

**BEFORE THE  
FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON D.C. 20554**

In the Matter of:	)	
	)	
Lifeline and Link Up Reform and Modernization	)	WC Docket No. 11-42
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Lifeline and Link Up	)	WC Docket No. 03-109

**Comments of the  
Michigan Public Service Commission**

On August 5, 2011, the Federal Communications Commission (FCC) issued a Further Inquiry (Inquiry) into Four Issues in the Universal Service Lifeline/Link Up Reform and Modernization Proceeding in the above-mentioned dockets. The Michigan Public Service Commission (MPSC) offers the following comments on specific questions and concepts discussed in the Inquiry. The comments are formatted to track with the headings and subheadings used in the Inquiry.

**Introduction**

On March 4, 2011, the FCC issued a Notice of Proposed Rulemaking (NPRM) in the above-mentioned dockets regarding Lifeline and Link Up Reform and Modernization. The MPSC filed comments on April 21, 2011 and reply comments on May 9, 2011 to the NPRM. Based on the current record in this proceeding, the FCC identified four issues meriting further inquiry: 1) designing and implementing a Lifeline/Link Up broadband pilot program to evaluate whether and how Lifeline/Link Up can effectively support broadband adoption by low-income households; 2) limiting the availability of Lifeline

support to one discount per residential address; 3) revising the definition of Link Up service, as well as the possible reduction of the \$30 reimbursement amount for Link Up support; 4) and improving methods for verifying continued eligibility for the program. The MPSC provides responses to these issues in the following paragraphs.

### **Broadband Pilot Program**

#### Consumer Eligibility for Pilot Program

The MPSC believes that the pilot sample should mirror the Lifeline population so that results can be generalized to the Lifeline population. The FCC should maintain the current Lifeline eligibility requirements for consumers participating in the pilot program. Any barrier to consumer participation in pilot programs should reflect real life situations including the price and reliability of the equipment, early termination fees, and lack of service providers in the geographic area.

The MPSC also believes that the pilot should mirror the proposed Lifeline program. If, under normal circumstances, customers would have to change carriers, purchase bundled broadband and voice services, or otherwise be penalized in the proposed Lifeline program, these situations should also occur in the pilot. Pilot programs should be designed to give us the opportunity to observe how customers will respond to the Lifeline program when it transitions from a pilot to a full program.

#### Pilot Evaluation

##### *Multiple design elements versus a single variable for comparison*

The MPSC believes that it is preferable to have individual participants test multiple design elements. This way, the evaluator can measure interactions between design elements. Also, this more accurately reflects real life scenarios.

### *Equipment Leasing Option*

The MPSC does not support a leasing option, which is generally not cost-effective for the customer. Alternatively, telephone carriers could supply the equipment at wholesale cost and offer customers payment arrangement options at a very low interest rate (0%), dividing the balance over several billing cycles. Currently, for example, carriers are required to provide Teletypewriter (TTY) equipment at wholesale cost.

### *Quantitative Metrics to Evaluate Approaches*

The MPSC suggests comparing pilot participants to demographically similar control groups. Broadband adoption rate differences between the participants and the control group would provide information to assess the impact of the pilot. Cost of support, new adopters as a percentage of eligible program participants, length of time on the plan, etc. are variables that could also be measured.

### **One-Per-Residence Limitation.**

Defining "Household" or "Residence"

Prior to defining "household" or "residence", the MPSC believes the purpose of the Lifeline discount should be determined. If the Lifeline discount is intended to ensure that there is one telephone in every home for critical calls, the Lifeline service should be limited to one per household, regardless of who or how many persons live in the building. If the Lifeline discount is intended to ensure that every independent adult has personal access to a phone, the Lifeline service should be limited to one per independent adult.

### **Link Up**

Elimination of Link Up

The MPSC suggests that the Link Up discount should only be eliminated for wireline customers when wireline telephone carriers cease charging installation fees. Installation fees at the wireline level should be limited to the physical installation at the residence. Alternatively, the MPSC notes that nearly all wireless eligible telecommunications carrier designation applications, in Michigan, request Link Up reimbursement. However, the FCC has not yet approved Link Up during a forbearance application proceeding under Section 214(e)(1)(A). In addition, most wireless ETC applications are for the resale of another carrier's service, so the MPSC is unsure which company is actually activating the wireless service (the reseller of customer service or the reseller of dialtone) for the customer. The Universal Service Administrative Company's (USAC) website states that telephone handsets may not be included in the amount reimbursed for Link Up<sup>1</sup> and most applicants are not forthcoming with the actual cost of initiating service to the customer. Should the request for Link Up reimbursement be denied, the customer would have to pay a service initiation fee.

### **Verification of Consumer Eligibility for Lifeline - Sampling Methodology**

#### **Smaller Sample Size for ETCs with a Small Number of Lifeline Customers**

The MPSC opposes reducing the sample size requirement for ETCs with a small number of Lifeline customers. Currently, audits are being performed to ensure that all Lifeline customers are eligible to receive the low income benefit and that eligible customers are not receiving more than one Lifeline benefit. Carriers with smaller Lifeline customer rosters are receiving the same reimbursement per customer as ETCs

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<sup>1</sup> <http://www.usac.org/li/telecom/step01/linkup.aspx>

with larger numbers of low income customers and, therefore, should not be able to reduce or eliminate their duties by providing limited information on their Lifeline customers.

The federal low income fund is increasingly being drawn upon with no end in sight. Although the enormous project of a low income audit seems overly burdensome, limited sampling of ETCs with smaller numbers of low income customers will not lessen this burden.

**Conclusion**

The MPSC appreciates the opportunity to provide further input as the FCC makes its final determination regarding the future of the Lifeline and Link Up programs. The MPSC looks forward to reviewing the comments of the other parties in this proceeding and will continue to participate by filing reply comments to the extent that they add to the discussion of how to best modernize the Lifeline and Link up programs.

Respectfully submitted,

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