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STATE OF INDIANA

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 THE COMMISSION	)))))	**CAUSE NO. 44332** **APPROVED:** MAY 07 2014

ORDER OF THE COMMISSION

Presiding Officers:
James D. Atterholt, Commissioner
David E. Veleta, Administrative Law Judge

On April 17, 2013, the Indiana Utility Regulatory Commission ("Commission") initiated an investigation of TerraCom, Inc. ("TerraCom" or "Company") with the purpose of determining how TerraCom had been able to accomplish its rapid growth in its Indiana Lifeline subscribership, and whether the practices involved were compliant with this Commission's Order dated January 25, 2012 (the "ETC Order") granting TerraCom designation as an Eligible Telecommunications Carrier ("ETC") for the limited purpose of participation in the Universal Service Fund's Lifeline program ("Lifeline"), and the Commission's goal of minimizing waste, fraud and abuse.

Pursuant to notice given and published as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Commission, a prehearing conference was held on May 30, 2013 at 1:30 p.m., in Room 222, PNC Center, 101 West Washington Street, Indianapolis, Indiana. TerraCom and the Indiana Office of Utility Consumer Counselor ("OUCC") appeared and participated in the hearing. At the prehearing conference, the parties agreed upon a date for a technical conference where TerraCom would respond to questions to be posed by the Presiding Officers via docket entry.

On June 7, 2013, the Presiding Officers issued a docket entry instructing TerraCom to be prepared to respond to twenty-nine questions at the July 3, 2013 technical conference.

On July 3, 2013, the Commission conducted a technical conference in this Cause. TerraCom and the OUCC attended the technical conference. At the technical conference, TerraCom responded to the twenty-nine docket entry questions and provided additional information regarding TerraCom's compliance with the ETC Order.

On July 12, 2013, the Presiding Officers became aware of media reports that TerraCom had recently fired all of its sales agents nationwide. On July 18, 2013, the Presiding Officers issued a docket entry requesting TerraCom to provide information explaining TerraCom's decision to eliminate its sales agents. TerraCom filed its response to the docket entry on August 1, 2013.

On October 23, 2013, the Presiding Officers issued a docket entry designating Robert Veneck, Executive Director and Pamela Taber, Director of Communications, as testimonial staff in this proceeding ("Testimonial Staff").

Pursuant to notice published as required by law, the evidentiary hearing was held on December 16, 2013 at 10:00 a.m. at the PNC Center, 101 West Washington Street, Indianapolis, Indiana in Room 222. TerraCom, the Testimonial Staff, and the OUCC appeared by counsel and participated in the hearing. The testimony and exhibits of TerraCom and the Testimonial Staff were admitted into the record without objection.

Having considered the evidence and being duly advised, the Commission now finds:

1. Notice and Jurisdiction. Notice of the hearing in this Cause was given and published by the Commission as required by law. Pursuant to 47 U.S.C. § 151 *et seq.* (the "Act") and applicable Federal Communications Commission ("FCC") rules, 47 C.F.R. §§ 54.201 and 54.203, the Commission is authorized to designate ETCs, thereby enabling those so designated to apply for federal universal service support under Section 254 of the Act and in accordance with the Commission's orders of generic application in Cause Nos. 40785, 41052 and 42067. Pursuant to Indiana Code §§ 8-1-2-58 and 8-1-2-59, this Commission is authorized to commence an investigation upon notifying the public utility of the matters under investigation. In accordance with those provisions, the Commission's April 17, 2013 Order opening this investigation (the "Investigation Order") identified the scope of this investigation. Accordingly, the Commission has jurisdiction over TerraCom and the subject matter of this proceeding.

2. TerraCom's Characteristics. TerraCom is a communications service provider which offers commercial mobile radio service as acknowledged by the Commission in its March 30, 2011 CTA issued in Cause No. 43977. TerraCom is also a telecommunications carrier as defined by 47 U.S.C. § 153(44). TerraCom is an Oklahoma corporation with principal offices in Oklahoma City, Oklahoma. The Commission issued an Order in Cause No. 41052 ETC 60 on January 25, 2012 designating TerraCom as an ETC.

