

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking  
Regarding Revisions to the California  
High Cost Fund B Program.

Rulemaking 09-06-019  
(Filed June 18, 2009)

**REPLY COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES  
ON THE ASSIGNED COMMISSIONER RULING  
AND AMENDED SCOPING MEMO**

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June 24, 2013

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**I. INTRODUCTION**

Pursuant to Rule 14.3(d) of the California Public Utilities Commission (the “CPUC” or “Commission”) Rules of Practice and Procedure, the Division of Ratepayer Advocates (“DRA”) hereby submits these Reply Comments on the April 23, 2013 Assigned Commissioner’s Ruling and Amended Scoping Memo (“ACR”) of Commissioner Peevey. The ACR requests comments and reply comments on the Communications Division (“CD”) Report issued on September 30, 2010, titled: “Staff Report to the California Legislature: Affordability of Basic Telephone Service” (“2010 Affordability Study”).

Upon reviewing other parties’ comments, DRA continues believe that the 2010 Affordability Study offers limited value to the Commission due to the flawed methodologies used by the study and due to the fact that the regulatory and economic landscape are different than when CD conducted the study several years ago. DRA also reiterates its request that the Commission address affordability of telephone service, both generally and for low-income customers, in the Commission’s current LifeLine Rulemaking, R.11-03-013 rather than in two separate dockets.

## II. DISCUSSION

### 1. The Commission Should Not Rely on the 2010 Affordability Study

DRA remains concerned about the value and reliability of the 2010 Affordability Study. As TURN points out in its comments, many of the conclusions in the 2010 Affordability Study are based on deeply flawed surveys that fail to adequately address the question of affordability.<sup>1</sup> DRA agrees with TURN that the survey results were biased due to wording of questions and that so-called “findings” were merely unsupported predictions rather than reasoned findings based on concrete data.<sup>2</sup> Greenlining astutely notes in its comments that the 2010 Affordability Study addresses questions about substitutability (the point when a customer will purchase a different product) rather than affordability.<sup>3</sup> DRA agrees with Greenlining that the Commission should reject the 2010 Affordability Report’s conclusions about affordability since they are based on insufficient information, and particularly because the questions were only based on customer perceptions of affordability and tolerance for price increases.<sup>4</sup>

### 2. The Commission Should Reject Claims That the Affordability Study Demonstrates That There is Competition and That Customers Can Absorb Further Basic Rate Increases

The Commission should reject the claims Verizon, Comcast, and Cox made in comments, asserting that the results of the 2010 Affordability Study demonstrate that customers, particularly LifeLine customers, can easily absorb further basic rate increases. DRA continues to believe that all consumers, including LifeLine customers, deserve affordable basic telephone service and remains concerned about increasing basic rates. DRA disagrees with Verizon’s comments that the 2010 Affordability Study “findings” make it clear that there is sufficient competition and access to alternative voice

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<sup>1</sup> TURN Comments at 1.

<sup>2</sup> TURN Comments at 4 and 8.

<sup>3</sup> Greenlining Comments at 1.

<sup>4</sup> Greenling Comments at 1.

technologies in high cost areas and that the Commission should not be concerned that pricing flexibility for basic service will compromise its universal service goals.<sup>5</sup>

DRA urges the Commission not to give any weight to Verizon's erroneous conclusion that the 2010 Affordability Study shows that pricing flexibility has not negatively impacted universal service and that basic rates remain affordable.<sup>6</sup> Further, DRA fails to see evidence for Cox and Comcast's assertion that the 2010 Affordability Study<sup>7</sup> shows that consumers have acceptable substitutes to traditional landline service, which validates the Commission's policies adopted in prior Commission decisions, for example, the Uniform Regulatory Framework (URF) Decision, D.06-08-030.<sup>8</sup>

**3. The Commission Should Carefully Consider A New Approach for Gaining a Reliable Picture of Affordability and Competition in California.**

DRA agrees with TURN that more robust data on affordability and the level of competition in California is needed.<sup>9</sup> DRA and TURN also share the view that it is essential for the Commission to have a much better understanding of telecommunications affordability issues than what can be gleaned from the 2010 Affordability Study.<sup>10</sup> While the Commission may want to consider conducting a new affordability study, it should first carefully consider the type of information that would be informative as to whether rates are affordable and whether competition is working. One possible way to get such information would be to reissue the Scoping Ruling of Commissioner Bohn issued on December 31, 2010, which opened a new phase in this proceeding to examine whether, or

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<sup>5</sup> Verizon Comments at 3.

<sup>6</sup> Verizon Comments at 1.

<sup>7</sup> Comcast and Cox refer to the 2010 Affordability study as the "CD Report".

<sup>8</sup> Cox Comments at 2; Comcast Comments at 2.

<sup>9</sup> TURN Comments at 8.

<sup>10</sup> TURN Comments at 9.

to what extent, the level of competition in the telecommunications industry is sufficient to control prices for the four largest telephone companies in the state.<sup>11</sup>

As ratepayer advocates, the affordability of basic telephone service continues to be a critical matter of importance to DRA. Given that affordable telephone service is both a legislative mandate and Commission policy, DRA urges the Commission to accord no weight to the 2010 Affordability Study as a basis for decision-making. Doing so would only put customers who need truly affordable phone service at risk.

/s/ Lindsay Brown

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<sup>11</sup> Assigned Commissioner's Ruling Adopting Amended Scoping Ruling and Memo, 12/31/10, R.09-06-019.