INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE INDIANA UTILITY REGULATORY COMMISSION'S INVESTIGATION OF TERRACOM, INC. AND ITS COMPLIANCE WITH THE ORDERS OF THIS COMMISSION	))))	**CAUSE NO. 44332**

FINAL JOINT REPORT

TerraCom, Inc. ("TerraCom"), and the Staff of the Indiana Utility Regulatory Commission ("Staff"), by counsel, hereby submit their Final Joint Report ("Report") as required by the May 7, 2014 Order ("Order") of the Indiana Utility Regulatory Commission ("Commission"). Pursuant to the Order, this Report details: a) the actions taken by TerraCom as a result of its subscriber list analysis; b) the number of subscribers that were de-enrolled and the reasons for de-enrollment; c) the amount, if any, of USAC funds that will be reimbursed to the Universal Service Fund as a result of the de-enrollments; and d) recommended processes developed with the Commission's staff for preventing the provision of Lifeline service to vacant and abandoned homes.

Background

Since approximately May 21, 2014, TerraCom and Staff have been working collaboratively to exchange and analyze information to comply with the Order's directives to:

- Review TerraCom's Lifeline subscriber list for multiple households sharing an address; review all USAC Lifeline Household worksheets; and de-enroll subscribers ineligible for Lifeline support in accordance with FCC rules.
- Analyze TerraCom's Lifeline subscriber list and make necessary adjustments including purging truly vacant addresses and de-enrolling subscribers using those addresses in their applications.
- Develop a methodology to determine whether an address is truly vacant or abandoned including, but not limited to TerraCom representatives conducting physical on-site inspections of addresses indicated as vacant on the Melissa Data website during the 90 days immediately following this issuance of the Order. TerraCom was not obligated to continue conducting physical on-site inspections of addresses during the 90 days if at any

point TerraCom and the Commission's staff identified a mutually agreeable method for determining whether an address is truly vacant or abandoned.

- De-enroll any subscribers in accordance with FCC rules with addresses that are truly vacant or abandoned if the subscriber has failed to cure the address deficiency after a reasonable opportunity to do so.

The analysis and recommendations associated with the foregoing areas of inquiry are detailed in turn below.

I. *Review of Lifeline Household Worksheets for Multiple Households Sharing Address and Signature Anomalies*

In the time between the close of evidence in this proceeding (December 2013) and when TerraCom and Staff began collaborating in May 2014, two significant things occurred. The National Lifeline Accountability Database (NLAD)[1] launched nationally and TerraCom underwent its annual USAC recertification. In accordance with USAC instruction, TerraCom began populating Indiana subscriber data into NLAD on March 12, 2014, with uploads done in phases. By March 20, 2014 all Indiana subscriber data was in the database, at which point NLAD was required to be used to enroll, edit, transfer, and de-enroll any Lifeline subscribers in the state.

As a result of the annual recertification process and the launching of NLAD, TerraCom's May 2014 Indiana subscribership had decreased to approximately 8,000 subscribers, compared to approximately 25,000 in September 2013. This is fairly consistent with industry wide reductions[2]. In addition, TerraCom limited its outreach to new customers during this proceeding. Early in its collaboration with Staff, TerraCom produced a list comparing its September 2013

[1] The purpose of the NLAD is to detect and eliminate duplicative Lifeline support. The NLAD is a national database of Lifeline subscribers that can be used to identify subscribers that receive Lifeline from more than one carrier.

[2] Similarly situated carriers show reductions of over 30,000 subscribers. For example, the de-enrollment total for Indiana reported by Virgin Mobile from October 2013 to May 2014 is 37,202. See IURC Cause No. 41052-ETC-55; Quarterly Lifeline Reports filed 1/31/14; 4/29/14; and 7/31/14.

and May 2014 subscriber lists and supplied a reason for every de-enrollment. The reasons for de-enrollment included the following: a) customer failure to respond to recertification request (13,976); b) customer transferred to another carrier as identified by NLAD (216); c) customer de-enrolled for non-usage (2,597) d) customer requested account suspension (137); e) customer indicated no longer eligible (10); f) customer switched to another carrier before NLAD (4); g) other reasons (319). After this detail was reviewed, Staff and TerraCom focused their efforts on TerraCom's May 2014 subscriber list. The customer base decrease was consistent with statewide trends at the time.

