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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Into
Implementation of Federal Communications
Commission Report and Order 04-87, as It
Affects the Universal Lifeline Telephone
Service Program.

Rulemaking 04-12-001
(Filed December 2, 2004)

**ASSIGNED COMMISSIONER'S RULING
SETTING SCOPE OF PHASE 2**

On May 3, 2007, the Commission approved Decision (D.) 07-05-030 adopting strategies to improve response rates of the California LifeLine certification and verification processes. That decision followed six months of intensive study by Commission staff, telephone carriers, consumer groups, and Solix (the third party certifying agent) to determine the reasons behind the low response rates. As part of that process, Commission staff prepared a report "Report on Strategies to Improve the California Lifeline Certification and Verification Processes" (Strategies Report), which formed the cornerstone of D.07-05-030.

In the Strategies Report, staff recognized that not all changes to the LifeLine program could be implemented in the short term and identified several longer-term strategies to improve LifeLine program efficiency and effectiveness. In D.07-05-030, the Commission gave staff the latitude, in conjunction with two

working groups,¹ to develop creative and successful solutions. Additionally, the Commission gave staff the authority to continue to identify and implement longer-term strategies. To the extent that any of those elements require Commission authorization, the Commission directed staff to bring those issues to the Commission for resolution. The proceeding was kept open, and I, as the assigned commissioner, was to issue the directives needed to staff and carriers to ensure further pursuit of longer-term strategies. I have waited to initiate the second phase in order to allow adequate time to evaluate the effectiveness of the steps we took in D.07-05-030, and to determine if we needed to revisit any of the steps taken in that decision. Six months have passed since we approved the decision; it is time to review how successful our short-term efforts have been and then focus on long-term strategies.

Our review begins with statistics on how the certification and verification processes have improved since the implementation of our short-term strategies. At the end of 2006, the response rate for certifications was 46%, and for verifications, 49%.² As of September 2007, Solix and CD report an increase in the rates to 55.5% for certification, 61.1% for random audits, and 69.5% for verification. I am pleased with this significant improvement, but we can improve that response rate still further.

Before outlining the scope of Phase 2, we need to explore the status of some of the strategies listed in the Strategies Report in order to put our Phase 2

¹ D.07-05-030 required that the Implementation and Outreach working groups, established to resolve the problems with the verification and certification processes and found to be an invaluable tool, continue to develop strategies that improve the LifeLine processes.

² D.07-05-030 at 5.

proposals into perspective. Commission staff and the two working groups have continued to work on resolving some of the issues identified. The following issues have been implemented or are in the process of being implemented and require no Commission action at the present time:

1. **Improvements in mail delivery:** Effective July 16, 2007, Solix implemented the use of First class mail to deliver customer forms. Analysis of response time, returned mail, and the response rate is ongoing and reported weekly to Commission staff.
2. **Developing contractual solutions:** The Solix contract has been increased in the amount of \$10.5 million to reimburse Solix for costs associated with the revised requirements to the original contract. Included in the contract amendment are the following items which have already been implemented by Solix: the redesign of envelopes for greater visibility to customers, First Class mailings, and the use of an outbound dialer to inform customer that they will be receiving correspondence from Solix (or that a response is due). Solix now sends reminder post cards 21 days after the initial correspondence is sent. Additionally, the Interactive Voice Recognition (IVR) system is now in place.
3. **Long term outreach efforts:**
 - a. **Rebranding:** The Commission hired One World Communications to review LifeLine materials in light of the previously mentioned low response rates and to examine the possibility of redesigning LifeLine forms for improved ease-of-use by customers. One World recommended changes to the current verification forms. The Marketing Group will work with the new Marketing and Outreach contractor and Solix to determine the feasibility of incorporating additional rebranding changes also recommended by One World.
 - b. **Assisting Community-Based Organizations (CBOs):** In the Marketing and Outreach Request for Proposal (RFP), ideas were solicited to increase CBO involvement in the LifeLine program. Parties to this proceeding recommended increased payments to CBOs for successfully enrolling eligible LifeLine customers.

- c. Enhancing the LifeLine Marketing Contract:** The Communications Division issued an enhanced RFP for LifeLine Marketing. Following a Department of General Services (DGS) prescribed process, the Communications Division issued an Intent to Award to One World Communications. Within the allotted timeframe, Richard Heath Associates filed a protest to the Intent to Award, which is currently under review by DGS.
- 4. Long-Term Solix-Carrier Interface Improvements:** Following the establishment of a baseline of LifeLine customers, the Commission can begin to develop additional ways to increase subscribership to the program. Currently when customers call to inquire about the status of their enrollment, the Consumer Affairs Branch (CAB) and Solix's customer service representatives instantly have access to that customer's record of interactions (call, notifications, etc.) through a shared LifeLine database. One possible future improvement to the database would be to include an additional field so that customers may delegate a representative who would be authorized to speak to Solix on their behalf.
Currently, customers on the call can verbally designate a representative to discuss account issues on their behalf.
- 5. Long-Term Appeal and Complaint Solutions:** CAB and Solix have both addressed solutions for resolving complaints, with an emphasis on directing customers to Solix's service representatives, rather than to CAB. The IVR 800-number, implemented as part of the Solix contract amendments, is now printed on the LifeLine notification forms in English and in all other languages designated by the contract. As a result, CAB has experienced a decrease in the number of complaints and appeals received. To further improve the appeal and complaint procedures, CAB is in the process of opening a new LifeLine office in Sacramento, staffed by 31 employees to explicitly handle LifeLine billing complaints, inquiries, and denial appeals. Additionally, Solix has reported increased cooperation with carriers on handling complaints as well as updating customer data.
- 6. Regular Meetings:** The CD Director currently provides a short PowerPoint presentation at Commission meetings once every quarter. The Marketing Working Group conducts quarterly meetings, and other meetings as needed. The Implementation Working Group, which

includes representatives from Solix, carriers, CBO's, Commission staff and other interested parties, meet every two weeks. Commission staff has a scheduled conference call with Solix every week.