3. Background. In the Investigation Order, we noted that the scope and purpose of the investigation was to determine whether TerraCom's practices in growing its Indiana subscribership were compliant with the ETC Order. Further, we noted that the ETC Order required TerraCom to report quarterly on enrollment and deactivation activities and observed that the information did not explain how TerraCom was able to accomplish rapid growth given the limited number of sales representatives in TerraCom's business model presented in Cause No. 41052 ETC 60 and whether TerraCom's practices were compliant with the ETC Order and the goal of minimizing waste, fraud, and abuse.

4. Evidence.

A. TerraCom's Direct Testimony. TerraCom offered the direct testimony of Dale Schmick, its Chief Operating Officer. Included with Mr. Schmick's prefiled direct testimony were exhibits that included: a) the transcript from the July 3, 2013 technical conference; b) the two PowerPoint presentations offered by Mr. Schmick during the technical conference; and c) a matrix reflecting updated TerraCom responses to the Presiding Officers' June 7, 2013 docket entry questions.

Mr. Schmick testified that the growth of TerraCom's Indiana Lifeline subscribership was not unusually rapid. He stated that TerraCom's Indiana Lifeline subscribership levels are consistent with the growth in subscribership levels of other ETCs entering the Indiana Lifeline market. Mr. Schmick provided data offered during the July 3, 2013 technical conference showing a comparison of the Lifeline subscribership levels of several carriers in Indiana. Mr. Schmick testified that the comparison shows that TerraCom's subscribership did not grow at an unusually rapid rate in comparison to other entrants or its growth in other states. He also explained that TerraCom had been operating as a Lifeline carrier in several other states before its entry into Indiana and by virtue of its established operations in other states, TerraCom had processes in place to ramp up its marketing and service in Indiana more quickly than a new entrant without operations elsewhere.

Mr. Schmick testified that as part of its ETC designation application, TerraCom advised the Commission and received Commission approval of its business model for Lifeline sales in Indiana. He stated that in his prefiled testimony in the ETC proceeding dated May 2011, he explained TerraCom's sales and marketing model at that time used direct contact with consumers including outreach events, direct sales, neighborhood agents, and TerraCom branded or authorized retail outlets. Mr. Schmick indicated that when TerraCom began offering Indiana Lifeline services fifteen months later, its strategy was consistent with his prior testimony in that the Company's initial approach was focused on direct contact with consumers through direct sales, agents working in specific neighborhoods, and outreach events. According to Mr. Schmick, TerraCom did not develop many branded or authorized retail outlets because the Company was unable to justify the capital costs given the remaining uncertainty about the Lifeline program at the federal level. Mr. Schmick explained that TerraCom still has the long term view described in his prior testimony for investment in distribution facilities and Company owned retail stores. However, he noted that TerraCom has since discovered that in order to make a sound business case for opening retail locations, there needs to be more certainty about the continuation and regulation of the Lifeline program from a federal regulatory perspective. He stated that, like most companies, TerraCom's sales and marketing model has evolved as the Lifeline market and the dynamic regulatory landscape have changed.

Mr. Schmick testified that approximately one year after filing his testimony in Cause No. 41052 ETC 60, TerraCom filed its compliance plan with the Commission on June 13, 2012 outlining various TerraCom processes to be used in the deployment of Indiana Lifeline service. The compliance plan was deemed approved by the Presiding Administrative Law Judge on July 23, 2012.

Mr. Schmick testified that TerraCom's Indiana operations were consistent with its filed compliance plan. During the July 3, 2013 technical conference, he explained how TerraCom implemented the compliance plan and how it deployed its sales and marketing efforts in order to grow its subscribership to the levels noted in the order opening this investigation. Mr. Schmick testified that the information provided to the Commission at the July 3, 2013 technical conference was designed to: a) demonstrate that the growth of TerraCom's Indiana Lifeline subscribership was not unusual compared to other ETCs or TerraCom's growth in other states; b) explain how TerraCom grew its Indiana subscribership in compliance with the ETC Order; c) share the results of an independent audit that analyzed whether and to what extent TerraCom experienced Lifeline service duplications in Indiana and the validity of its Indiana subscriber base; and d) to provide information responsive to twenty-nine questions issued by the Presiding Officers in the docket entry dated June 7, 2013. Because there had been developments in the four months since the July 3, 2013 technical conference, Mr. Schmick included with his direct prefiled testimony a matrix showing each of the twenty-nine questions with updated information, where applicable.

