Attachment 4, as provided by the New York Public Service Commission) was sent to the remainder who had still not yet replied. In comparison to the previous two response rates, the increase in replies was significant (78%). Those customers who failed to respond with evidence that they were enrolled in a government assistance program or were otherwise income eligible were taken off the Lifeline rate. Consequently, Verizon's Lifeline enrollment decreased by about 75,000 customers after the verification process was complete. Moreover, approximately 38 small ILECs and CLECs that provide Lifeline successfully completed their verification via mailings to their respective Lifeline customers. The end result for the remaining carriers has been an overall decline in the Lifeline enrollment numbers by about 66,000 from 2005 to 2006. The total decline of about 150,000 customers small is relative to the number of access lines in the state.

Ohio

Like California, Ohio is experiencing a similar plight of low verification response rates. For example, of the 30,899 verification letters sent by Verizon Ohio between January and November 2006, only 9,428 or 31% of the customers returned the Lifeline forms. In December 2006, Verizon sent an additional 10,658 letters out, but the results have not yet been tabulated.

Texas

In Texas, the verification response rate for existing LifeLine customers ranges from 30% to 40%[90]. Solix is the CertA for Texas and sends out one verification letter to each existing Lifeline customer and the customer has 60 days to respond. Those that do not reply for whatever reason are dropped from the program.

Synopsis of State Responses With No Reported Response Rate Data

In addition, Staff summarizes below information on Lifeline program administration in states that did not report Lifeline response rates when queried by Staff.

Arizona

According to Arizona Public Utilities Staff, certification and verification response issues have not emerged in Arizona.

[90] Solix reports lower response rates than the regulatory entity. Namely, it reports response rates between 20 and 30% between 2004 and 2006.

Florida

Income-based certification and annual verification are completed by the Florida Office of Public Counsel (OPC). Response rates are not available from that office because the OPC does not track the number of forms mailed for certification and verification respectively.

Idaho

The Idaho Public Utilities Commission has virtually outsourced its entire Lifeline Program to a contracted third-party administrator, which handles the day-to-day activities for the Program, including Lifeline verifications. Idaho PUC Staff reports that the Idaho Lifeline Program is currently not experiencing any certification and verification issues akin to California.

Indiana

Indiana is in the process of implementing a state wide Lifeline Assistance program and thus, does not yet have response data available.

Michigan

Carriers in Michigan were verifying the income-based eligibility of Lifeline applicants prior to the recent FCC mandate. Hence, they were not negatively impacted by the new FCC's verification and certification requirements. In addition, because the carriers certify income-based eligibility for new customers applying the program and verify the continued income-based eligibility for existing customers, the Michigan Public Service Commission does not have access to customers' response rates.

Missouri

Missouri's Lifeline program is program-based only and, consequently, does not verify the income of program participants.

Nebraska

Nebraska did not provide any information regarding verification and certification response rates for income-based Lifeline customers.

North Carolina

North Carolina's Lifeline program is program-based only and consequently, response rates for income-based customers requiring certification and verification respectively do not apply.

Oregon

The State of Oregon already had processes established that complied with the recent FCC mandates. Additionally, the State has direct electronic access to the Department of Human Services which enables verification of customers' Lifeline eligibility on demand. As a result, Oregon does not address certification and verification response rates in the same manner as California.

Pennsylvania

Since verification for potential program-based and income-based consumers is a prerequisite for Pennsylvanians' enrollment in the State's Lifeline/Link-Up Program, the State does not track response rates. Additionally, because the carriers handle certification of new customers and verification of existing customers, the Pennsylvania Public Utility Commission does not have response data for those two elements.

Tennessee

The Tennessee Regulatory Authority (TRA) handles the certification of new customers while the carriers administer the verification process for existing Lifeline customers under the income-based eligibility criterion. Potential new customers must submit documentation demonstrating that they meet Tennessee's low-income thresholds before they are admitted into the program. Since the income of current customers is verified annually by carriers, the TRA does not track response rates.

Washington

All Lifeline recipients are prequalified (i.e., income eligibility is verified prior to program enrollment). Hence, no modifications to the program were necessary to comport with the recent federal changes. Accordingly, Lifeline verification and certification response rates are not available.

Further details on the Lifeline programs in other states appear in Attachment 5 of this report.

VI. Conclusion

Through work with telecommunications carriers, the LifeLine Certifying Agent, consumer groups, and the public, CPUC Staff has identified numerous problems contributing to the low response rate in the California LifeLine program and related issues with enrolling of eligible consumers. Some program attrition appears reasonable as customers are now required to provide proof of their LifeLine eligibility pursuant to recent federal changes. Nonetheless, improvements can be made in current response rate levels and program enrollment. While no single solution can remedy the situation, the multifaceted approach Staff is taking to address identified problems is summarized below. This approach requires formal Commission action to affect changes to the general order and to clarify the permissible documentation customers may use to establish LifeLine eligibility. Formal Commission action may also be needed on the prequalification issue is examined in the long-term during a subsequent Phase II of the current docket.

