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BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
TOM FORESE
Commissioner
ANDY TOBIN
Commissioner

IN THE MATTER OF THE APPLICATION)
OF QWEST CORPORATION DBA)
CENTURYLINK QC FOR APPROVAL OF A)
TARIFF REVISION TO GRANDFATHER)
THE CENTURYLINK MEDICALLY)
NEEDY TELEPHONE ASSISTANCE)
PROGRAM TO EXISTING CUSTOMERS)
AND NO NEW CUSTOMERS BE)
ACCEPTED INTO THE PROGRAM)
EFFECTIVE APRIL 1, 2017.)

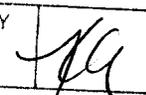
DOCKET NO. T-01051B-16-0092

DECISION NO. 75688

ORDER

Arizona Corporation Commission
DOCKETED

AUG 05 2016

DOCKETED BY 

Open Meeting
July 12 and 13, 2016
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

A. Introduction

1. On March 14, 2016, Qwest Corporation dba CenturyLink QC (“CenturyLink” or “Company”) filed an Application for a tariff revision to change the availability of the Telephone Assistance Plan for the Medically Needy (“TAP for the Medically Needy”), which was established by the Arizona Corporation Commission (“Commission”) in Decision No. 57462 (July 15, 1991). In its Application, CenturyLink seeks Commission approval to stop offering the program to new customers effective April 1, 2017. Customers already enrolled in the program as of April 1, 2017, would be grandfathered and would continue receiving the credit as long as they recertify annually and do not leave the program for any reason. New or prospective customers will have almost a year in which to enroll before the program is discontinued.

1 2. For the reasons discussed below, the Commission's Utilities Division Staff ("Staff")
2 recommends approval of CenturyLink's proposed tariff revisions which would grandfather existing
3 TAP for the Medically Needy customers as of April 1, 2017; and also provide for discontinuance of
4 the Medically Needy TAP program to new customers as of that date.

5 **B. Background**

6 3. The TAP for the Medically Needy was first established by the Commission in Decision
7 No. 57462 on July 15, 1991. The TAP for the Medically Needy allows low income customers
8 demonstrating a special medical need to obtain home phone service from CenturyLink at little or no
9 charge. Until recently, the program was administered by the Arizona Department of Economic
10 Security ("DES"). Community Action Agencies throughout the state assisted the DES in enrolling
11 qualified applicants in the TAP. DES provided both administrative and direct services by conducting
12 training, customer service, data-entry, and outreach activities. The Community Action Agencies
13 provided case management services to low-income customers and coordinated application intake
14 systems, conducted client interviews and determined client eligibility.

15 4. In a communication dated May 25, 2016, CenturyLink notified Staff that it had taken
16 over the administration of its TAP for the Medically Needy, Senior Telephone Discount Program and
17 Lifeline Program from DES. In 2014, DES advised CenturyLink that their existing IT platform was
18 no longer going to be funded or receive support. After considering other options, CenturyLink
19 decided to administer the program itself. CenturyLink stated that it developed a transition plan with
20 DES to transfer administration of the program to CenturyLink. In March of this year DES began to
21 phase the program functions to CenturyLink and for the most part completed the transition earlier
22 this month.

23 5. In Decision No. 68604 issued on March 23, 2006, the Commission increased the
24 funding for the TAP for the Medically Needy from a total of \$1.0 million annually to \$2.0 million
25 annually, exclusive of any federal funding received. Decision No. 68604 also required that \$100,000 of
26 this amount be used annually to offset the reasonable administrative costs incurred by Community
27 Action Agencies in enrolling qualified applicants in the TAP for the Medically Needy program. The
28 Decision also required that any unused Medically Needy TAP funds in any given year remain in the

1 account for use in subsequent years. Medically Needy TAP expenditures are capped at the \$2.0
2 million annual funding level unless the account has a surplus from prior years. In the event the
3 account has a surplus from prior years and there are additional qualified applicants, Medically Needy
4 TAP expenditures may exceed the annual funding level.

5 6. On December 12, 2015, in Decision No. 75357, the Commission approved
6 CenturyLink's proposed tariff revisions to change the accounting methodology for the TAP for the
7 Medically Needy, by eliminating the \$2 million annual set-aside requirement and instead allowing the
8 Company to fund the program as an in-year operating expense. This change became effective January
9 1, 2016. Decision No. 75357 also approved CenturyLink's request to reverse the accounting liability
10 consisting of the set-aside balance of unused TAP for the Medically Needy funds on the Company's
11 books. It also eliminated the \$2.0 million cap on future TAP for the Medically Needy funding
12 effective January 1, 2016; and required the Company to continue to provide TAP for the Medically
13 Needy credits to both new and existing customers who are determined by DES to be eligible.

14 7. CenturyLink has given advance notice of the proposed changes to its tariff to all
15 existing Medically Needy TAP customers, the Community Action Agencies throughout the state, DES
16 and all parties on the service list in Docket Nos. T-01051B-03-0454 et al. since the funding
17 requirement for TAP was part of a Settlement Agreement approved in Decision No. 68604 in that
18 Docket.