As previously mentioned, other longer term issues identified in the Strategies Report require further work and possible action by the Commission. Following are several issues that should be our focus in Phase 2:

- 1. Customer Pre-qualification:** In the initial phases of this proceeding, the Commission decided not to change the existing LifeLine procedure where customers are enrolled in the LifeLine program immediately following their initial contact with a carrier, to one where customers must be deemed qualified before being enrolled in the program. With the current process, customers are enrolled in the LifeLine program during the certification process which is conducted by Solix. Several months after initially enrolling, customers found to be ineligible for the program are subject to back-billing to pay regular rates. For many of these customers, the backbilling can equal a substantial amount of money and create a financial burden.

In reviewing this issue, I see advantages for all the parties in moving to a system of customer pre-qualification. It simplifies the process for both Solix and the carriers, since customers would not be added to the LifeLine program until they have proven they qualify for the program. There would also be a benefit to customers who ultimately do not qualify, since they would not be subject to backbilling. There is a disadvantage to customers who would have to wait several weeks to be on LifeLine, during which time they would complete the forms and submit them to Solix for processing. We need to balance the delay in getting new customers on the program with the simplification in process for Solix and carriers and the burden on customers to pay large backbills when they are found to be ineligible for the program. **Parties should comment on whether we should revise the program to require customers to pre-qualify before being enrolled in the program.**

2. **Lessons from other states:** Staff spent a significant amount of time researching LifeLine processes in other states. I recognize that our programs differ, sometimes in significant respects; however, I encourage parties to explore ways that we could benefit from programs in other states.
 - a. **Web-based System:** Currently, Solix is testing a web-based system for online certification and verification. Solix demonstrated the proposed system to Commission staff on October 3, 2007 and staff provided feedback. Once the English version is fully developed, it will be presented to parties for their input. **Parties should comment on how other states use web-based enrollment systems and how those systems could be duplicated or adapted for future use in California.**
 - b. **Modification of the Certification Requirement:** Some states base eligibility strictly on participation in other low-income programs and have no income requirement. Parties should comment on whether California should move to a strictly program-based eligibility and eliminate the current prong that allows participation in the program based on income level.

3. Refinements in Customer Responses

- a. **Processing Unscannable³ Mail:** Solix has implemented process changes that include contacting carriers when a customer notification has been returned as undeliverable. These undeliverable items (including the envelope) are scanned into a computer file and retained by Solix. Partial customer responses (for example, those missing information) may be returned to the customer or the carrier is notified of the partial response so that they can take action. Those mail items that cannot be traced to a customer are shredded by Solix. As a result of utilizing first class postage and its guaranteed return, Solix is reporting a more accurate picture of total undeliverable correspondence. **Parties are asked to**

³ Solix utilizes computer scanned forms to determine the eligibility of customers during the certification or verification process. Solix receives a large amount of mail that it cannot scan into the computer. Unscannable mail includes, partial forms and items other than returned LifeLine forms (checks, etc.).

comment on whether other steps should be taken to deal with unscannable mail.

- b. Remediating Other Issues:** Through the Implementation Working Group meetings, Solix and staff review non-response data on a regular basis. Solix currently categorizes return rates (both regular and first class as of July 16, 2007) by the three types of notifications (certification, verification, and audits). Return rates are not categorized by carrier or language group. **Parties are to comment on other steps that should be taken in processing the non-response data.**
- 4. Synergies with Other Commission Low-Income Programs:** Currently, there are no systems in place to coordinate a customer's enrollment in LifeLine with other Commission-regulated low-income programs (CARE⁴, LIEE⁵, Water Low Income, etc.) **Parties should comment on how we might tie in with other low-income programs. Is there some way that a customer could sign up for all low-income programs administered by the Commission at one time? Would a web-based system be a possible tool?**
- 5. Discussion of the Results of the Solix Audit:** Commission staff is currently conducting an audit of the Solix contract. Fieldwork was scheduled for October, and a final report is to be released in November 2007.

In the coming months, I encourage parties to work closely together on these issues. The Working Groups should continue to meet as well. We have made significant strides in improving the LifeLine program, but more needs to be done to make the program work efficiently for all concerned.

⁴ California Alternate Rates for Energy or CARE provides a discount on energy bills for eligible California energy customers.

⁵ Low Income Energy Efficiency or LIEE provides free weatherization and energy efficiency measures to eligible California energy customers.

IT IS RULED that interested parties shall file comments on the issues listed above by Friday, December 14, 2007 and reply comments by Friday, January 4, 2008.

Dated November 14, 2007, at San Francisco, California.

/s/ DIAN M. GRUENEICH

Dian M. Grueneich
Assigned Commissioner

INFORMATION REGARDING SERVICE

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a Notice of Availability of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the Notice of Availability of the filed document is current as of today's date.

Dated November 14, 2007, at San Francisco, California.

/s/ JEANNIE CHANG

Jeannie Chang