<u>Short-Term Strategies</u>

- *General Order Changes and Decision Clarification:* Formal Commission action to incorporate key contract amendment initiatives in GO 153 and clarify the documentation customers may utilize to establish LifeLine eligibility.

- *Contract Amendment Initiatives:* Institute a $10.5 amendment to Solix's contract to allow better data reconciliation with carriers, improve LifeLine forms, envelopes, and letters materials provided by Solix to customers, allow customers added time to return LifeLine forms, and enhance outreach to customers through automated tools.

- *Outreach Efforts:* Distribute outreach and education materials to CBOs and governmental agencies and increase carrier communications to LifeLine customers.

- *Solix-Carrier Interface Improvements:* Institute on-going form processing enhancements and correction of database errors impacting LifeLine eligibility determinations.

- *Customer-Carrier Interface Upgrades:* Implement measures to address customer billing issues and expedite customer appeal and complaint handling.

<u>Long-Term Strategies</u>

- *Improvements in Mail Delivery:* Develop a mechanism to get LifeLine forms and correspondence to customers faster and on a guaranteed basis, including a possible second Solix contract amendment.

- *Outreach Efforts:* Analyze efforts to rebrand the LifeLine program to increase customer response, provide more assistance to community based organizations, and enhance agency efforts targeting consumers that have been traditionally difficult to reach and educate about the program.

- *Refinements in Addressing Customer Responses:* Develop process for Solix to review unscannable LifeLine forms and correspondence from customers. Assess the need to tailor LifeLine improvements to address specific needs of customers in specific groups.

- *Customer Pre-Qualification:* Evaluate during a subsequent Phase II whether to delay LifeLine discounts to new customers while awaiting final determination of program eligibility and permit corresponding carrier payment arrangements.

- *Solix-Carier Interface Improvements:* Provide a forum to resolve long-term issues such as improving accuracy of carrier data and enhancing capability of Solix systems.

- *Synergies with Other CPUC Programs:* Develop mechanisms to increase LifeLine enrollment through links with other CPUC low income programs, such as the California Alternate Rates for Energy Program, etc.

- *Lessons from Other States:* Evaluate strategies used by other states to improve LifeLine, such as automated online applications, automatic enrollment for customers with social assistance program-based eligibility, improved LifeLine notices, and digital verification.

- *LifeLine Appeal and Complaint Solutions:* Develop options to augment staffing and streamline the CPUC LifeLine appeals and complaints process.

ATTACHMENT 1

GENERAL ORDER 153, APPENDIX E
CURRENT VERSION

New ULTS Customers (Certification)

- 5 days from the receipt of ULTS customer data records from carriers send partially completed Certification forms to new ULTS customers.
- 30 days for customers to return completed Certification forms.
- If Certification form is not returned within 15 days, CertA sends a reminder to the customer.
- 7 days for CertA to:
  - finalize review;
  - send letters of qualification or disqualification to customers; and
  - send list of qualified and disqualified customers to carriers for appropriate billing.
- 15 days for disqualified customers to respond.
- 15 days for CertA to:
  - finalize customers' appeals;
  - send letters of qualification or disqualification to customers;
  - send list of re-qualified customers to carriers for conversion back to ULTS services from the original ULTS service date.
- 15 days for disqualified customers to complain/appeal to the CPUC.

Existing ULTS Customers (Verification)

- 60 days prior to the customers' re-certification date send customers Verification forms.
- 30 days for customers to return completed Verification forms.
- 7 days for CertA to:
  - finalize review;
  - send letters of qualification or disqualification to customers;
  - flag disqualified customers for possible 2nd review and final determination;
  - send list of qualified customers to carriers.
- 15 days for disqualified customers to respond.
- 7 days for CertA to:
  - finalize customers' appeals;
  - send letters of qualification or disqualification to customers; and
  - send list of qualified and disqualified customers to carriers for appropriate billing (after 2nd review).
- For service re-grade, rate change should begin in the next bill rendered to customers after notification from CertA.
- 15 days for disqualified customers to complain/appeal to the CPUC.

GENERAL ORDER 153, APPENDIX E
PROPOSED CHANGES

New ULTS Customers (Certification)

Form Mailing and Return

- 5 days from the receipt of ULTS customer data records from carriers, CertA sends a partially completed Certification form to each new ULTS customer and notifies the customer that the form has been sent.
- If Certification form is not returned within 21 days of mailing, CertA sends two reminders to the customer.
- 44 days for each customer to return the completed Certification form to the CertA.
- If the Certification form is not returned within 44 days, CertA allows an 8 day grace period for late receipt of the certification form.

Customer Response Processing

- 7 days for CertA to:
  - finalize review;
  - send letters of qualification or disqualification to customers; and
  - send list of qualified and disqualified customers to carriers for appropriate billing.
- 22 days for disqualified customers to respond to CertA.
- 15 days for CertA to:
  - finalize customers’ appeals;
  - send letters of qualification or disqualification to customers;
  - send list of re-qualified customers to carriers for conversion back to ULTS services from the original ULTS service date.
- 15 days for disqualified customers to complain/appeal to the CPUC.