The technical conference transcript includes Mr. Schmick's explanation of the processes TerraCom used to determining a customer's initial and ongoing eligibility for Lifeline service. Mr. Schmick described each step in TerraCom's eight layer protection process designed to eliminate waste, fraud and abuse of the Lifeline program. The eight protection layers include the following: 1) address verification using Melissa Data (a multi-industry standard address validation database and that allows only verified applicants to proceed); 2) identity verification using Lexis Nexis that is not required by law but used by TerraCom to provide superior compliance protection over state issued identifications; 3) applicant selection of which low-income program he/she participates in and qualifies under, and agreement to comply with the FCC's Lifeline rules; 4) independent third-party verification by a non-TerraCom employee using an eligibility database that compares the applicant's information against the Lifeline eligibility criteria; 5) audit by a separate activations audit department; 6) review and algorithm analysis of all customer records (i.e., a duplicate check) during application and again before pre-submission of data to the audit manager; 7) additional review and algorithm analysis by audit manager prior to the submission of a Form 497 to the FCC (the form by which an ETC requests reimbursement from the Lifeline fund), of all customer records, where any questionable applications are researched and resolved by the audit manager; and 8) company officer review of every reimbursement request and comparison to other metrics (sales, de-enrollments, carrier reports) prior to signing and submitting the Form 497.

Mr. Schmick also presented an audit report prepared by Smart Telecom Concepts, the independent third party auditor hired by TerraCom immediately after the Commission commenced this investigation. Mr. Schmick testified that the auditor was engaged by TerraCom to ensure validity for every customer included on TerraCom's Form 497 in April 2013, which was the month with the highest Indiana subscribership at the time. Mr. Schmick testified that the audit report concluded there were no duplicate customers on TerraCom's Form 497 detail for the audited period. Further, Mr. Schmick noted that the audit confirmed that the instances of duplicate service that occurred in Oklahoma did not occur in Indiana.

In response to the Presiding Officers' July 18, 2013 docket entry, Mr. Schmick addressed TerraCom's decision to eliminate its sales agent distribution channel. He noted that the Lifeline market and regulatory landscape have evolved in several ways that recently suggested that TerraCom needed to modernize and improve its distribution model. He explained that TerraCom began seeing a growing demand for more costly advanced data-capable handsets that provide functionality beyond first-generation wireless Lifeline handsets. Additionally, he stated that there have been unanticipated actions by the FCC in its oversight of the Lifeline program. Mr. Schmick testified that one of the unanticipated FCC actions that led to the decision to eliminate the sales agent channel was an FCC Enforcement Advisory on June 25, 2013.[1] He noted that while TerraCom was and continues to be in full compliance with FCC requirements, TerraCom has had the unfortunate experience of suffering regulatory consequences as a result of false statements made by its sales representatives in spite of TerraCom's firm belief that TerraCom had processes in place to protect consumers and the Lifeline Fund from the actions of any irresponsible or unethical sales agents. Mr. Schmick stated that unanticipated regulatory inquiries and action resulted in

[1] In DA 13-1435 the FCC states, "The FCC's Enforcement Bureau reminds [ETCs] receiving federal universal service support from the Lifeline program that they are liable for any conduct by their agents, contractors, or representatives...that violates the FCC's Lifeline rules. ETCs, therefore, should take all necessary steps to ensure that they or their agents, contractors, and representatives scrupulously adhere to the Lifeline rules. ETCs could face significant monetary penalties of up to $1.5 million for each failure to comply."

unanticipated and uncontrollable costs for TerraCom. He stated that TerraCom decided that eliminating commissioned sales agents would substantially reduce extraneous costs related to regulatory compliance and the vulnerabilities created by sales agents who potentially may not follow TerraCom's policies and procedures for the applicant enrollment process.

While TerraCom began notifying sales agents of their elimination in the days before the July 3, 2013 technical conference, Mr. Schmick testified that the evening before the technical conference, TerraCom was still receiving inquiries from the contracted sales agents which indicated that the message to eliminate sales agents had not been disseminated to all levels of the sales channel. He indicated that TerraCom believed that its sales agents deserved to hear the decision from TerraCom and not from the media. Additionally, he noted that TerraCom had a duty to certain third party companies to allow them to secure inventory that could have been in the possession of their salespersons during the notification process for which the third party companies were financially responsible. He testified that the purpose of the technical conference was for TerraCom to provide information responsive to the twenty-nine questions issued in the June 7, 2013 docket entry, which were designed to probe in large part whether TerraCom growth in Indiana Lifeline subscribership was attributable to any noncompliance.

