

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

The Universal Telephone Assistance Corporation	:	
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Petition for determination of the amount and form of supplemental assistance to be provided by local exchange telecommunications carriers, pursuant to 83 Ill. Adm. Code 757.200(b).	:	15-0406
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ORDER

By the Commission:

On June 30, 2015, the Universal Telephone Assistance Corporation (“Petitioner” or “UTAC”) filed a petition pursuant to Section 757.200(b) of 83 Ill. Adm. Code 757¹, “Telephone Assistance Programs”, requesting that the Commission determine the amount and form of supplemental assistance to be provided by Illinois local exchange carriers (“LECs”) to each eligible subscriber, or eligible new subscriber, under the Universal Telephone Service Assistance Program (“UTSAP”). In Docket 14-0446, September 4, 2014, the Commission ordered that UTAC provide a one-time installation benefit fee of up to \$35.00 for each eligible subscriber or eligible new subscriber under UTSAP, without a percentage limit on the on the local exchange carriers’ installation charge. UTAC now recommends that the Commission maintain the level of supplemental assistance under UTSAP to a one-time benefit fee of up to \$35.00 towards the LEC’s customer’s installation charge, without a percentage limit on the total installation charge.

In addition to this supplemental assistance from voluntary contributions by Illinois telephone subscribers, eligible customers of eligible telecommunications carriers (“ETCs”) would continue to receive federal Lifeline benefits. UTAC believes that maintaining the current level of the supplemental connection fee benefit up to \$35.00 will encourage eligible customers to connect to the telephone network and will provide meaningful assistance to low-income customers.

On June 30, 2015, Petitioner filed Exhibit 1.0, the direct testimony of Allen Cherry, President of the UTAC Board, accompanied by Schedule 1.0 – Chronology of Commission Supplemental Assistance Orders; Schedule 2.0 – Illinois Participation in Federal Lifeline Program By Year; Schedule 3.0 – UTSAP Supplemental Installation Waivers By Year; and Schedule 4.0 – UTSAP Contributions, Income, and Fund Balance Over Time. (Petitioner Exhibit 1.0).

¹ In Docket 12-0479, June 27, 2013, the Commission adopted certain revisions to 83 Ill. Adm. Code 757, July 2, 2013. All Section 757 citations herein pertain to the adopted revisions.

Because all of the information necessary for the Commission to grant the requested relief is contained in the petition, no hearing was necessary and it is waived. No petitions for leave to intervene were filed in this matter and there are no contested issues. On July 28, 2015, Staff filed Exhibit 1.0, the Verified Statement of Barbara Lankford of the Commission's Consumer Services Division. Staff stated that it has no objection to the petition and saw no reason why the Commission should not grant the petition in its entirety.

On July 30, 2015, the ALJ admitted Petitioner Exhibit 1.0 and Staff Exhibit 1.0 into evidence and marked this docket "Heard and Taken".

I. Petitioner Position

All Illinois LECs are members of UTAC, a not-for-profit corporation formed pursuant to the requirements of Section 757.215. The formation of UTAC and its organizational documents were approved by the Commission in Docket 93-0067. UTAC remains subject to the Commission's jurisdiction. The principal purpose of UTAC is to carry out the provisions of Sections 13-301 and 13-301.1 of the Public Utilities Act (220 ILCS 5/1-101 et seq.) ("the Act"), as implemented by Subpart C of Part 757.

Section 757.200(b) requires that UTAC, as the UTSAP Administrator, to file annual petitions with the Commission, "requesting the Commission to determine the amount of supplemental assistance, if any, the LECs shall provide each eligible new subscriber or eligible subscriber" under UTSAP. Sections 757.200(b) and 757.215(c)(4) also require UTAC to assess total UTSAP costs and revenues and to recommend changes in the waiver amounts, establishment of new UTSAP programs, or discontinuance of existing programs. The assistance to be provided under UTSAP is supplemental to the assistance provided under the federal Lifeline program.