Existing ULTS Customers (Verification)

Form Mailing and Return

- 104 days prior to each customer’s re-certification date, CertA sends the ULTS customer a Verification form and notifies the customer that the form has been sent.
- If Verification form is not returned within 21 days of mailing, CertA sends a reminder to the customer.
- A completed Verification form from each customer is due to CertA 44 days after the form was mailed to customers.
- If Verification form is not returned by the due date, CertA sends customer a soft denial letter and a 2nd Verification form to customer.
- 21 days for the customer to return the 2nd Verification form to CertA.

Customer Response Processing

- 7 days for CertA to:
  - finalize review;
  - send letters of qualification or disqualification to customers;
  - flag disqualified customers for possible 2nd review and final determination;
  - send list of qualified customers to carriers.

- 22 days for disqualified customers to respond to CertA.
- 7 days for CertA to:
  - finalize customers' appeals;
  - send letters of qualification or disqualification to customers; and
  - send list of qualified and disqualified customers to carriers for appropriate billing (after 2nd review).
- For service re-grade, rate change should begin in the next bill rendered to customers after notification from CertA.

  15 days for disqualified customers to complain/appeal to the CPUC.

ATTACHMENT 2	
LifeLine Data Interface Improvements	
As of 02/15/07	
Issue	**Solution**
1) Illegible signature on LifeLine forms	Deny only obviously incorrect name match. Illegible signature in the signature box will be considered meeting the requirement. Example: if the applicant is John Smith and the signature clearly reads Joan Smith, deny.
2) Applicant not printing his/her name on the form	If the applicant signed the form but did not print his/her name on Part D, accept
3) IVR inaccessible to customers with rotary phones	IVR modification implemented to make it accessible to rotary phone customers by including a timeout feature
4) Customers having difficulty requesting new forms; IVR instructions too complicated, prompt for ordering forms too far down the IVR phone tree	IVR modified by placing ordering prompt as one of the first menu selection and adding new prompts to make it easier for customers to order forms; this has already been implanted and is not dependent on the contract amendment
5) Rejections due to Name not matching within the same carrier (same telephone number) Example: Misspelling correction such as "Allison Doe" to "Allyson Doe" or name changes from "Sue Smith" to "Sue Smith c/o John Smith Jr." (Same person, but now she is living with her son but wanted to keep her phone number)	Accept name corrections and updates
6) Denials due to Multiple name entries: Carrier signs up John and Mary Smith or John Smith and Mary Smith. Solix database only captures one of the names, i.e. John Smith. When Mary Smith submits and signs the form, it is rejected.	Name field in Solix database has been expanded to accommodate both names and eligibility evaluation done based on the submission of form/documents by any one of the two listed names
7) Correctable letter not clear that the customer needs to fill up a new form in its entirety, and resubmit the form	Revised the correctable form letter

LifeLine Data Interface Improvements (As of 02/15/07)	
Issue	**Solution**
8) Customer is unable to obtain information on the status of his applicationin the IVR as soon as the customer is denied LifeLine participation	Customer information on denials will be available 15 days after the deadline for certification and verification
9) Transfer of LifeLine eligibility Customers are unable to transfer their LifeLine eligibility to a new carrier using the same telephone number because existing carriers either fail to provide or fail to provide in a timely manner to the CertA customer updated records reflecting disconnect or regrade	Letter sent to carriers on October 5, 2006 reminding them of GO 153 section: *6.3.1.1:* All carriers must provide the CertA with their ULTS customer activities before the end of the next business day after the in-service date of the customer's service order. *6.3.1.2:* All carriers must provide the CertA with their LifeLine customer activities initiated by the carriers before the end of the next business day from the time such actions were taken. On January 12, 2007, Solix implemented a database protocol change defaulting the LifeLine discount to the carrier that the customer is transferring to. Solis also sends affected customers a letter notifying them that the LifeLine forms have been processed in favor of the most recent carrier.
10) Carriers fail to comply with customer's eligibility transfer notification requirement a) Transfer of ULTS eligibility from Carrier A to Carrier B with the same phone number, i.e. Porting Number b) Transfer of eligibility from Carrier A to Carrier B with a different phone number	Letter sent to carriers on October 5 reminding carriers to observe Part 1 of GO 168 - Consumer Bill of Rights and Sections 6.3.1.1 and 6.3.1.2 of G. O. 153
11) Customer Compliance with Certification Procedures Significant number of rejections due to failure of the customer to: return form, complete form, sign form, etc.	Letter sent to carriers on October 5 reminding carriers to remind customers to: 1. look for the form in the mail; 2. complete the form by selecting one of the qualifying criteria; 3. sign form according to the name as it appears on the form; and return form in a timely manner.
12) Call Center screen does not provide enough customer information to enable CAB to resolve complaints and provide information to customers	Improvements on the call center screen have been made such as there is no limitation on the number of days a record can be viewed and displaying all customer records, among others

ATTACHMENT 3

Summary of California's Lifeline Requirements Following the FCC Order

Adoption of Documented Certification Process for Income-based Eligibility

The CPUC adopted the income-certification process as required by the FCC.[91] The Commission also concluded that it would apply the certification process to new LifeLine customers only.[92]