Mr. Schmick testified that the fact that TerraCom eliminated the use of sales agents does not indicate that its processes were noncompliant with Lifeline rules or the Commission's ETC order. He noted that TerraCom employed an eight-layer protection model designed to ensure that no Lifeline funding was improperly received. These protection layers involved a triple audit process to screen applications for proof of identity; confirm legitimacy of address; eliminate duplication; confirm eligibility under qualifying low-income programs; search for anomalies in agent activity that could be indicative of agent misconduct; and confirm that applicants received required program and restriction information.

B. Testimonial Staff's Case-In-Chief. Ms. Taber offered a brief history of the Lifeline program, including a discussion of the state Commission's responsibility with regard to the Universal Service Fund. She outlined the eligibility requirements for Lifeline customers as well as the responsibilities of an ETC under the Federal Lifeline program. Ms. Taber discussed the ETC Order and the conditions placed on the designation. She testified that the Commission commenced this investigation because it was concerned with the significant amounts of waste, fraud and abuse in the Lifeline program generally, and had concerns regarding TerraCom's rapid growth given the period of time it had been doing business in Indiana, especially in light of the limited number of sales representatives that were part of the business model presented at the ETC hearing. Ms. Taber summarized the technical conference process and the information that TerraCom provided at the technical conference to explain its processes designed to ensure compliance with the Lifeline rules and ETC Order. Ms. Taber explained the timing and content of TerraCom's communication to the Commission regarding its decision to eliminate its sales agents, and she attached to her testimony emails provided by TerraCom showing that as late as July 2, 2013, TerraCom was receiving emails regarding the notification of sales agents.

Ms. Taber explained that in order to investigate TerraCom's compliance with the FCC's order requiring ETCs to ensure that there are not multiple subscribers at the same household, Testimonial Staff reviewed Indiana subscriber lists for TerraCom received from the Universal Service Administrative Company ("USAC") and from TerraCom. She stated that Testimonial Staff reviewed and sorted the lists to search for duplicate names and addresses, and found several instances where there were multiple subscribers at the same address. She noted, however, that the FCC rules allow Lifeline service to the same address so long as the residents at the address reside in separate economic households as that term is defined by the FCC's rules. Ms. Taber testified that Testimonial Staff focused its review on Indianapolis and used the September and June 2013 subscriber lists. She stated that for each month's sample, the search resulted in over 800 subscribers with addresses that matched other subscribers' addresses. Ms. Taber testified that TerraCom requested to meet with Testimonial Staff and discuss its findings. She stated that TerraCom agreed to provide Lifeline household worksheets for each of the subscribers identified. She stated that Testimonial Staff had insufficient time to adequately review all of the records, but was encouraged by the fact that TerraCom appeared to have the documentation required under the FCC rules.

Ms. Taber noted that TerraCom and Testimonial Staff agreed that it would be appropriate to work together to develop a more accurate methodology to determine whether any of the addresses in TerraCom's subscriber list are truly vacant or abandoned. She noted that, TerraCom has agreed to work with Testimonial Staff to identify and implement measures that will result in a process unique to Indiana that goes beyond the federal rules.

Ms. Taber described her review of the separate household worksheets, stating that she had looked at a very small percentage but found quite a few that had signatures that were either illegible or did not match the name at the top of the form. She asserted that it was premature to say whether there was compliance or non-compliance, or whether there were duplicate subscribers.

Ms. Taber testified that Testimonial Staff is concerned with the lack of strict program guidelines for verification of customer eligibility. She noted that incentives for abuse can exist with companies, their employees, and subscribers. Therefore, she testified that there must be stronger protection for the Lifeline program that is similar to the protections in place for most other government assistance programs.

Ms. Taber concluded by recommending that the Commission should issue an Order closing its investigation with several requirements. First, TerraCom should be ordered to refrain from accepting new applications for Indiana Lifeline customers for 90 days while TerraCom works with Commission Staff to analyze Lifeline data and make any necessary adjustments, including purging vacant addresses and de-enrolling subscribers who are not eligible for Lifeline support in accordance with FCC rules. During that time, Testimonial Staff recommends that the Commission require TerraCom to review its subscriber list for multiple households sharing an address, review all USAC Lifeline household worksheets, and obtain new worksheets for each subscriber whose worksheet is not authenticated. Second, Ms. Taber stated that TerraCom agreed to re-verify every Indiana address through the Melissa Data website, and to work with Commission Staff to develop a methodology to verify the Melissa Data results in order to determine whether an address is truly vacant or abandoned. She stated that addresses determined to be truly vacant should be purged from the subscriber list and ineligible customers should be de-enrolled in accordance with FCC rules. Third, Ms. Taber recommended that 90 days after the issuance of the Commission Order, TerraCom should be required to file a final report detailing the actions taken, the subscribers that were de-enrolled, and the reason for de-enrollment.