Section 757.200(c) sets forth four mechanisms by which LECs, through UTSAP, may provide assistance or supplement the assistance provided to eligible low-income residents. Specifically, the Commission may order that assistance through UTSAP be made by means of (1) a waiver of initial telephone service installation charges for eligible new subscribers; (2) a waiver of all or part of the local exchange service obligation of eligible subscribers or eligible new subscribers; (3) a combination of (1) and (2); or (4) any other program authorized by Section 13-301.1 of the Act. (220 ILCS 5/13-301.1).

Pursuant to the Commission's Order in Docket 14-0446, UTSAP currently provides for connection assistance to cover \$35.00 of a LEC's customary connection charge. Customers are eligible for federal assistance and supplemental UTSAP state assistance if they participate in any one of the following programs: Medicaid, Food Stamps, Supplemental Security Income, Federal Public Housing, Low Income Home Energy Assistance Program, Temporary Assistance to Needy Families Program, or the National School Lunch's free lunch program. (Petitioner Ex. 1.0 at 5).

Since its inception, UTSAP has consistently offered a one-time waiver of a portion of the connection fee to eligible new telephone subscribers in Illinois. In 2010, there was a large increase in the number of waivers and UTAC filed an emergency petition to lower the benefit amount. On January 20, 2011, the Commission decreased the supplemental connection fee waiver to up to \$5.00, but not to exceed 50% of the total installation charge, which is the current level of support. In Docket 12-0408, August 21, 2012, the Commission ordered that UTAC provide a one-time installation fee benefit of up to \$15.00, not to exceed 50% of the total installation charge for each eligible subscriber or eligible new subscriber under UTSAP. On September 30, 2013, the Commission ordered UTAC to provide a one-time installation benefit of up to \$20.00, not to exceed 50% of the total installation charge for each eligible subscriber or eligible new subscriber under UTAC. In Docket 14-0446, September 3, 2014, the Commission ordered UTAC to raise the one time installation benefit from \$20.00 to \$35.00 of the carrier's customary connection charge. UTSAP's fund balance now exceeds \$1,000,000 and UTAC proposes to continue the benefit of \$35.00 towards the carrier's installation charge. (*Id.* at 6).

Monthly contributions have declined steadily over the past ten years. As of May 31, 2014, monthly contributions were averaging approximately \$15,320, as compared to \$12,020 as of May 31, 2015. Similarly, the number of contributors has declined in recent years. As of April 30, 2015, the number of contributors was approximately 9,007, as compared to 13,900 as of April 30, 2014. Petitioner Ex. 1.0, Schedule 4.0, shows UTAC's number of contributors, average monthly contributions, average total monthly income (contributions plus interest income), and fund balance over time. (*Id.* at 10).

As of May 31, 2015, the UTSAP fund balance was approximately \$1,090,580, compared to its fund balance of approximately \$1,014,780 on May 31, 2014. As of May 31, 2013, the UTSAP fund balance was approximately \$912,000, compared to its fund balance of approximately \$799,500 on May 31, 2012. For the period from June 2014 through May 2015, UTSAP's total expenses, including installation waivers and routine administrative and public relations expenses, averaged approximately \$5,800 per month, as compared to \$7,600 in average monthly expenses for the period June 2013 through May 2014. (Petition at 3).

As of December 31, 2014, 441,373 Illinois customers were participants in the federal Lifeline assistance program. Of this total, 422,642 (95%) were wireless Lifeline customers and 18,731 (5%) were landline Lifeline customers. As of December 31, 2013, 615,377 customers participated in the federal Lifeline assistance program. Of this total, 589,250 (95%) were wireless customers and 26,127 (5%) were landline customers. This compares to 443,442 wireless Lifeline customers and 31,677 landline Lifeline customers in 2012. Petitioner Ex. 1.0, Schedule 2.0, shows the number of Lifeline customers since 1999. During calendar year 2014, UTSAP provided telephone installation waivers for 992 Illinois customers. This compares to 1,807 installation waivers in 2013 and 4,956 installation waivers in 2012. Petitioner Ex. 1.0, Schedule 3.0, shows the number of UTSAP supplemental installation waivers since 2000. (Petitioner Ex. 1.0 at 7).

