



FILED

04-27-11

03:17 PM

APPENDIX A

Appendix A to Ruling

Updated Draft Proposal to Revise Basic Service Definition

Comments are solicited on following draft proposal of revisions to the basic telephone service definition. These revisions are being considered to promote a more technologically neutral standard among providers of basic service while preserving essential consumer needs.

To facilitate comparison between the existing and revised service element listings, Appendix B provides cross-references from the existing listings to the revised proposed listings, detailed below.

A. Proposed Revisions in Defined Basic Service Elements from D.96-10-066

1. Ability to place and receive voice-grade calls over all distances utilizing the public switched telephone network

This proposed revision represents a restatement and consolidation of the separate existing basic service elements listed below:

- Access to single-party local exchange service
- Equal access to interexchange carriers
- Ability to place calls
- Voice-grade connection to the public switched telephone network
- Provision of touch-tone dialing

This revised definition focuses on the end-user's service rather than whatever specific technology is used to provide it. The multiple elements listed above, taken together, define ILEC customers' ability to send and receive voice calls both locally and by long distance. The ILEC applies different billing practices depending on whether a call terminates in a local exchange, between exchanges, or extending beyond California boundaries. Non-ILEC carriers may have different local calling scopes or, in the case of wireless, no similarly limited "local" calling scopes at all.

The existing service elements above describe only ILEC-based network technology, but do not reflect how other technologies offer two-way voice service. The revised definition can be satisfied by non-ILEC providers without utilizing ILEC exchange-based network architecture. This revised definition removes references to the "local exchange," and recognizes the diversity

of technologies and service plans available from intermodal carriers, but without degrading existing ILEC service standards.

This revised definition is not intended to change the existing service and billing practices used by the ILEC, but instead consolidates the above-referenced separate elements under one summary description on a technology-neutral basis. Where basic service is offered by an ILEC, customers will continue to have equal access to interexchange carriers offering service within the local exchange. Customers can thereby access a pre-subscribed long distance carrier. ILECs offering basic service will remain subject to applicable federal law requiring access to the customer's presubscribed long distance carrier using 1+ dialing.¹

Wireless networks, however are not designed for the equal access requirements that apply to wireline networks. Wireless and VoIP carriers tend to offer services in bundles of local and long distance, making equal access a nonissue. The benefits of bundled service from a single carrier may outweigh having access to multiple carriers for only one segment (i.e. interexchange) of its telecommunications service needs. The equal access requirement reflects an era when competition was limited to little more than the long distance segment. By making wireless and other intermodal carriers subject to the revised definition above, however, they can satisfy basic service requirements by providing competitive all-distance dialing, but without being subject to the requirement to provide access to presubscribed long distance carriers.

The requirement for a voice-grade connection to the public switched telephone network will continue, but subject to further elaboration in the case of wireless and/or VoIP-provided basic service. Current voice data quality on an IP network may be sensitive to degradation in the form of latency, jitter, and packet loss. For a basic service voice transmission to be of reasonable quality, the VoIP network would need to ensure low latency, thus minimizing jitter. Packet loss would likewise need to be minimized to prevent poor voice quality. Technical standards should be identified and enforced to ensure that a VoIP basic service provider offer acceptable voice-grade transmission quality.

If a wireless carrier fails to provide sufficient signal strength to enable customers to maintain a voice-grade connection from their residence, or to avoid dropped calls, the wireless service would not meet minimum quality standards. Providers may satisfy basic service

¹ 47 U.S.C. § 332(c)(8).

requirements without utilizing ILEC exchanges as long as retail customers experience comparable voice-grade quality as currently provided by the ILEC. To satisfy the basic service requirement, a wireless carrier should be required to certify that it has the capability for customers to send and receive voice calls from their residence with a clear signal.²

Touch tone dialing, otherwise known as Dual Tone Multi Frequency (DMTF) signaling, is currently provided as part of basic service at no additional charge. Where touch-tone dialing is utilized to originate calls, the basic service provided to consumers must have the ability to provide touch-tone dialing using standard telephone equipment.

2. Access to Emergency Services (911/E911)

The Existing basic service definition requires that customers be provided free and unlimited access to 911/E911. The existing ILEC standards and requirements for 911/E911 service shall continue to apply without change or diminution. Access to emergency services is essential to all consumers. Currently, wireless and VoIP providers are subject to a lesser standard based on FCC compliance requirements that differ from the ILEC requirements. A large number of wireless 911 calls are routed to the California Highway Patrol, rather than to local 911/E911 Public Safety Answering Points (PSAPs). In the high cost rural areas, the capability of wireless callers to reach local 911 service is unavailable to many areas.