19 8. Two individuals filed Opinions with the Commission's Consumer Services Section
20 opposing CenturyLink's proposed phase-out of the TAP for the Medically Needy program.

21 C. Staff Analysis

22 9. The TAP for the Medically Needy program was instituted by the Commission in 1991
23 at a time when US West (a predecessor company of CenturyLink QC) was essentially a monopoly
24 provider of telephone service in its territory. The program is only available to CenturyLink customers
25 and is not offered by any other providers or in areas outside of CenturyLink's service territory.

26 10. At the peak of the program's popularity in 2002, there were over 10,000 customers
27 enrolled in the program. Since then, the number has declined. At the end of 2014, less than 3,000
28 customers participated in TAP for the Medically Needy. The most recent subscribership levels

1 obtained from the Company indicates that only 2,200 customers currently are enrolled. According to
2 the Company, this is a reflection in part of the changing telecommunications marketplace. The
3 telecommunications market is much more competitive with various forms of technology available to
4 residential and business customers. Various alternative means of communicating such as wireless,
5 cable telephony, internet and VoIP are now available to customers. According to CenturyLink,
6 approximately 71 percent of the voice connections in Arizona are served by wireless providers and
7 over 41 percent of Arizona individuals 18 and older lived in households that are wireless only.

8 11. CenturyLink states that the proposed tariff changes will have no impact on the
9 availability of funds for the program. The Company will continue to provide benefits to all current
10 customers, as well as any new customers who enroll in the program prior to April 1, 2017. After that
11 date, no new customers will be accepted and customers who leave the program for any reason, such as
12 failure to re-qualify, failure to recertify, or a lapse in service, will not be accepted back into the
13 program. After April 1, 2017, customers who formerly qualified for the program will still be eligible
14 for the Lifeline Program and if over the age of 65, for the Senior Telephone Discount Program, both
15 of which offer subsidies for basic local telephone service. Customers also have the option of obtaining
16 free or subsidized wireless service from numerous providers throughout the community based on
17 eligibility.

18 12. As discussed above CenturyLink has taken over administration of these programs with
19 the transition to CenturyLink starting in March of this year. After learning of this, on May 27, 2016,
20 Staff sent CenturyLink several data requests regarding the transition and how that would affect its
21 Application in this docket. Staff's data requests asked for information on DES' inability to administer
22 the program due to the change in IT platform; the training that will be provided to CenturyLink's in-
23 house staff who are charged with administering the program; information on the \$100,000
24 disbursement to the Community Action Agencies required by Decision No. 68604; a copy of the
25 transition plan with DES, and any planned outreach efforts prior to grandfathering of the program.
26 CenturyLink responded to Staff's data requests on June 1, 2016.

27 13. In brief, CenturyLink provided copies of its email exchanges with DES on the topic of
28 program administration in the future given IT constraints and the need to consider alternatives. With

1 DES' concerns regarding continued administration of the program due to its IT constraints, the
2 Company considered several other options including "off the shelf" or "turnkey" software programs
3 that could be used instead of the current IT solution being utilized by DES and third-party
4 administrators. Ultimately, it is Staff's understanding that the software didn't meet the necessary
5 specifications for use and that the Company concluded that third party administration would not be
6 cost effective.

7 14. CenturyLink administers the TAP programs in many of its states, and overall it was
8 determined that it would be less costly for CenturyLink to administer the programs itself rather than
9 go with a third party provider. The Company indicated that its Lifeline representatives are trained to
10 handle Lifeline/TAP programs for 32 other states in addition to Arizona. Although there may be
11 minor differences between states, the programs are all substantially similar, and follow comparable
12 processes according to CenturyLink. CenturyLink provided Staff with information on the employee
13 training programs it will use to familiarize employees with the various programs so they can respond
14 to customer inquiries. Staff was told by the Company that DES and the Community Action Agencies
15 have been instructed to refer eligible customers to CenturyLink for inclusion in the program up to
16 April 1, 2017, and have been provided with the necessary information to do so.

17 15. In response to Staff's questions on planned outreach efforts prior to April 1, 2017, the
18 Company states that it will utilize various methods to make customers aware of the program while it is
19 still enrolling new customers. First, information on TAP for the Medically Needy program is available
20 on the Company's website at www.centurylink.com/lifeline. Second, the Company states it has and
21 will continue to send out an annual bill notice with information about the TAP and has included
22 information in the Call Guide Pages of its Directory. The Company states that all of these outreach
23 efforts will continue for as long as the program is available to new customers. In addition to the
24 previous notice, CenturyLink states that upon approval of this filing, by the Commission the
25 Company will notify its entire residential customer base that the program is being discontinued on
26 April 1, 2017. Upon approval by the Commission, CenturyLink has agreed to notify all customers of
27 the changes to the program through a bill insert; and to send a notice of the changes in the
28 recertification letters which are sent annually to all existing TAP customers. Staff believes that the

1 planned outreach efforts by the Company are reasonable. However, Staff believes that the Company
2 should continue to do at least one outreach effort a year informing all residential customers of the
3 availability of the Lifeline and Senior Telephone Discount Programs.