Since the number of telephone installation waivers has decreased, UTAC proposes to maintain the supplemental connection fee waiver at \$35.00. Also, Section 757.215(c)(4) provides that UTAC shall recommend to the Commission the establishment of any new UTSAP programs. UTAC continues to investigate a variety of connectivity initiatives for low-income subscribers, including a VOIP initiative or possibly a state lifeline benefit for landline subscribers. (*Id.* 10).

In the first quarter of 2014, UTAC worked with the Township Officials of Illinois to distribute information about UTAC's programs to 1,431 member townships. In the second quarter of 2014, information about Lifeline was distributed to members of a trade association representing community agencies that serve the developmentally disabled and those who suffer from mental illness. (*Id.* at 8).

For Lifeline Awareness Week, UTAC provided information about Lifeline for state legislators to include in their e-newsletters. UTAC also wrote letters to the editor, the Governor's office issued a proclamation, and the Commission placed a banner on its website. In the fourth quarter, bill inserts about the low-income universal service programs were mailed to existing phone customers by all local phone companies. For the first quarter of 2015, UTAC mailed a memo and an English/Spanish flyer about Lifeline to all agencies in Illinois that administer LIHEAP, a UTAC proxy program. (*Id.*).

The Township Officials of Illinois had requested that UTAC follow-up on its 2014 outreach with members who assist residents in their communities to determine for which assistance programs they may qualify. In the second quarter 2015, UTAC drafted a memo to be distributed with the English/Spanish flyer to the Township Officials of Illinois. (*Id.* at 9).

On August 15, 2012, a Commission Order revising Part 757 was entered that redefined "member agreement" and included a specific grant of authority to UTAC to require that all payments comply with Section 5/13-310.1. The revisions also included include several safeguards that grant UTAC greater powers to deny questionable claims and establish a procedure for any LEC who disputes UTAC's decision to seek recourse pursuant to the Commission's complaint process. Reporting requirements were also streamlined. (*Id.*).

UTAC recommends that the Commission extend the present benefit level and keep the supplemental connection fee at \$35.00. (*Id.* at 11). In July and August 2010, three ETCs together requested 87% of all funds claimed by all Illinois carriers for reimbursement of installation waivers with "first month free" promotions that did not result in sustained subscribership. The dramatically high number of waivers substantially reduced UTAC's funds. UTAC does not expect this to recur because (i) Illinois Bell's promotion that reduced wholesale costs to the three carriers was one-time and has been discontinued; (ii) it appears that the three competitive carriers have ceased doing business in Illinois; (iii) the anticipated revisions to Part 757 include safeguards and greater powers for UTAC to scrutinize unwarranted waiver claims; and (iv) with the elimination of federal Link-Up, there is less financial incentive for such a volume of waiver

claims in a short period of time. Also, there has been no reemergence of the waiver abuse that occurred in 2010, and the number of waiver requests has decreased over the past five years. UTAC can provide meaningful assistance to current subscribers with the \$35.00 benefit amount. (*Id.* at 12).

If the Commission approves UTAC's request, new tariff filings will not be required. UTAC also recommends that the Commission Order authorize eligible ETCs to pass through to their qualified low-income customers the full amount of Lifeline support of \$9.25, and to the extent such support exceeds the Federal End User Line Charge, to apply any additional federal support to the customer's intrastate rate. (*Id.* at 11).