C. <u>TerraCom's Rebuttal Testimony</u>. On rebuttal, Mr. Schmick reported that on November 12, 2013, the Oklahoma Corporation Commission issued an order closing its investigation of TerraCom finding, among other things, that TerraCom's internal controls are adequate and help ensure compliance with state and federal regulations, and especially to guard against duplications.

Mr. Schmick testified that in an effort to identify and work collaboratively toward resolving any of Testimonial Staff's concerns, TerraCom met with Testimonial Staff in the Commission's offices on November 18, 2013 and subsequently provided requested follow-up information regarding TerraCom's Indiana subscribers. He testified that upon request, TerraCom provided Testimonial Staff with electronic versions of fourteen months' worth of its subscriber lists. For every address where Testimonial Staff believed there appeared to be more than one subscriber, TerraCom provided Testimonial Staff with an associated Lifeline household worksheet or a version of the Lifeline household worksheet in an audio file to prove that Lifeline service is not being provided to more than one household at a single address.

Mr. Schmick noted that the FCC recognizes that Lifeline service may be provided to more than one person at a single address, but the rules disallow multiple Lifeline subscribers in a single household. For this reason, he testified that a Lifeline ETC should not automatically be presumed to be providing duplicate service when a subscriber list merely shows more than one customer at a single address. Mr. Schmick stated that the FCC's rules require the Lifeline ETC to obtain from the customer a Lifeline household worksheet that provides the customer the opportunity to verify there is only one Lifeline subscriber in the household.

With regard to Ms. Taber's concerns regarding illegible signatures and discrepancies between printed and signed applicant names, Mr. Schmick testified that the FCC's rule at 47 C.F.R. §54.419(a) references the Electronic Signatures in Global and National Commerce Act and states that an electronic signature that is attached to or logically associated with a contract or record and that is executed or adopted by a person with an intent to sign the record, has the same legal effect as a written signature. He noted that most people who have used an electronic signature device at a grocery or big box store have experienced first-hand the inability of many devices to capture the nuances of a signature made on paper. In TerraCom's case, signatures were often obtained on electronic devices such as tablets. Mr. Schmick stated that often, the Lifeline applicants signed an application using these devices and it may appear that the signature does not match the applicant's printed name on the application when, in fact, there is no mismatch. Mr. Schmick indicated that while Testimonial Staff has not yet provided TerraCom with specific examples of situations where an applicant's printed name did not match the signed name, there is a likelihood that the wrong form was submitted or there are circumstances such as a name change that are easily explained. Subject to the Commission's approval, Mr. Schmick stated that TerraCom will work with the Commission's staff to identify and correct any signature anomalies, and will de-enroll any subscriber where such an anomaly cannot be cured or found to be compliant.

With regard to the existing requirements related to verifying whether an address given by a Lifeline applicant is vacant or abandoned, Mr. Schmick stated that the existing federal Lifeline rules require an ETC to verify only that an address is valid. He asserted that the rules do not require a determination whether or not an address is vacant or abandoned and no single, reliable database exists to determine if an address is truly abandoned or vacant to my knowledge. He stated that Testimonial Staff has uncovered some possible methods to exceed the federal rules regarding this topic. Mr. Schmick testified that Testimonial Staff has a pragmatic and enlightened view of the issue, and TerraCom agrees that the integrity of the Lifeline program will be better preserved if regulators develop more specific protocols to detect vacant and abandoned addresses. He stated that while TerraCom believes that its process roots out the most prevalent type of duplication – an individual receiving duplicate service – he believes Testimonial Staff has uncovered an opportunity for some applicants to get around the one per household rule by using a vacant address. If approved by the Commission, he stated that TerraCom will work with the Commission to determine whether there are any addresses associated with a TerraCom subscriber that are vacant or abandoned. In any such cases, if efforts to cure an insufficient address with the customer are unsuccessful, TerraCom will de-enroll a subscriber.