Under the new process as spelled out in GO 153, if a new customer verbally certifies to the utility that he/she meets the LifeLine income limit and has income documentation, the utility shall immediately enroll the customer in LifeLine. Subsequently the customer will receive a certification form by mail which the customer must fill-out and send to the certifying agent, along with documentation of household income. Customers must self-certify, under penalty of perjury, as to the number of individuals in their household, that they meet the LifeLine income guidelines, and that the presented documentation accurately represents their annual household income. The income documentation must be reviewed by the certifying entity.[93] The new income certification program applies to both ETCs and non-ETCs.[94]

The Commission adopted the document list developed by the FCC as acceptable documentation of income eligibility[95]:

- Prior year's state, federal, or tribal tax return,
- Current income statement from an employer or paycheck stub for three consecutive months worth of the same type of statements within the last 12 months,
- Statement of benefits from Social Security, Veterans Administration,
- Statement of benefits from retirement/pension, Unemployment/Workmen's Compensation,
- Federal or tribal notice letter of participation in Bureau of Indian Affairs General Assistance,
- A divorce decree,
- Child support document, or
- Other official documents.

The Commission also ordered that if a customer chooses to proffer any document other than a previous year's tribal, federal, or state income tax return as evidence of income, such as current pay stubs, the consumer must present three consecutive months worth of the same type of statements within the calendar year. If a customer provides a divorce decree or child support document, that person must certify that he or she receives no other income.[96]

In D.05-12-013, the CPUC adopted new Section 5.4.5 to G.O. 153, which provides for portability of certification among California utilities.[97]

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[91] D.05-04-026 at p. 12.
[92] *Id*. at p.25.
[93] G.O. 153, Section 4.2.1.2.2.
[94] D.05-04-026 at p. 11.
[95] *Id*. at pp. 12-13. *See also* G.O.153, Section 5.1.4.5.
[96] D.05-04-026 at p. 14.
[97] D.05-12-013 at p.11.

LifeLine Eligibility Expanded to Include Program-Based Eligibility Option

The Commission adopted a program-based criteria, to be used at the consumer's option, in lieu of income-based certification for participation in the LifeLine program. Similar to the FCC's rules, LifeLine eligibility will be based on participation in various means-tested programs. Eligibility for LifeLine under the program-based option is not subject to the FCC's income documentation requirements, however, to officially enroll in the program, customers must complete a certification form and send it to the certifying agency subsequent to the initial call to the utility.[98] In order to be eligible for LifeLine assistance a consumer must self-certify, under penalty of perjury, that he/she or a member of the household participates in at least one of the following programs[99]:

- Medicaid/Medi-Cal
- Food Stamps
- SSI
- Federal Public Housing Assistance (Section 8)
- Low Income Home Energy Assistance Program (LIHEAP)
- Temporary Assistance for Needy Families (TANF)
- National School Lunch's free lunch program (NSL)
- Tribal TANF
- Bureau of Indian Affairs General Assistance
- Tribal Head Start
- Healthy Families Category A
- Women, Infant and Children (WIC)

Annual Verification Process Adopted

The Commission adopted annual self-certification as the means of verifying continued eligibility for the LifeLine program, for both income-based and program-based criteria.[100] In D.05-12-013, the Commission adopted new section 5.5.5 to G.O. 153, that clarified that customers who fail to verify their continued eligibility in a timely fashion will be treated as new customers, and will be subject to a conversion charge.[101]

[98] G.O.153, Section 4.2.1.2.1.
[99] G.O.153, Section 5.1.5.
[100] *Id* at Section 5.5.
[101] D.05-12-013 at p.28.

ATTACHMENT 4

Sample LifeLine Letter from New York Public Service Commission

The following sample LifeLine letter is used by the New York Public Service Commission and contributed to improvement in that state's LifeLine response rates.

"Final Draft of Follow-up letter"
VERIZON

IMPORTANT NOTICE TO VERIZON LIFELINE CUSTOMERS

IN ORDER TO CONTINUE RECEIVING VERIZON LIFELINE SERVICE, YOU MUST SEND BACK PROOF OF ELIGIBILITY WITHIN 14 DAYS

NAME *Tel#*
ADDRES
Dear (Name)

In a recent letter, we requested that you provide proof of eligibility so that you may continue to receive Verizon Lifeline telephone service. Government regulations require Verizon to revalidate the eligibility status of each Lifeline customer on an annual basis. As of the date of this letter, we have not received your Lifeline Eligibility Form and proof of eligibility such as a photocopy of your benefit card.

Please review the following eligibility information and return the attached form to us within 14 days. If we do not receive this information within that timeframe, your telephone service will be switched to regular service. This means that you will not receive the discount on basic service that you currently enjoy. The saving amounts to at least $11.96 a month on your Verizon bill.