In the 2012 Lifeline Reform Order the FCC defined Lifeline service as being limited to one per household, however it recognized that multiple households may share an address. This is clearly identifiable in some cases (such as a shelter) but less clear in others (roommates not sharing expenses). Where there are indicia of multiple Lifeline subscribers in the same address, the FCC's rules require the applicant to complete and submit to the carrier an Independent Economic Household (IEH) worksheet, commonly known as the Lifeline Household Worksheet ("LHW") that provides verification that there is only one Lifeline subscriber in the household.

A. Analysis Based on Duplicate Address. TerraCom and Staff analyzed the May 2014 subscriber list and identified 203 duplicate addresses. TerraCom demonstrated compliance with all of the subscribers based on the following reasons: a) subscriber has new address that is no longer a duplicate; b) subscriber's address is a shelter; c) the second subscriber at the address produced a LHW showing it is a separate household as defined by the FCC's rules; d) the subscriber is no longer enrolled with TerraCom; or e) the subscriber produced a LHW showing that there was no one else was living at the address.

In reference to (e) above, it raised the question of why two parties are using the same address but the second subscriber indicated on the LHW that no one else was living at the address. It is possible that the first subscriber had moved but did not update their address, however, additional information was needed to understand why the address showed as a duplicate when only one subscriber lived there. TerraCom called each of these 68 subscribers and followed a script that was shared in advance with Staff. Each call was recorded. The subscriber was informed that the reason for the call was that it appeared that there was more than one Lifeline subscriber at the address. TerraCom notified all 68 subscribers that they will be de-enrolled from the Lifeline program unless TerraCom is able to update the subscriber's address or the subscriber produces satisfactory proof that only one Lifeline phone is provided in the subscriber's household. Of the 68 subscribers in this category, TerraCom obtained information eliminating the duplication concern for 61 subscribers. Seven customers did not respond to TerraCom's call, text message, or letter requesting an updated LHW and confirmation of address.

As a part of the process of reviewing the LHWs, TerraCom explained to Staff different methods of collecting and retaining completed LHWs, including paper files or voice recording files. TerraCom explained that it began collecting LHWs for all of its subscriber base during the FCC mandated 2013 recertification process to go above and beyond the recertification requirements and prepare for the implementation of the NLAD which would be identifying inter-company duplicates for the first time. Staff and TerraCom explored ideas on how to make the paper form of the LHWs more user friendly; but declined to require any changes to the form disseminated by the FCC and USAC. Staff also observed that some of TerraCom's older voice recording files were difficult to understand due to the fact customers sometimes recited their names and addresses very quickly; or due to the fact the representative recited the worksheet script very quickly. Additionally, in several cases the customer identifying information was cut off from the beginning of the stored recording – making it difficult to tie a recording to the subscriber. TerraCom provided a sample of a new automated verification system (discussed in more detail below) it is implementing which addresses the difficulty in understanding the customers' names and addresses. Staff observed that, while the automated voice verification system is easier to understand, it did not provide the customer's recorded voice except for when the customers responded affirmatively to the required certifications. TerraCom was responsive to Staff's questions and comments regarding the process, and has committed to making improvement to assist in future audits.

B. <u>Recommendations on Eliminating Duplication</u>. The NLAD has and will continue to identify instances of inter-company subscriber and address duplication that were previously undetected. As part of its collaboration with Staff, TerraCom shared an updated version of the LHW that has been the subject of a national joint effort by Eligible Telecommunications Carriers ("ETCs") and the FCC staff. While the updated version of the LHW is easier to read and understand than the original version, there may be room for improvement in the overall process. Staff supports further collaborative work on the LHW and proposes that the same form and process be used by all Indiana Lifeline-only ETCs. (See staff recommendations on page 14). Finally, TerraCom should only require a LHW when a Lifeline subscriber's address appears to belong to another subscriber based upon a screening database such as MelissaData or NLAD or when otherwise required by federal rules as it has done since the NLAD process described above.