To meet basic service requirements, a provider of wireless or VoIP service should be required to provide the 911/E911 service at a level equal to that applicable to the ILEC. The importance of the E-911 requirement is particularly essential in those regions where only one COLR is available to provide basic service.

3. Access to Directory Services: Local Directory Assistance, Published Directories, and Directory Listings

The existing definition requires access to various directory services through the following separate elements

- Access to local directory assistance and to foreign Numbering Plan Areas (NPAs).
- Provision of a published directory
- Provision of a directory listing in a published directory, if desired.
- Access to operator services

² This requirement is consistent with D.96-10-066, Appendix B (Universal Service Rules), Section D.

The revised definition consolidates the above elements into a single directory service requirement. Access to directory assistance shall continue to apply, but without references to local exchange boundaries which focus on ILEC network architecture. While it is not necessary to require directory assistance based upon the same exact exchange boundaries employed by an ILEC, however, the requirement should still preserve the obligation to provide directory assistance for listings within the local community of the subscriber. Small businesses and residents of rural areas, in particular, depend upon directory services that are knowledgeable about local businesses and residential listings. The revised definition will require that providers of basic service offer directory assistance at least equivalent to the range and quality currently provided by the ILEC.

The existing definition requires offering one directory listing per subscriber per year as set forth in D.96-02-072. The existing directory listing requirements apply only to wireline LECs. Basic service customers will continue to have the option to have their number listed in a published directory, but will not be required to do so. A wireless service provider typically does not offer a published listing of its subscribers' phone numbers. Where a wireless provider offers basic service, the customer number will not be listed in a published directory unless the customer seeks to be listed.

The existing definition requires offering a white pages telephone directory at no charge to customers interested in receiving one. Telephone customers have become accustomed to receiving a free white pages directory and yellow pages directory every year. Free directories minimize the number of calls made to directory assistance, and promote the wide distribution of yellow pages advertising. As a practical matter, white page directories containing both business and residential listings are commonly bundled with yellow page directories, and provided to both residences and businesses throughout the ILEC's service territory. On the other hand, as with directory listings, the market has not supported a white page directory for the wireless industry.

Currently, ILEC service providers automatically deliver annually to each of its customers a printed white pages directory. The directories list all residential customers with published numbers and include business and government white pages and consumer guide pages, and may include yellow pages. Verizon California Inc. (Verizon) filed Advice Letter No. 12535 (Advice Letter), on October 22, 2010, is proposing to change how it provides residential white pages directory listings to customers.

Verizon proposes to end automatic delivery of white page directories containing residential listings. Instead, Verizon would offer customers the option of a printed white pages directory or electronic white pages listings on a CD-ROM, or online access to white pages listings. Verizon would continue automatic delivery of directories containing white page business listings, government listings, yellow pages and consumer guides.

Verizon states that residential customers now use printed white page directories far less than in the past, due primarily to the availability of alternative ways of obtaining telephone numbers. Verizon also states that customers have been relying less on printed residential white page directories and more on online directories, the directories in wireless and wireline devices, and specialized directories provided by employers, schools, places of worship and other organizations.

Comments are solicited on whether Verizon's proposed change in the manner of offering published directory listings should be adopted as an official standard applicable to any provider of basic service.

Under the proposed revision, a basic service provider would not be required to engage in directory publishing, but would make arrangements to ensure that its basic service customers have access to a published directory of local listings if they wish to receive one. A provider that does not publish directories, however, would make any necessary arrangements with a directory publisher.

Basic service customers should continue to have the option -- but not the requirement -- to have their number listed in a local published directory (whether it is provided electronically or by paper). The provider of basic service need not publish its own directory of listings, but should arrange with an existing directory publisher to include listings of its basic customers that elect to be listed.

Providing the ability for customers to access a live operator by dialing the numeral "0" is independently mandated by law (see Pub. Util. Code Sec. 2896(b)), and thus is required whether carriers offer basic service or not.