The programs that entitle you to Verizon Lifeline service include:

Medicaid (MA)
Food Stamps (FS)
Safety Net Assistance
Family Assistance
Supplementary Security Income (SSI)
Veteran's Disability Pension (DP) (non-service related)
Veteran's Surviving Spouse Pension (SSP) (non-service related)
Home Energy Assistance Program (HEAP)
Income Eligible (IE) for government program but not receiving benefits

If you are still receiving benefits from one of the above programs or are income eligible to receive benefits, you are entitled to receive Lifeline telephone service. Please act promptly by filling out the enclosed Lifeline Eligibility Form and returning it to us within 14 days

LIFELINE ELIGIBILITY FORM

NAME *Tel #*
ADDRESS

To ensure continued participation in Verizon's Lifeline program, please complete and mail this form. Please include a photocopy of your benefit card or other proof that you are receiving benefits and provide your Social Security Number and/or Client Identification Number. For Income Eligible status, please forward a copy of your current W-2 form or your most recent Federal tax return. Do not send original documents or other correspondence with this form. Revalidation transactions will be conducted only by mail.

1. Place a check mark next to each program in which you are currently enrolled:

( ) Medicaid
( ) Food Stamps
( ) Safety Net Assistance
( ) Family Assistance
( ) Supplemental Security Income
( ) Veteran's Disability Pension (DP) (non-service related)
( ) Veteran's Surviving Spouse Pension (SSP) (non service related)
( ) Home Energy Program (HEAP)
( ) Income Eligible (attach a current W-2 or recent tax return)

2.
( ) I am enclosing a copy of my benefit card or other proof that I am eligible to receive benefits

3. My Social Security Number is ___________________________

4. My Client Identification Number is __________________________

5. Signature_______________________________________Date:____________

Mail this form to Verizon in the enclosed envelope to:

Verizon Service Response Center
C/O ICT
800 Town Center Drive
Langhorne, PA 19047

All of the information provided by customers in this form will be treated as confidential, and will be used by Verizon solely to administer its Lifeline program. If you have any questions, please call us, toll-free, on 1-800-799-6874.

ATTACHMENT 5

LifeLine Program Administration in Other States

Arizona

Certification and verification response issues have not surfaced in Arizona.

Florida

For Florida LifeLine applicants to be eligible for LifeLine telephone discount, they must pass one of the two-prong tests. That is, they must show that they qualify under the program-based prong or the income-based prong.

In order for potential LifeLine users to become eligible for program-based enrollment, they must self-certify that they are enlisted in any one of the following: Temporary Assistance to Needy Families (TANF), Supplemental Security Income (SSI), Food Stamps, Medicaid, Federal Public Housing Assistance (Section 8), Low-Income Home Energy Assistance Plan (LIHEAP), National School Lunch (NSL) Program's Free Lunch Program, or Bureau of Indian Affairs Programs. Moreover, Florida Eligible Telecommunications Carriers (ETCs) perform an annual verification to determine if LifeLine users on the Program are still qualified. Additionally, ETCs must provide the Florida Public Service Commission (FPSC) with a copy of the certification letter submitted to the FCC demonstrating that the ETC conducted its annual LifeLine verification.

Conversely, whereas the carriers handle the verification process for program-based customers, the Florida Office of Public Counsel (OPC; State Consumer Advocate) certifies enrollment and performs verifications under the income-based enlistment process. In other words, income-based LifeLine certification and verification is administered by the OPC.

Since income verification has been an established practice in Florida prior to the FCC Order and Report No. 04-87, the State hence has not encountered the low response rates that afflict California. Nevertheless, Florida has instituted various measures to streamline and augment their LifeLine enrollment procedures and Program constituency respectively. For example, one of the actions the Florida Public Service Commission (FPSC) took was to simplify the certification process for enrollment in program-based LifeLine. The process entailed allowing LifeLine eligible customers to simply check a box on the application form indicating which eligible program they participate in, and submit the form via mail or fax to the appropriate ETC to be enrolled in LifeLine. On August 7, 2006, the FPSC expanded the simplified certification enrollment process to include all ETCs in Florida.

Another action their Commission engaged in was the creation of the LifeLine Automated Online Application Process. On October 13, 2006, the FPSC launched an electronic enrollment one-step process on their Commission's Web site which eliminates the need for an applicant to print, fill out, and mail or fax a request for the benefit. Electronic enrollment makes the application process easier and faster for both eligible consumers and organizations assisting in the enrollment effort. The consumer simply completes the application and hits the submit button. Once the applicant clicks on submit, an automatic e-mail is sent to the appropriate ETC notifying it that a Link-Up and LifeLine application is ready to be retrieved from the secure Commission Web site. The ETC then simply retrieves the application and enrolls the applicant in LifeLine. All 19 designated Florida ETCs, including three wireless ETCs, participate in this process. At the two month anniversary date, December 13, 2006, 340 customers were enrolled in LifeLine through the Automated Online Application Process.

Lastly, the FPSC is in the process of developing a LifeLine Automatic Enrollment Process whereby potential LifeLine customers certified through a Florida Department of Children and Families (DCF) program are placed on a list which is then forwarded to their Commission. Once their Commission receives the list, the list would be sorted by the applicant's telephone company, and then the sorted lists would be sent to the appropriate telephone company for enrollment in the LifeLine program. The FPSC expects the new process to be in place by early 2007.

