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January 27, 2009

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COMMISSION
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Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 080234-TP
Implementation of Florida lifeline program involving bundled service packages
and placement of additional enrollment requirements on customers

Dear Ms. Cole:

Enclosed for filing in the above-referenced matter are an original and seven copies of Verizon Florida LLC's Prehearing Statement. Also enclosed is a diskette with a copy of the Prehearing Statement in Word format. Service has been made as indicated on the Certificate of Service. If there are any questions regarding this filing, please contact me at (678) 259-1449.

Sincerely,

Dulaney L. O'Roark III ^{DR}

Dulaney L. O'Roark III

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Enclosures

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the foregoing were sent via electronic mail and/or U.S. mail on January 27, 2009 to:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Implementation of Florida lifeline program) Docket No. 080234-TP
involving bundled service packages and) Filed: January 27, 2009
placement of additional enrollment requirements)
on customers)
_____)

VERIZON FLORIDA LLC'S PREHEARING STATEMENT

In accordance with Order No. PSC-08-0594-PCO-TP, as modified by Order No. PSC-08-0834-PCO-TP, Verizon Florida LLC ("Verizon") hereby files this prehearing statement.

1. Witnesses

Verizon has prefiled the following testimony:

Direct Testimony of Paul B. Vasington (addressing Issues 1 and 3)

Rebuttal Testimony of Paul B. Vasington (addressing Issues 1 and 3)

2. Exhibits

To date, Verizon has not identified any exhibits to be introduced at the hearing. Verizon reserves the right to introduce exhibits at the hearing or other appropriate points.

3. Verizon's Basic Position

Eligible Telecommunications Carriers ("ETCs") may not be required to apply the Lifeline discount to bundled services as a matter of law and should not be required to do so as a matter of policy.

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Federal law does not require that the Lifeline discount be applied to bundled services. Federal regulations define “Lifeline” to mean “a retail local service offering” that is (i) available only to qualifying low-income consumers, (ii) provides the applicable discount, and (iii) includes the services or functionalities enumerated in C.F.R. § 54.101, which substantially correspond to basic local telecommunications service under Florida law. Although the FCC does not prohibit Lifeline customers from ordering additional vertical services on an a la carte basis,¹ it does not require ETCs to offer vertical services to Lifeline customers, nor does it require ETCs to apply the Lifeline discount to bundled services.

Florida law does not authorize the Commission to require ETCs to exceed this federal requirement. Under Florida law, ETCs must apply the Lifeline discount to basic service only. Section 364.10(2)(a) provides that an ETC is required to “provide a Lifeline Assistance Plan to qualified residential subscribers, as defined in a commission-approved tariff or price list.” Under federal regulations, state commissions are required to file or require ETCs to file information with the federal universal service fund administrator “demonstrating that the carrier’s *Lifeline plan* meets the criteria set forth” in federal law.² The Florida requirement that ETCs provide a Lifeline Assistance Plan thus implements the federal requirement that ETCs have Lifeline plans that meet federal criteria, including a Lifeline discount that applies to basic service. Florida law does not authorize the Commission to require ETCs to implement Lifeline programs that apply the discount to other services.

¹ In the Matter of Lifeline and Link-up, WC Docket No. 03-109 (released April 29, 2004) at § 53.

² 47 C.F.R. § 54.401(d)(emphasis added).

The Commission may not circumvent these clear limitations by requiring ETCs to apply the Lifeline discount to individual components of a bundled service. Such a requirement would violate Florida law, which makes a bright-line distinction between basic and nonbasic services. Under Florida law, a service must either be a basic service or a nonbasic service; it cannot be both. Florida law provides that basic service consists of the following elements:

voice-grade, flat-rate residential, and flat-rate single-line business local exchange services which provide dial tone, local usage necessary to place unlimited calls within a local exchange area, dual tone multifrequency dialing, and access to the following: emergency services such as "911," all locally available interexchange companies, directory assistance, operator services, relay services, and an alphabetical directory listing. For a local exchange telecommunications company, the term shall include any extended area service routes, and extended calling service in existence or ordered by the commission on or before July 1, 1995.³

As relevant here, nonbasic service is defined as "any telecommunications service provided by a local exchange telecommunications company other than a basic local telecommunications service."⁴ In other words, a nonbasic service is any retail service consisting of a different set of elements than basic service. Thus, by definition, when a telecommunications service is offered as a bundle -- that is, as a group of services offered at a single price, which necessarily includes nonbasic service elements -- that service, including all its component parts, is nonbasic. The Commission therefore may not require an ETC to apply the Lifeline discount to a component part of a bundled service.