4. Basic Service Billing Protections

The basic service elements include provisions relating to specified billing protections which specifically include:

---Provision of Lifeline Rates and Charges

- Provision of flat rate service
- Provision for “free” unlimited incoming calls

a. Provision of Lifeline Rates and Charges

The provider of basic service requires must offer Universal Lifeline Telephone Service rates and charges to all eligible basic service customers pursuant to the Moore Universal Telephone Service Act,³ referred to as the California Lifeline Program.⁴ The Commission has taken steps in D.10-11-033 to facilitate the offering of Lifeline by wireless and other nontraditional providers. To qualify for Lifeline support, however, the provider must offer basic service in accordance with the service requirements to be adopted in this proceeding. The revised basic service definition will incorporate the Lifeline requirements adopted in D.10-11-033, along with continuing Lifeline implementation in R.11-03-013 (successor to R.06-05-028).

b. Provision of Basic Service at a flat rate

Under the current definition, the ILEC wireline service offers a flat rate for unlimited incoming calls and unlimited outgoing calls that originate and terminate within the same local exchange area. This flat rate applies to any basic service customer. Those eligible for Lifeline rates would receive a further rate discount, as noted above. For calls that terminate beyond the subscriber’s local exchange boundaries, the ILEC imposes per-minute toll charges on outgoing calls. ILEC basic service customers also have the option of paying a measured rate which imposes a usage charge based on the customer’s volume of calling.

Each ILEC’s existing flat rate and measured rate billing practices shall continue without change for purposes of satisfying basic service requirements. Providers such as wireless or VoIP that do not utilize local exchange boundaries and/or central office rate centers for billing purposes will not be required to offer billing plans based upon “local exchange” boundaries. Nonetheless, all providers will be required to offer a billing option for all incoming and outgoing calls in the form of a fixed or flat rate that does not vary with call volume or minutes per call. Requiring all carriers, including wireless and VoIP, to offer basic service at a flat rate is consistent with the requirements in D.10-11-033 that Lifeline be billed at a monthly fixed rate

³ The formal name specified in Pub. Util. Code Article 8 for the program which has come to be known as the “California Lifeline Program.”

⁴ The entire program is established in Pub. Util. Code §§ 871–884.

capped at \$6.84 without usage-based charges. By charging a fixed or flat rate for basic service, wireless and other intermodal carriers can satisfy Lifeline requirements.

Additional requirements were previously adopted in D.08-10-040 applicable to “high cost” regions under the B-Fund program. D.08-10-040 requires that an ILEC offering basic service as the COLR in a designated high-cost area after January 1, 2011, must certify that its basic rates in the high-cost areas do not exceed 150% of the highest basic rate charged in California outside of the high-cost area (not to exceed the B-Fund high-cost threshold). D.08-10-040 further specified that if a carrier other than an ILEC offers basic service as COLR, similar conditions apply. If the new COLR doesn’t offer stand-alone basic service rates outside of the high-cost areas, the new COLR “may reference the stand alone rates of an adjacent ILEC, or other acceptable proxies.” (D.08-10-040, Ordering Paragraph 14).

In instances where a non-ILEC offers basic service that does not utilize wireline exchanges, the ILEC exchange-based flat rate may not serve as a suitable proxy for use by a non-ILEC. Parties should comment as to what “other acceptable proxies” may be appropriate in B-Fund high-cost areas in order that such carriers meet the basic service requirements.

c. Provision for Unlimited Incoming Calls Without Per-Unit Charges

The existing definition provides for unlimited incoming calls as a “free” service. Characterizing such service as “free” does not fully convey the fact that costs are involved in delivering incoming calls. ILEC and wireless networks, however, recover their costs differently. Many wireless and some VoIP providers impose volumetric charges on incoming calls, if the volume exceeds specified limits. Although ILECs do not impose retail usage charges for incoming calls, ILECs may still recover costs through traffic-sensitive switched access charges or call termination charges collected from other carriers. Also, beginning January 1, 2011, ILECs acquired the flexibility to increase basic service flat rates subject only to competitive market constraints.

Under the revised definition, customers still receive unlimited incoming calls without per-call or per-minute charges. The definition would be revised to remove the characterization as “free” calls, instead reflecting a more competitively neutral description. The revised definition clarifies that that the customer receives unlimited incoming calls without per-minute or per-call charges. This revised definition does not change existing ILEC service, and does not

authorize incremental charges for incoming calls. Likewise, the revised definition is not intended to cause bills for wireless service to increase. Instead, the revised definition merely clarifies that a wireless or VoIP provider offering basic service must provide for unlimited incoming calling, and may only recover a fixed or flat rate.

5. Access to 8YY Toll-Free Services

The existing definition entitles customers to access to 800 or 800-like (8YY) toll-free services without incurring per-call or per-minute toll charges. Current federal law requires wireline carriers to treat calls to 8YY numbers as toll-free calls. Wireless carriers and VoIP providers, however, typically treat access to 800 or 800 like toll -free services the same as any other call and impose per-minute charges. Various wireless and VoIP calling place limits on customers' minutes of usage. Under such plans, calls to 8YY numbers count against the customer's specified minutes of usage, resulting in additional charges to call 8YY numbers in volumes that exceeded the specified allowances.