Under 47 C.F.R. §54.403(a)(1), the federal Lifeline support of \$9.25 per month is available if the ETC certifies to the Universal Service Administration Company that it will pass through the full amount of the support to its qualifying, low-income consumers and that it has received any non-federal regulatory approvals necessary to implement the required rate reduction. Under 47 C.F.R. §54.403(a)(2), ETCs that charge federal End User Common Line charges or its equivalent must apply for Lifeline support to waive the federal End User Common Line charge for Lifeline subscribers. Such carriers must then apply any additional federal support amount to the qualifying low-income customer's intrastate rate, if the carrier has received the non-federal regulatory approvals necessary to implement the required rate reduction. The Commission's authorization to pass through the additional Lifeline amount provides ETCs with the "non-federal regulatory approvals" necessary to implement the pass-through, and to provide the required certification to USAC. (*Id.* at 13-14).

UTAC further requests that the Commission Order find that Illinois has a statutorily-mandated telephone assistance program, UTSAP, which provides state support to the Lifeline program. (*Id.* at 11-12).

II. Staff Position

Staff has no objection to the petition and sees no reason why it should not be granted. Staff stated that it has participated in past UTAC board meetings over an extended period and believes UTAC's assertions, particularly with regard to its current financial position, to be true and correct. It is Staff's opinion that UTAC's financial position is such that its proposal with respect to benefits is prudent, and that the benefit offered is reasonable, based upon available funds. There is no reason why the Commission should not approve UTAC's petition in its entirety. (Staff Ex. 1.0 at 2-3).

III. Commission Analysis and Conclusions

The Commission finds that Petitioner has correctly stated that there is no need to increase the connection fee benefit from the current \$35.00, without a percentage limit on the carrier's total installation charge. The parties have also demonstrated the necessity for ETCs to continue to pass through to their qualified low-income customers the full amount (\$9.25) of the federal Lifeline support.

The Commission further finds that Illinois operates a statutorily-mandated telephone assistance program, UTSAP, which provides state support for the federal Lifeline program. New tariff filings are not required. A copy of this order shall be served upon all local exchange carriers.

IV. Findings and Ordering Paragraphs

The Commission, having considered the entire record herein and being fully advised in the premises, is of the opinion and finds that:

- (1) UTAC is an Illinois not-for-profit corporation as defined in the General Not-For-Profit Corporation Act (805 ILCS 105) and serves as the UTSAP Administrator;
- (2) the Commission has jurisdiction over UTAC, over its member Illinois LECs, over UTSAP, and over the subject matter herein;
- (3) the recitals of fact and conclusions reached in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (4) the amount of Illinois UTSAP supplemental assistance applied to the telephone installation charge for each eligible subscriber or eligible new subscriber of ETCs shall remain at \$35.00, without a percentage limit on the carrier's total installation charge;
- (5) pursuant to 47 C.F.R. §54.403(a) and (b), the Commission should approve continuation of a reduction in the amount paid by qualified Illinois customers of ETCs of \$9.25, to ensure the continued availability of federal Lifeline support;
- (6) Illinois operates a statutorily-mandated telephone assistance program, UTSAP, which provides state support for the federal Lifeline program and as such is not a federal default state;
- (7) new tariffs do not need to be filed; and
- (8) a copy of this order should be served on all local exchange carriers.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the amount of Illinois UTSAP supplemental assistance applied to the telephone installation charge for each eligible subscriber or each eligible new subscriber of ETCs shall remain at \$35.00, without a percentage limit on the carrier's total installation.

IT IS FURTHER ORDERED that, pursuant to 47 C.F.R. §54.403(a) and (b), the amount paid by qualified Illinois subscribers of ETCs shall continue to be reduced by \$9.25 to ensure the continued availability of federal Lifeline funds.

IT IS FURTHER ORDERED that Illinois operates a statutorily-mandated telephone assistance program, UTSAP, which provides state support for the federal Lifeline program.

IT IS FURTHER ORDERED that new tariffs do not need to be filed.

IT IS FURTHER ORDERED that a copy of this order shall be served on all local exchange carriers.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this 12th day of August, 2015.

(SIGNED) BRIEN SHEAHAN

Chairman