5. **Commission Discussion and Findings.** Testimonial Staff recommended and TerraCom agreed that the Commission should issue an Order closing this investigation with a requirement for TerraCom to refrain from accepting new applications for Indiana Lifeline customers for 90 days while TerraCom works with Commission's staff to analyze Lifeline data and make any necessary adjustments, including purging truly vacant addresses and de-enrolling subscribers who are not eligible for Lifeline support in accordance with FCC rules. During that time, Testimonial Staff recommended that the Commission require TerraCom to review its subscriber list for multiple households sharing an address, review all USAC Lifeline household worksheets, and obtain new worksheets for each subscriber whose worksheet is not authenticated. Ms. Taber testified that if ordered by the Commission, TerraCom has agreed to re-verify each and every Indiana address through the Melissa Data website and work with Commission's staff to develop a methodology to verify the Melissa Data results in order to determine whether an address is truly vacant or abandoned. Once subscribers listed at a vacant or abandoned address have had an adequate opportunity to confirm their eligibility, those who are ineligible will be de-enrolled in accordance with FCC rules.

Further, Testimonial Staff recommended that 90 days following the issuance of the Commission's Order, TerraCom should be required to file a final report detailing the actions taken, the subscribers that were de-enrolled and the reason for de-enrollment. On cross-examination, Mr. Schmick stated that TerraCom will reimburse the Lifeline Fund for support that TerraCom may have received that proves to be invalid.

After careful review of the evidence, we conclude that the recommendation of the Testimonial Staff is reasonable and appropriate. Based on the findings and recommendations of the Testimonial Staff, we conclude that it is appropriate to close our investigation at this time and allow for TerraCom and the Commission's staff to conduct a more thorough review of TerraCom's Indiana subscriber list that will ultimately de-enroll and reimburse the Lifeline Fund for potential ineligible subscribers. We find it appropriate for Commission's staff to work with TerraCom to develop a methodology to verify the Melissa Data results in order to determine whether an address is truly vacant or abandoned. We agree with Ms. Taber that by closing the investigation, additional resources can be deployed to assist with what will likely be a time consuming review. However, TerraCom's communication with the Commission's staff upon the issuance of this order would violate the Commission's ex parte rules.[2] Thus, TerraCom should notify the Commission of its intent to not seek rehearing, reconsideration or appeal prior to communicating with the Commission's staff regarding this proceeding.

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[2] Pursuant to 170 IAC 1-1.5-2, "a proceeding is considered pending … until: (1) all petitions for rehearing or reconsideration and all appeals to a court of appellate jurisdiction have been determined or decided; (2) any opportunity for a further appeal has been exhausted; and (3) no further action is required by the commission."

While we are approving Testimonial Staff's recommendations in this Cause, we do have concerns with the sales agent model TerraCom used in regards to the Lifeline Program. The technical conference and the investigation provided the Commission with a deeper understanding of TerraCom's practices regarding its agents; its verification process; and its commission structure. The fact that supervision of sales agents was provided from a remote location coupled with the fact most of TerraCom's sales agents get paid by the order concerned the Commission that TerraCom's model was vulnerable to duplication or abuse. Our concerns were raised further when on June 27, 2013, TerraCom made the decision to eliminate its sales agent channel nationwide. Mr. Schmick testified that a number of reasons factored into the decision to eliminate the sales agent channel including the need to employ a more cost effective sales channel to compensate for the higher cost of data capable handsets, and the unanticipated actions of the FCC including an enforcement advisory issued on June 25, 2013.

The FCC advisory clarified that ETCs are accountable for the actions of their agents. We note the FCC advisory did not change anything TerraCom did not agree to in its compliance plan submitted on June 13, 2012; it only made clear that fines could be assessed if agents fail to comply with Lifeline rules. Mr. Schmick testified that the FCC's enforcement advisory implicated behavior that TerraCom felt it could not manage with software, such as sales agents making untrue statements. Mr. Schmick stated that because one cannot control a person's words, and in light of the FCC's enforcement advisory that would allow for a monetary fine for statements by a sales agent, the risk was far too great for TerraCom to maintain the sales agent channel. Subsequently, TerraCom indicated it changed its business practices stating that 100% of enrolled customers are generated by inbound calls and through TerraCom's website, TerraCom no longer conducts marketing events, TerraCom no longer employs agents to promote Lifeline service in Indiana; and phones are currently delivered to the customer via mail when and only when the application has been fully verified and proof of eligibility has been received and approved. Finally, we note that the Oklahoma Corporation Commission in its investigation of TerraCom found that revisions to TerraCom's marketing practices should be made a part of their Settlement Agreement. The Oklahoma Corporation Commission's revisions to TerraCom's marketing practices included bringing its sales force back into the company, providing greater training, control, and management by TerraCom of its operations to help ensure compliance with State and related Federal regulations. In light of these changes to TerraCom's business model, the Commission finds that TerraCom shall update its Compliance Plan, filed on June 13, 2012.