C. Analysis Based on Signature Anomalies.

1. At page 9 of the Commission's May 7, 2014 Order in this proceeding, "Signature Anomalies" are defined as USAC LHWs having signatures that do not match the name written at the top of the page, or signatures that are merely straight lines. In accordance with the Order, all LHWs with Signature Anomalies were identified as described below and cured. Staff notes that after the Order was issued, it completed the review it commenced during the investigation of approximately 614 LHWs available for the Indianapolis area for September 2013 subscribers. Staff noted additional signature concerns that did not meet the Order's definition of a "Signature Anomaly" such as signatures with questionable legibility; signatures with only an initial for the first name; or a group of LHWs with handwriting that appeared similar. These types of signatures raised concerns that sales representatives in the area reviewed may not have properly assisted customers with the completion of LHWs during the September 2013 timeframe and that additional training and procedural improvements would be necessary going forward. Further analysis revealed that TerraCom de-enrolled a substantial portion of those September 2013 subscribers before or effective in May 2014. TerraCom also analyzed and cured the remaining signatures flagged by Staff.

2. TerraCom responded to Staff's concerns about signature anomalies on LHWs from the September 2013 subscriber list first by emphasizing that its process is consistent with the E-sign Act ("the Act") and pointing out that it collects information to establish intent beyond what is required in the Act. In addition, TerraCom provided revised claims to USAC dating back to September 2012, which compensated the Lifeline fund for the LHWs which contained signature anomalies as described in the May 7, 2014 Order as well as some others about which

Staff had concerns. The revised claim was submitted May 27, 2014 and resulted in a refund to the federal Lifeline fund of $59,746 in the form of reduced future distributions by USAC.

3. For the May 2014 subscriber list, Staff and TerraCom analyzed 72 LHWs that appeared to have Signature Anomalies as defined by the Commission's Order.[3] Of those, 54 subscribers were no longer active; 13 provided updated new information despite no longer being duplicates; 2 provided new worksheets; and 3 provided new verification via voice file. Accordingly, no customers in the May 2014 subscriber list needed to be de-enrolled based on Signature Anomalies.

D. Recommendations Based on Signature Anomalies. TerraCom began rejecting any LHW that has a Signature Anomaly in November 2013, although TerraCom believes it is inconsistent with the E-Sign Act. Staff and TerraCom agree that TerraCom's training and policies will continue to emphasize to all TerraCom representatives that interact with customers to verify eligibility via household worksheets or Lifeline applications, that any document, which requires a signature and/or initials to verify the customer's understanding of the process or verification, must be completed by the customer. In addition, Interactive Voice Recording sessions with customers will continue to be configured to confirm that a customer responded affirmatively to verify the customer's name, address, and affirmation of the customer's understanding of the process and verification.

II. *Review of Subscriber List for Vacant Addresses*

TerraCom uses the MelissaData database to screen out ineligible Lifeline applicants. During the Commission's investigation, TerraCom researched available MelissaData information

[3] Page 9 of the Order defines Signature Anomalies as "All USAC Lifeline household worksheets having signatures that do not match the name written at the top of the page, or signatures that are merely straight lines." Staff expressed a preference to analyze signatures that it believed were illegible, but TerraCom requested that the analysis be consistent with the Order's definition of Signature Anomalies.

and identified the "AS16" indicator for vacancy which TerraCom has attested is not used by USAC, NLAD or anyone else due to its high rate of inaccuracy. However, after discussion with Staff in approximately December 2013 regarding service associated with vacant addresses, TerraCom modified its screening process. TerraCom's system now flags any application with an AS16 indicator and the customer is required to produce proof of his or her occupancy at the address by providing a copy of a utility bill or a letter from a government agency associated with the address, as suggested at the hearing by counsel for the Office of Utility Consumer Counselor. If the customer is unable to produce such proof, the application is rejected.

A. Analysis of AS16 Addresses. On approximately June 10, 2014, TerraCom queried the MelissaData AS16 indicator for its May 2014 subscriber list. TerraCom identified 116 subscribers and later on July 11, 2014 Staff identified an additional 87 subscribers from the May 2014 subscriber list with an AS16 indicator, these being addresses that became vacant between June 10, 2014 and July 11, 2014. These customers likely subscribed to Lifeline before TerraCom changed its AS16 process on January 8, 2014 or moved from the address or ceased accepting mail at the address rendering it vacant. TerraCom and Staff looked at pictures of each address accessible through MelissaData and GoogleMaps. Sixty of the customers associated with AS16 addresses provided TerraCom with an updated new address when contacted. With the exception of 3 addresses, all of the AS16 addresses were deemed by TerraCom and Staff to be occupied based on: a) a new address provided by the customer; b) pictures showing evidence of occupancy (such as vehicles, garbage cans, or people in the driveways); or c) by obtaining a utility bill or letter from a government agency associated with the address from the customer. On or about August 18, 2014, TerraCom notified 3 subscribers associated with uncured addresses that they will be de-enrolled from Lifeline if the vacancy concern is not cured within

30 days. Based on the small number of uncured vacancy concerns and TerraCom's intent to de-enroll them, TerraCom and Staff agreed that it was not necessary to visually inspect the three uncured addresses.

