

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)

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

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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 Comments on the April 23, 2013 Assigned Commissioner’s Ruling and Amended Scoping Memo (“ACR”) of Commissioner Peevey. The ACR requests comment on the Communications Division (“CD”) Report issued on September 30, 2010, entitled: “Staff Report to the California Legislature: Affordability of Basic Telephone Service” (“2010 Affordability Study”).

The purpose of comments in this docket on the 2010 Affordability Study is unclear to DRA. The data in the 2010 Affordability Study is dated, the 2010 Affordability Study employed flawed methodologies, and the current regulatory and pricing environments are very different today than they were when the study was conducted. Additionally, the Commission’s current LifeLine Rulemaking, R.11-03-013, is addressing the same issue of the validity and usefulness of the 2010 Affordability Study. Rather than reviewing the 2010 Affordability Study in two separate dockets,

DRA recommends that the Commission consider consolidation of these issues into one docket. The LifeLine docket is the logical choice, as it is considering affordability of telephone service generally, and for low-income consumers specifically.

DRA will respond to the specific comments parties made concerning the 2010 Affordability Study its Reply Comments on the April 10, 2013 ACR and Scoping Ruling in the LifeLine docket, R.11-03-013. However, DRA wishes to note here that the Commission should reject the claims made by AT&T and Verizon claiming 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 consumers deserve affordable basic telephone service and remains concerned about increasing basic rates.

II. DISCUSSION

1. Affordable Basic Telephone Service Is Essential

As articulated in our May 28, 2013 Comments in the LifeLine docket (R.11-03-013) on the April 10, 2013 ACR and Scoping Memo, DRA emphasized the need for affordable basic rates and Commission regulatory oversight, specifically, rate caps, to ensure affordable service in high cost areas of California.¹ DRA also commented on the limited relevance of the 2010 Affordability Study in those Comments.² In addition to affordability for LifeLine customers, access to affordable basic telephone service is necessary for all California ratepayers, including the working poor, particularly those who do not meet the poverty criteria to receive a LifeLine discount. It is important for all California ratepayers to have affordable basic telephone service available given the essential nature of communications in today's society-- regardless of technology choice, geographic area, ethnicity, household characteristics, age, and other variables. DRA continues to be concerned about unregulated basic rates

¹ DRA Comments on the Assigned Commissioner's Ruling and Scoping Memo in R.11-03-013 (OIR Regarding Revisions to the LifeLine Program), filed May 28, 2013, at 28-30.

² *Id.* at 27.

combined with a trend of upward prices for telephone service, which leaves more and more Californians vulnerable to unaffordable service or no service at all.

2. The 2010 Affordability Study Is Of Limited Value, and The Purpose of Comments Is Unclear

DRA applauds the Commission for its concern about the affordability of basic telephone service, and yet it is unclear how the 2010 Affordability Study would add value to current policymaking endeavors. As DRA stated in its comments on the April 10, 2013 ACR and Scoping Memo in the LifeLine docket (R.11-03-013), DRA supported the need to conduct an affordability study but the findings are now of less value as a result of regulatory and industry changes, particularly consolidation and concentration of market share, and changes in the economy since the study was conducted.³ DRA also has concerns with the scope of and the methodology used to conduct the 2010 Affordability Study.

The Commission has stated that it used the 2010 Affordability Study as a “reality check” in considering the overarching question of whether phone service is affordable, rather than as a source of data for new pricing policies and rate structures.⁴ That said, the Commission did grant a partial rehearing of TURN’s claims that “we improperly relied on a 2010 study when we adopted a new methodology – called the ‘Specific Support Amount’ – to calculate the LifeLine subsidy.”⁵ As such, DRA would appreciate

³ *Id.*

⁴ D.10-11-033, foot note 5, at 8; *see also* D.12-07-022 at 8-10.

⁵ D.12-07-022, at 1; *see also* Ordering Paragraphs d, e, f, and g, which are as follows:
“d. Re-open the record and include the study entitled “Affordability of Telephone Service 2010, Survey of Households” (2010 Affordability Study);
e. Give parties an additional opportunity to review and comment on the information contained in that study;
f. Receive input from the parties and to consider whether the information in the 2010 Affordability Study was given the proper weight in our analysis;
g. Receive input from the parties and to consider whether we are now required to change the analytic approach to affordability questions and their relationship to the adoption of a LifeLine ratesetting mechanism taken in D.10-11-033 and described in the body of this order;”.

clarification on why the Commission is requesting comments on the 2010 Affordability Study and its related intent going forward in this docket.

III. CONCLUSION

While DRA continues to believe that affordability, particularly of basic service, must be a Commission priority, and appreciates the opportunity to comment on this issue, the purpose of revisiting the 2010 Affordability Study in this docket is unclear. DRA recommends that the Commission accord little weight to the results of the 2010 Affordability Study because the data used in the study is dated, the study employed a flawed methodology, and the current regulatory, pricing and economic environments are very different today than they were when the study was conducted. DRA also recommends that the Commission consolidate its consideration of the 2010 Affordability Study into a single docket, and recommends that the current LifeLine Rulemaking, R.11-03-013, is the best place to consider issues and concerns relating to the 2010 Affordability Study.

Respectfully submitted,

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