Moreover, as a matter of public policy the Commission should not require a Lifeline discount on bundles. The underlying public policy goal of the Lifeline and Link-

³ Fl. Stat. § 364.02(1).

⁴ Fl. Stat. § 364.02 (10).

up programs is the “preservation and advancement of universal service.”⁵ Mandating Lifeline discounts for bundles would not increase subscribership because its principal effects would be to encourage Lifeline customers who already have basic service to upgrade to nonbasic service packages and to make the Lifeline discount available to Lifeline-eligible customers who are already subscribing to nonbasic-service packages. In other words, the mandate would not increase network subscribership, but would merely provide a Lifeline discount to additional customers who already have telephone service. Thus, such a requirement would not advance universal service.

Mandating the discount for bundles would be bad public policy for the additional reason that it would put ETCs like Verizon at a competitive disadvantage against their unregulated competitors, who are not required to provide a Lifeline discount. This disadvantage is significant because Verizon is not reimbursed for \$3.50 of the discount. Thus, if the requirement were imposed Verizon would have to fund a subsidy for bundled services that Bright House and other competitors do not have to bear.

4. Verizon’s Positions on Specific Questions of Fact, Law and Policy

Issue 1 presents an issue of law, while Issue 3 presents mixed questions of fact, law, and policy.

⁵ See e.g., In the Matter of Lifeline and Link-up, WC Docket No. 03-109 (released April 29, 2004) at §3.

ISSUE 1: UNDER APPLICABLE LAW, MAY THE COMMISSION REQUIRE FLORIDA ETCs THAT CHARGE FEDERAL END USER COMMON LINE CHARGES, OR EQUIVALENT FEDERAL CHARGES, TO APPLY THE LIFELINE DISCOUNT TO BUNDLED SERVICE OFFERINGS WHICH INCLUDE FUNCTIONALITY THAT IS COMPARABLE TO THAT DESCRIBED AT 47 CFR 54.101(a)(1)-(9) OR SECTION 364.02(1), FLORIDA STATUTES?

VERIZON'S POSITION: No. Under federal law, ETCs only are required to apply the Lifeline discount to the equivalent of basic service, not to other, nonbasic services, including bundled services. Florida law requires ETCs to provide a Lifeline plan meeting this federal requirement, and does not authorize the Commission to impose obligations exceeding that requirement.

ISSUE 3: SHOULD THE COMMISSION REQUIRE EACH FLORIDA ETC THAT CHARGES FEDERAL END USER COMMON LINE CHARGES, OR EQUIVALENT FEDERAL CHARGES, TO APPLY THE LIFELINE DISCOUNT TO ITS BUNDLED SERVICES WHICH INCLUDE FUNCTIONALITY THAT IS COMPARABLE TO THAT DESCRIBED AT 47 CFR 54.101(a)(1)-(9) OR SECTION 364.02(1), FLORIDA STATUTES?

VERIZON'S POSITION: No. Even if the Commission were legally authorized to impose such a requirement (which it is not), the Commission should not do so because it would not promote the goal of universal service and it would put ETCs at a competitive disadvantage against their unregulated competitors.

5. Stipulated Issues

There are no stipulated issues.

6. Pending Motions and Other Matters

Verizon's only pending motion is its motion for protective order concerning confidential material provided in response to Staff's First Set of Interrogatories.

7. Pending Requests for Confidentiality

Verizon has a request for confidential classification and motion for protective order pending with respect to Staff's First Set of Interrogatories.

8. Objections to a Witness's Qualifications as an Expert

Verizon has no objections to a witness's expert qualifications at this time.

9. Procedural Requirements

Verizon is unaware of any requirements set forth in the Commission's Order Establishing Procedure that cannot be complied with at this time.

Respectfully submitted on January 27, 2009.

By:

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