B. Recommended Process to Detect Vacant Addresses. When the Staff and TerraCom ran AS16 queries of the subscriber list on different days, they discovered the results were different. This confirms that Lifeline subscribers are a transient population that moves often, making it difficult to determine at a single point in time whether an address is truly vacant. Staff and TerraCom agree that while not ironclad, the overall best approach is TerraCom's process that requires a customer associated with an AS16 address to produce a utility bill dated within 90 days of the date of inquiry or letter from a government agency dated within one year of the date of inquiry associated with the address. The type of proof provided (utility bill or government agency correspondence) should be noted on the customer's enrollment data to document that the additional safeguard was implemented.

III. *Results of Staff and TerraCom Collaboration*

As a result of the subscriber list analysis, the only change to TerraCom's processes was the rejection of LHWs with Signature Anomalies. As stated above, TerraCom has already refunded $57,746 to USAC on May 27, 2014. As a result of the subscriber list analysis, TerraCom has de-enrolled 2 customers due to uncured AS16 addresses and 7 customers due to unresolved LHWs. Because there was no proof that the de-enrolled subscribers violated the "one per household" rule, there is no reason to reimburse the Universal Service Fund as a result of these de-enrollments.

In summary, Staff and TerraCom recommend the Commission consider the following in an effort to further guard against waste, fraud, and abuse of the Lifeline program:

- A continued process to reject LHWs where the signature is a straight line and to reject LHWs where the printed name does not match the signature unless the customer provides an explanation (such as power of attorney for the subscriber). The Commission should also consider an industry wide rule to this effect.
- TerraCom should only require a LHW when a Lifeline subscriber's address appears to belong to another subscriber based upon statements made by the customer, or a screening database such as MelissaData or NLAD or when otherwise required by federal rules.
- TerraCom's training and policies will continue to emphasize to all TerraCom representatives that interact with customers to verify eligibility via household worksheets or Lifeline applications, that any document which requires a signature and/or initials to verify the customer's understanding of the process or verification must be completed by the customer. In addition, Interactive Voice Recording sessions with customers will continue to be configured to confirm that a customer responded affirmatively to verify the customer's name, address, and affirmation of the customer's understanding of the process and verification.
- TerraCom will continue to use the MelissaData AS16 vacancy indicator and obtain a recent utility bill or recent government issued program benefits document associated with an AS16 address. (TerraCom implemented this requirement consistent with II(B) above on January 8, 2014).

These recommendations should be incorporated into an updated Compliance Plan along with TerraCom's changes in business practices noted in the Commission's May 7, 2014 Order, Section 5.

IV. Staff's Additional Recommendation that the Commission Explore Implementing Consistent Industry-wide Policies Regarding Lifeline-Only ETCs

The IURC relies primarily upon four documents in the regulation of ETCs' practices relating to the Lifeline program: 1) requirements for ETC Petitions in Cause No. 41052 issued Nov. 6 1997; 2) General Administrative Order 2013-2 which clarifies Commission requirements for ETC petitions; 3) conditions enumerated in each ETC's designation order; and 4) Federal rules and policies, including the Lifeline Reform and Modernization Order and rules codified in the Federal Code of Regulations 47 CFR 54.400 - 54.422. Since the passage of the FCC's Lifeline Reform and Modernization Order on February 6, 2012, the Commission has processed 18 ETC Petitions and investigated the Lifeline customer enrollment and reimbursement processes of TerraCom. (Cause No. 44332). Through experience gained in these proceedings, Commission Staff has observed that the current regulatory framework may not be keeping pace with the common industry practices in today's Lifeline marketplace. Current policies and rules did not seem to anticipate:

- the widespread use of agents and contractors as opposed to employees of the company to interact with the subscriber;
- the widespread use of temporary structures at temporary locations as opposed to fixed retail establishments;
- the challenges in auditing large volumes of subscriber data in various formats (i.e. audio files, electronic signatures) to verify the subscriber's authenticity and eligibility; and
- the challenges to verifying that subscriber addresses are valid addresses associated with the subscriber, rather than abandoned; vacant; or non-residential properties.