Accordingly, we hereby close this investigation and instruct TerraCom to refrain from accepting new Indiana Lifeline applications for 90 days from the date of this Order. During those 90 days, TerraCom shall work collaboratively with Commission's staff to analyze TerraCom's Indiana subscriber list and make any necessary adjustments, including purging vacant addresses and de-enrolling subscribers who are not eligible for Lifeline support in accordance with FCC rules. TerraCom shall review its Indiana Lifeline subscriber list for multiple households sharing an address, review all USAC Lifeline household worksheets, (hard copies, electronic and audio), and obtain new hard copy worksheets for each subscriber whose worksheet is not authenticated. 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 ("Signature Anomalies") will be identified. Lifeline household worksheets with Signature Anomalies will be exempt from recertification if TerraCom is able to produce a corrected Lifeline Household Worksheet without Signature Anomalies. Lifeline household worksheets with Signature Anomalies will be resubmitted to the subscribers for verification. The customer will be re-verified in accordance with FCC rules.

Any subscribers with Signature Anomalies that are not cured through re-verification and/or who are not found to be eligible for Lifeline support will be de-enrolled in accordance with FCC rules.

TerraCom shall work with Commission's staff to develop a methodology to verify the Melissa Data results in order to determine whether an address is truly vacant or abandoned. TerraCom shall de-enroll any subscribers in accordance with FCC rules with addresses that are truly vacant or abandoned if the subscriber has failed to confirm their eligibility after a reasonable opportunity to do so. Ninety days following the issuance of our Order, TerraCom and Commission's staff shall file a final joint report detailing: a) the actions taken by TerraCom as a result of the subscriber list analysis; b) the subscribers that were de-enrolled and the reason for de-enrollment; and c) any recommended processes for preventing Lifeline service to vacant and abandoned homes.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. TerraCom shall refrain from accepting new applications for Indiana Lifeline customers for 90 days.

2. TerraCom and the Commission's staff shall review TerraCom's Indiana Lifeline subscriber list for multiple households sharing an address, review all USAC Lifeline household worksheets, and de-enroll any subscribers who are not eligible for Lifeline support in accordance with FCC rules.

3. TerraCom shall work collaboratively with Commission's staff to analyze TerraCom's Indiana subscriber list and make any necessary adjustments, including purging truly vacant addresses and de-enrolling subscribers who used those addresses on their applications, in accordance with FCC rules.

4. TerraCom shall work with Commission's staff to 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 that are indicated as vacant on the Melissa Data website during the 90 days immediately following this issuance of this Order. TerraCom will not be obligated to continue conducting physical on-site inspections of addresses during the 90 days if at any point TerraCom and the Commission's staff identifies a mutually agreeable method for determining whether an address is truly vacant or abandoned.

5. TerraCom shall 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.

6. In 90 days, TerraCom and Commission's staff shall file a final joint report detailing: 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) any recommended processes developed with the Commission's staff for preventing the provision of Lifeline service to vacant and abandoned homes.

7. Prior to communicating with the Commission's staff to fulfill the requirements of this Order, TerraCom shall file in this Cause a notice of intent to not seek rehearing, reconsideration or appeal of this Order.

8. This investigation shall be closed upon the issuance of this Order.

9. In the event the joint report indicates non-cooperation, non-compliance with the terms of this order, or any other evidence of waste, fraud or abuse, the Commission reserves the right to initiate a new investigation.

10. This Order shall be effective on and after the date of its approval.

ATTERHOLT, MAYS, AND WEBER CONCUR; STEPHAN NOT PARTICIPATING; ZIEGNER ABSENT:

APPROVED: MAY 07 2014

I hereby certify that the above is a true and correct copy of the Order as approved.

Brenda A. Howe

Brenda A. Howe
Secretary to the Commission