Georgia

Georgia's LifeLine program is purely program-based but apparently, there were inconsistencies in terms of which programs were qualifying programs. However, in June 2005, the Georgia Public Service Commission (GPUC) ordered all ETCs to adopt a consistent qualifying criteria, namely, participation in any of the following programs: Temporary Assistance to Needy Families (TANF), Supplemental Security Income (SSI), Food Stamps, Medicaid, Federal Public Housing Assistance (Section 8), Low-Income Home Energy Assistance Plan (LIHEAP), or the senior citizen low-income discount plan offered by the local gas or power company. Participants in the senior citizen low-income discount program must self-certify under penalty of perjury that they meet the income criteria for the program. Further, in May 2006, their Commission ordered that ETCs conduct annual audits and report the number of subscribers biannually on June 30th and December 31st.

To expand the universe of Lifeline/Link-Up users in Georgia, the State added to the FCC list of qualifying programs other existing low-income programs such as LIHEAP and Senior Citizens Discount gas/electric. This increased the number of reachable low-income individuals that are eligible for Lifeline/Link-Up discount.

Idaho

The Idaho Public Utilities Commission has virtually outsourced its entire LifeLine Program to a contracted third-party administrator, which handles the day-to-day activities for the Program, including LifeLine verifications. Idaho is currently not experiencing any certification and verification issues akin to California.

Indiana

At the moment, the carriers in Indiana individually administer LifeLine and, as a result, have tailored the Program to suit the needs of their respective client-base. Recently however, the State is in the process of rolling-out a state-wide LifeLine Assistance program. As such, strategies to execute the Program, and other pertinent LifeLine issues are presently under consideration in Docket 43082 of the Indiana Regulatory Utility Commission (IRUC).

As far as securing federal funding by complying with certification and verification requirements promulgated by FCC Order and Report No. 04-87, their Commission relies upon information provided by their ETCs. In addition, carriers are required to a file statistical report to the IRUC on an annual basis for purposes of subscribership trend analysis. These reports however, only display the aggregate number of LifeLine subscribers for a given month(s) or year—no data pertaining to certification and verification response rates.

Moreover, their Commission has experienced problems with ETCs exceeding requirements of the FCC mandate. For example, some companies require proof of program participation when self-certification is deemed adequate by the FCC. These carriers interpret the April 2004 FCC Order to read that although LECs are not required to obtain proof of program participation, they are not precluded from doing so. These ETCs engage in such procedures in an effort to minimize fraud.

Michigan

Carriers in Michigan are responsible for verifying the income-based eligibility of LifeLine applicants. ETCs receiving Lifeline/Link-Up funds are further responsible for keeping the necessary records showing that the ETC is in compliance with all federal and state regulations set forth for the Program.

Missouri

Of all the states with a LifeLine program of some sort, Missouri's LifeLine program, which they refer to as a low-income program, was implemented most recently, particularly in 2005. To elaborate, Missouri's low-income eligibility is based on participation in means-tested programs. A consumer must certify, under penalty of perjury, that he/she participates in at least one of the following federal programs: (1) Medicaid (2) Food stamps (3) Supplemental Security Income (SSI) (4) Federal Public housing Assistance (Section 8) (5) Low Income Home Energy Assistance Program (LIHEAP) (6) Temporary assistance to Needy Families (TANF) (7) National School Lunch. Missouri added the new programs (numbers 6 and 7 above) consistent with those proposed by the FCC for low-income and Link-up assistance in FCC No. 04-87.

Further, the Missouri low-income fund is administered by the Missouri Universal Service Board (USB), which consists of six individuals (five commissioners from their Commission and one member from the office of Public Counsel). QSI Consulting was hired as an independent, neutral fund administrator by the Missouri USB to assist in administering the program.

In terms of verification issues, the Missouri Public Service Commission recently contacted all of the State's ILECs and a few CLECs with regard to verification procedures. Their reconnaissance revealed that most carriers require their customers to self-certify, and indicate that LifeLine assistance will cease if X days have elapsed and the verification form is not received. To that end, the ETCs have not reported any problems, such as a significant drop in verifications, in receiving the annual verification forms.

Nebraska

The Nebraska Public Service Commission (NPSC) is currently designing a system for Lifeline/Link-Up verification where their Commission electronically communicates with the State Department of Health and Human Services (DHHS). Under this system, the NPSC will verify a particular social security number with the DHHS to determine whether or not a specific individual is on the eligibility list for Lifeline/Link-Up, and when a match occurs, the consumer is automatically renewed. For those queries that are rejected by the system, the NPSC distributes a contingency letter, essentially alerting the customer that they are at risk of discount service termination should they fail to appeal within a 60 day period. And should the consumer not respond on or prior to 60 days, a rejection letter is sent to the customer indicating that they have been disconnected, if they have any questions, or believe that they are eligible, they need to respond by submitting a new application with proof of eligibility.