4 16. In Decision No. 68604, \$100,000 was to be allocated to the Community Action
5 Agencies to defer their expenses associated with assisting DES in administering the TAP for the
6 Medically Needy program. According to CenturyLink, the \$100,000 disbursement to the Community
7 Action Agencies was to reimburse them for their costs to enroll qualified applicants based upon the
8 number of TAP applications each agency has processed in the quarter. Although as CenturyLink
9 points out, that disbursement methodology was revised in Decision No. 70489 to allow the use of the
10 existing DES funding formula that was not directly tied to the number of TAP applications processed
11 to simplify the methodology for DES. Nonetheless, according to CenturyLink it did not change the
12 intent behind the \$100,000 which was to provide an “offset” to the administrative costs for the
13 program.

14 17. CenturyLink points out that the disbursement is made on a state fiscal year basis – July
15 1st through June 30th of each year. Since CenturyLink has provided reimbursement through June
16 30th, the Company states that the most that could be argued is that CenturyLink would be responsible
17 for \$75,000 in further funding until the program is grandfathered. In the materials provided by
18 CenturyLink, at the request of Staff, the Company had reached out to DES and the Community
19 Action Agencies on this issue. Because the Company will continue to process new customers through
20 April 1, 2017, CenturyLink should work with DES and the Community Action Agencies to address
21 any further funding needs up to \$75,000 for the next state fiscal year until the program is
22 grandfathered.

23 18. Finally, when DES was the administrator of the program, it published quarterly reports
24 with information including subscribership levels. Since CenturyLink will now be administering the
25 program in lieu of DES, Staff believes that it would be useful for CenturyLink to file quarterly reports
26 with information on the various programs as discussed in Staff's recommendations below. Staff
27 believes that the reporting should be quarterly to begin with; and then can transition to annual filings.

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1 **D. Staff Recommendations**

2 19. Based on its analysis, Staff concludes that CenturyLink's requests, for approval to
3 grandfather the Medically Needy Telephone Assistance Program to existing customers as of April 1,
4 2017, is reasonable. In addition, CenturyLink's proposal to make the program available to new
5 applicants until April 1, 2017, is also reasonable. Therefore, Staff recommends that the Commission
6 issue an Order approving the proposed tariff revision. The Program will not be offered to new
7 customers after April 1, 2017.

8 20. Staff further recommends that the Company be required to perform outreach efforts
9 to customers meeting eligibility requirements, but who have not yet signed up for the TAP for the
10 Medically Needy program as of April 1, 2017, as described above in Finding of Fact 15. In addition,
11 the Company shall continue to do at least one outreach effort a year which informs all residential
12 customers of the availability of the Lifeline and Senior Telephone Discount Programs.

13 21. Staff recommends that CenturyLink confer with DES and the Community Action
14 Agencies and come to agreement on necessary funding up to a cap of \$75,000 to support the agencies'
15 work on these programs through April 1, 2017 of the next state fiscal year.

16 22. Finally, Staff further recommends that CenturyLink take over the quarterly reporting
17 done by DES, as program administrator. Staff recommends that CenturyLink file quarterly reports for
18 a period of two years from the date of the Commission's Order on this matter which includes any
19 problems encountered by CenturyLink since taking over administration of its TAP programs in
20 Arizona; any continued funding provided to DES and the Community Action Agencies; the level of
21 subscribership by program; quarterly and cumulative costs of administering the program, any outreach
22 efforts undertaken for the TAP for the Medically Needy and the other TAP programs, and any other
23 reporting requirements requested by Staff. After the two year period, Staff recommends that the
24 Company file reports on an annual basis with information on subscription levels. The Commission
25 concludes, however, that these reporting requirements are not necessary at this time, and we therefore
26 decline to adopt them.

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1 IT IS FURTHER ORDERED that Qwest Corporation dba CenturyLink QC confer with
2 DES and the Community Action Agencies and come to agreement on necessary funding up to a cap
3 of \$75,000 to support the agencies work on these programs through April 1, 2017.

4 IT IS FURTHER ORDERED that all other provisions relating to the TAP for the Medically
5 Needy contained in prior Commission Orders, unless modified herein or by prior Commission orders,
6 shall remain in effect.

7 IT IS FURTHER ORDERD that this Decision shall become effective immediately.

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BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

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CHAIRMAN LITTLE


COMMISSIONER STUMP

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COMMISSIONER FORESE


COMMISSIONER TOBIN


COMMISSIONER BURNS

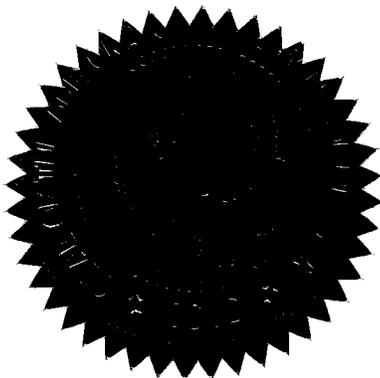
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IN WITNESS WHEREOF, I, Jodi Jerich, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 5th day of August, 2016.

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JODI JERICH
EXECUTIVE DIRECTOR

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DISSENT: _____

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DISSENT: _____

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TMB:BNC:red\MAS

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