The existing basic service requirement for unlimited access to 8YY toll-free services shall be retained. Important social, health care, and financial services, as well as recreational options, rely upon access to 8YY calls to meet essential customer needs.

As proposed above, any provider of basic service will be required to offer an unlimited calling option for a flat rate. Accordingly, under the terms of such a calling plan, customers would have unlimited toll-free access to 8YY numbers without incurring additional per-minute toll charges.

6. One-Time Free Blocking for Information Services and One-Time Billing Adjustments for Charges Incurred Inadvertently, Mistakenly, or Without Authorization

This element was originally aimed at blocking calls to 900/976 information numbers which had been recently introduced into the market in the late 1980s/early 1990s. Some parties believe this requirement seems unnecessary as consumers have grown familiar with these types of services. Other parties believe the element should be retained.

There is no strong indication that retaining this service is still necessary in the current environment, but out of an abundance of caution, it will be retained.

7. Access to Telephone Relay Service as Provided for in Pub. Util. Code § 2881

This element should be maintained. The provisions of § 2881 make reference to the Deaf and Disabled Telecommunications Program (DDTP) and the statewide relay system that became the California Relay Service (CRS). This “basic service” element mandates the important protection that any carrier providing “basic service” must offer customers access to the relay service established under § 2881. This protection will therefore be maintained.

8. Free Access to Customer Service for Information about Universal Lifeline Telephone Service (ULTS) Service Activation, Service Termination, Service Repair and Bill Inquiries

Access to customer service for information about the above-referenced services shall be retained as an element of basic service. As the Lifeline program is revised to encourage wireless and VoIP providers to participate, such providers will be expected to provide free access to the above-referenced information.

B. Identification of Service Quality and Fitness Standards

Parties should comment on what service quality and fitness standards should apply for the provision of basic service. All Californians are entitled to adequate standards of basic telephone service quality. Whether or not they offer basic service, all telephone corporations are to provide “...customer service to telecommunication customers that includes, but is not limited to...reasonable statewide service quality standards, including standards regarding network technical quality, customer service, installation, repair, and billing.”⁵ The need to ensure adequate basic service quality, however, is most acutely felt in regions where few or only one carrier of last resort may be available to provide essential basic service. Adequate basic service quality and fitness standards must therefore be identified and met by any carrier seeking to qualify as a basic service provider for purposes of receiving B-Fund or Lifeline support.

The Commission has mandated service quality standards for certificated telecommunications carriers in D.09-07-019, but has not addressed service quality requirements for wireless or other nontraditional providers. In D.09-07-019, the Commission stated that it was premature to address whether it has jurisdiction to require service quality reporting for wireless, VoIP, and IP-enabled carriers, and deferred such issues pending the FCC’s rulemaking regarding

⁵ See Public Utilities Code Section 2896(c).

regulatory treatment of such carriers. The Commission preferred a more fully developed record concerning the types of measures that would be meaningful, and not duplicative of already available information, for wireless, VoIP and IP-enabled customers.

Particularly where only a single carrier serves as a COLR, basic service quality and fitness standards are essential. Consequently, before wireless or other intermodal competitors may qualify for Lifeline or B-Fund subsidy, the applicable service quality and fitness standards for such carriers must be determined and enforced.

In filed comments, Pacific Bell Telephone Company dba AT&T California (AT&T) suggests that rather than determine a set of service quality standards at this time, the issue could be deferred to the implementation of a reverse auction. AT&T suggests that when carriers formulate a reverse auction bid for designation as the COLR, they could offer to meet a set of service quality commitments in their bid proposal.

AT&T's proposal, however, is not practical. Clarity is necessary concerning service quality obligations prior to formulating any bid. If a carrier proposed service quality commitments within its bid, the carrier would be subject to uncertainty as to whether its presumed standards would be acceptable, and consequently, whether its bid was valued correctly. Moreover, because each bidder may submit variations in service quality commitments, there would be no common baseline of comparison with which to rank bids. Identifying a winning bid (or bids) would become more unwieldy. Such an ad hoc approach would also risk creating inconsistent basic service quality standards based on where customers live. Such inconsistencies could unfairly disadvantage higher-cost areas, violating a basic tenet of universal service favoring consistent standards of service.

(End of Appendix A)