New York

New York's LifeLine program can be likened to California's in that they have also adopted program-based and income-based eligibility standards. Additionally, the State has also witnessed a marked drop in LifeLine subscribers, particularly a 141,000 decrease. In an effort to mitigate further decline in Program subscribership and to propagate its customer base, the New York Public Service Commission (NYPSC) undertook various measures including, but not limited to, automated enrollment and a web-based solution. Parenthetically, these actions to curb the adverse response rates were carried out concomitantly to Verizon's mailing of verification notices to LifeLife customers, with the final notice generating positive results.

To elaborate, the automatic enlistment process entails reconciling information from New York's social services agency to Verizon's database on a monthly basis. Customers are enrolled and dropped from the LifeLine program in accordance with the database pairing. With regard to the web-based solution, a generic LifeLine application was created and is available for download at the NYPSC consumer website and is also available in hardcopy as a tear-off sheet from their Commission's LifeLine brochure. Further, the NYPSC is currently working with their Department of Social Services to arrange for HEAP (Home Energy Assistance Program) recipients to be enlisted automatically.

North Carolina

Similar to Missouri's Low-Income Program, North Carolina's Lifeline/Link-Up Program is also program-based. In contrast however, North Carolina has taken a proactive, exploratory approach towards implementing the FCC Order 04-87. For instance, on April 18, 2005, the North Carolina Lifeline/Link-Up Task Force filed its Report and Recommendations addressing the FCC's April 29, 2004 Order (FCC Docket No. WC 03-109). On August 4, 2005, the Commission issued its *Order Requesting Further Study to Adopt Lifeline/Link-Up Program Expansion* (Docket No. P-100, Sub 133F) wherein the Commission found as follows:

1. That the Task Force shall further study methods to streamline the enrollment process between the public benefits agencies and the telephone service providers, as well as expansion of the Lifeline/Link-Up Program to include adoption of the NSL program and an income-based standard as eligibility criteria. The Task Force shall file semi-annual reports on June 30th and December 31st, outlining its findings and recommendations.

2. That the telephone service providers shall continue to file with the Commission reports semi-annually, specifically by or on June 30th and December 31st, the number of Lineline/Link-Up Program participants served by their respective company.

3. That, until further notice, the Task Force shall continue to address Lifeline/Link-Up Program enhancements.

Moreover, North Carolina does not presently have an income verification test. However, in the Task Force's most recent Report, filed on January 16, 2007, it is stated that, "The Task Force has previously discussed the FCC's recommendation that the National School Lunch program (NSL) and an income test be added as eligibility criteria for Lifeline/Link-Up, but has not made a specific recommendation to the Commission. In October, the Chair appointed a sub-committee to study the feasibility of adding these two criteria and to report its findings to the Task Force in about six months. The goal is to make a recommendation to the Commission on these two eligibility criteria in the Task Force's semi-annual report on July 15, 2007."

Ohio

Apparently, the carriers in Ohio are charged with the responsibility of recertifying existing LifeLine customers. The process that the ETC's follow to verify the eligibility of current Program users is to send verification forms to consumers to fill out and return. Unfortunately, the present return rates for the verification forms could be described as marginal at best. However, in an attempt to combat the adverse response rate, pre-recorded messages were sent to LifeLine consumers, notifying them of the new verification requirements. The impact of the pre-recorded messages on increasing the verification form return rates thus far were negligible.

Oregon

The Oregon Public Utility Commission (OPUC) directly administers the LifeLine income verification process and already has existing processes in place that complies with the 2004 FCC mandate. The OPUC's procedures for verifying customers' LifeLine eligibility monthly is stringent and efficient for controlling costs. In particular, their Commission has direct electronic access to their Department of Human Service's (DHS) database such that they can verify customers' LifeLine eligibility at any given time. Once approved, the OPUC generates an electronic match with the DHS database to determine if customers are still eligible.

However, one shortcoming of the monthly verification process is that additional time is required for their Staff to accommodate customers whose DHS benefits were temporarily closed. The temporary closure of heir benefits removes them from the LifeLine Program. Therefore, OPUC Staff must research the DHS database to determine if their eligibility was active during the "timeframe of ineligibility" and offers back credit.

Pennsylvania

In Pennsylvania, prior to the April 2004 FCC Order, verification for potential program-based and income-based consumers was a prerequisite for Pennsylvanians' enrollment in the State's Lifeline/Link-Up Program. For verification of program-based customers, carriers contact the Pennsylvania Department of Public Welfare (DPW) and access the DPW's automated voice response system to validate customer participation in a qualifying program. For verification of income-based consumers, the State's Department of Revenue (DOR) reviews the income tax records of potential customers to ascertain whether or not a particular individual is qualified.

For purposes of tracking the Program's progress, Pennsylvania ETCs are required to provide the Pennsylvania Public Utility Commission (PPUC) with an annual LifeLine Tracking Report. The report details the total number of LifeLine enrollments, disconnections, and installations, among other particulars involving the previously-mentioned. It is critical to note, however, that the data presented in these reports will differ from those contained in the FCC reports. This is attributed mainly to the fact that Verizon, the largest ETC in PA, utilizes a disparate data source to calculate its enrollment statistics for Verizon PA and Verizon North respectively.