Staff recommends that the Commission explore instituting consistent industry-wide requirements for Lifeline-only ETCs in the following areas:

1. Use of agents rather than employees – Staff recommends that the Commission explore whether to implement rules or policies that promote stricter oversight of agents. There have been

media reports and testimony by Lifeline providers indicating that contracting and subcontracting of Lifeline representatives and sales agents is common practice. Lifeline representatives are entrusted with sensitive personal information and the integrity of the Lifeline program. It may be necessary for the Commission to set minimum requirements for the vetting and screening of agents or even to prohibit the use of agents. The Public Utility Commission of Oregon is investigating the use of agents in marketing Lifeline services. (Public Utility Commission of Oregon, Docket No. UM 1684).

2. Temporary structures/Marketing Events- Staff recommends that the Commission explore limiting or prohibiting the use of temporary or mobile structures at temporary locations (such as tents, booths, buses) to market Lifeline service or possibly prohibit the distribution of phones at those locations. As an example, the Oklahoma Public Service Commission codified rules governing the use of temporary structures used to market Lifeline service which has minimum requirements for signage, identification of sales representatives, and requires proper permission from the property owner and the local government authority.

3. Process for checking accurate subscriber addresses – Many Lifeline-only ETCs tout that they use MelissaData to verify that addresses submitted by Lifeline subscribers are valid addresses rather than nonresidential properties, or undeveloped or vacant lots. However, MelissaData also has coding for vacant addresses (AS16) which is not used. Vacant addresses can be an indicator of an inaccurate address. TerraCom stated in its evidentiary hearing that the input to the AS16 indicator is whether the local mailman has noticed something indicating vacancy with the address or has determined that no one is picking up the mail. However, it is unclear how the process works to remove the AS16 indicator once an address becomes occupied again. (Cause No. 44233 Evidentiary Hearing, Tr. A16-17). TerraCom changed its process on

January 8, 2014 and does not enroll a Lifeline subscriber whose address is indicated as vacant (AS16) by MelissaData unless that subscriber provides a recent copy of a utility bill or recent letter from a government agency with a current address matching the address of the subscriber's name. While it is clear that the AS16 indicator is imperfect, the process adopted by TerraCom is an extra layer to root out waste, fraud, and abuse. Staff recommends that the Commission explore whether this process should be implemented by all ETCs. The name of the utility or government agency and the date of the bill or letter should be noted on the customer's enrollment data to document that the additional safeguard was implemented.

4. Form of Household Worksheet and Other Certification Documents – In the TerraCom investigation, Staff audited many LHWs. Some were print out versions of the worksheet which was completed and signed via electronic signature. Some were scripts recited by Lifeline representatives and affirmed by the Lifeline subscribers by voice. TerraCom also shared a new automated verification system which uses an automated voice to recite the LHW script and allows the customer to push numbers on the telephone keypad to indicate "yes" or "no". Each form of LHW posed challenges in the auditing process. For example, when representatives use a script, the customer identifying information such as name and address were often difficult to understand or the representative spoke rapidly and was difficult to understand. The automated system was much easier to understand, but it was difficult for the outside observer to tell if the customer was indicating yes or no and Staff heard very little of the customer's voice. The easiest form of LHW to audit was an actual printout of the form with signatures. Staff recommends that the Commission investigate further and explore formulating clear procedures and requirements for LHWs and Lifeline certifications forms and whether all Indiana Lifeline-only ETCs should be required to use the same procedures and forms.

TerraCom also shared that it is becoming common practice in the industry to obtain LHWs during the Lifeline certification process as an extra precaution. It is Staff's opinion that this makes the LHW worksheet less meaningful. Staff recommends that the Commission investigate whether, on an industry-wide basis, the LHW should only be used when screening information or the customer indicates that the subscriber shares an address with another Lifeline subscriber.

Though this report was required by a Commission order dealing only with TerraCom, Commission Staff has observed that at least in the areas mentioned above, similarly situated providers authorized in Indiana do not follow the same procedures. Staff recommends that the Commission consider initiating a process to develop consistent industry-wide requirements for Lifeline-only ETCs in these areas.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing Final Joint Status Report has been served electronically upon the following counsel of record this 7th day of October 2014:

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