Furthermore, the PPUC emphasizes the need for all parties with a vested interest in the viability of their respective LifeLine program to work cohesively to carry out their respective Programs. For instance, the Pennsylvania Telephone Association, Office of Consumer Advocate, Pennsylvania Utility Law Project, the DOR, the DPW, and their Commission's law, communications, and consumer services Staff met to discuss how to implement an automatic notification program for DPW clients. As a result of these meetings, they were able to develop a generic LifeLine brochure, draft an application form for DPW clients, update verification options and procedures, and compile company contact information.

Tennessee

Admission into Tennessee's LifeLine program is possible through a program-based or an income-based qualification. The carriers in Tennessee are responsible for administering the government assistance verification program (i.e., verifying that the applicant is on SSI, Food Stamps, etc.). For income-based eligibility, the Tennessee Regulatory Authority (TRA) has certified Lifeline/Link-Up participants based upon income prior to April 2004, before FCC No. 04-87. Responsibility for verification of existing income-based customers though, falls on the carriers. Additionally, in response to the FCC mandate, the TRA modified the income verification process to include annual verifications.

Texas

Texas is virtually a mirror image of California in that the State utilizes Solix as its CertA of LifeLine and consumers can qualify for the Program under a program-based or an income-based criterion. For potential customers that are eligible due to participation in select, federally-approved low-income programs, they are automatically enrolled in LifeLine. In contrast, income-based applicants and existing users must go through Solix for admission or renewal into the Program.

Washington

The Washington Telephone Assistance Program (WTAP) is administered jointly by the Department of Social and Health Services (DSHS), Department of Revenue (DOR), Washington Utilities and Transportation Commission (WUTC), and Department of Community, Trade and Economic Development (DCTED). DSHS provides overall program administration and WTAP fund management, DOR is responsible for excise tax collection, WUTC is responsible for rate setting, and DCTED provides contractor oversight for the CSVM component.

In addition, WTAP has been certifying and verifying customers' eligibilities since 1987 and thus, have already been in compliance with the FCC 2004 LifeLine and Link-Up Mandate. Currently, qualification for WTAP/Lifeline/Link-Up is based on active participation in other income-based programs administered by the Department of Social and Health Services such as Basic Food, Medicaid, and TANF.

Once consumers are deemed eligible for WTAP, they are immediately sent a notification letter with an accompanying brochure in English, Spanish, Cambodian, Chinese, Korean, Laotian, Russian, and Vietnamese languages. When the customer chooses to enroll, they call the local carrier, informing the carrier they are eligible for WTAP. Using a three-way call while the customer is on the phone, the local carrier calls WTAP using a dedicated toll-free number and verifies eligibility before providing the customer with the WTAP discount. Verification includes correct name of person who is eligible, client identification number, benefit start date, customer eligibility for the connection fee, monthly discount, and waiver of deposit for local service.

The customer also has the option of calling the WTAP client toll-free line if they need assistance with calling the carrier (for example: translators, elderly not able to navigate phone company automated phone menus).

Advantages to up-front verification method:

- Allows customers to know whether they can afford phone service before starting service with the phone company. (When verifications are not done up front, customers start service, then find out they are not eligible. Since they can't pay the subsequent bill, their accounts become delinquent, or go to collections. The resulting bad credit jeopardizes the customer's ability to gain self-sufficiency or get phone service in the future).

- Allows corrections such as name and client identification numbers to be made while the customer is on the line (reducing the number of billing errors later, and the time needed to make such corrections).

- Allows customers with no phone number or contact information to enroll right away. (When these types of accounts need further clarifications or corrections, it is almost impossible to contact the customer in a timely manner otherwise).

Moreover, the following are current practices of regarding the implementation of WTAP:

- The regular contact with customers provides an excellent feedback loop of how the application process and program is working. Telephone company policy and procedural obstacles can generally be identified down to the operator level.

- Telephone companies bill WTAP monthly for every discounted account. The data is used to re-verify eligibility as well as tracking WTAP participation and tracking duplication of services across carriers.

- WTAP supports community voice mail. Community voice mail provides free voice mail to customers who are not able to get a traditional phone. When the customer finds permanent housing, they can transition to getting traditional phone services with the WTAP discount.

- WTAP multi-language posters and brochures are provided to community based organizations such as community action agencies, HUD agencies and food banks. The offices often refer customers to WTAP.

- WTAP provides a toll-free client line with access to translators so that customers can communicate in their native language.

ATTACHMENT 6

General Order 153, Section 4.1.3 (Proposed Amendment)

Section 4.1.3 Utilities shall send a confirmation notice to all new customers enrolled in ULTS informing them of the arrival of application forms from the California LifeLine program and the requirement to return the completed forms with all required documentation to continue discounted telephone service. The notice shall also inform ULTS customers that failure to return the forms and eligibility documentation will result in the loss of discounted telephone service and the requirement to pay back prior discounts.

(END OF ATTACHMENT)