



FILED

11-01-06
01:35 PM

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 TEMPORARILY SUSPENDING
PORTIONS OF GENERAL ORDER 153 RELATING TO THE ANNUAL
ULTS/CALIFORNIA LIFELINE VERIFICATION PROCESS**

I. Summary

This Assigned Commissioner's Ruling (ACR) reopens this proceeding and temporarily suspends, for a period not to exceed six months, portions of General Order (GO) 153 relating to the annual California Lifeline verification process. I take this step because the recently instituted verification process is not working well. We are experiencing a very low response rate to the Lifeline verification notice, which results in significant numbers of current Lifeline customers being removed from the program. This hiatus in the verification process will allow staff and interested parties an opportunity to isolate the reasons for the low response rate and to take steps to solve the problem. I will place an item on the agenda for the upcoming Commission meeting so that the full Commission can ratify this ACR.

II. Background

In Decision (D.) 05-04-026, the Commission took the initial steps necessary to make certain that the state would continue to receive the \$330 million in

federal Lifeline/Link-Up funds to protect the financial viability of the Universal Lifeline Telephone Service (ULTS) or California Lifeline program. Specifically, that decision adopted a program of income certification and annual verification, as required by the Federal Communications Commission's (FCC) Lifeline Order.¹ In D.05-12-013 and in Resolution T-16996, the Commission adopted revisions to GO 153 necessary to implement changes to the ULTS program. The Telecommunications Division issued a Request for Proposal and entered into a contract with Solix, Inc. (Solix) to serve as Certifying Agent for the certification and verification processes. The new certification/verification process was implemented on July 1, 2006.

III. Implementation Issues

The annual verification program calls for verifying the continued eligibility of the 3.5 million customers currently enrolled in the Lifeline program. Commission staff has found that the customer response to the ULTS verification notice is extremely low: in August 2006, 29% returned the verification notice; in September, the percentage was 49%. Under the process adopted, those who do not respond to the verification notice are sent a letter that they are being removed from the Lifeline program and will be required to pay regular telephone rates. Those who receive these denial letters may appeal the denial to the Consumer Affairs Branch (CAB) at the Commission. Still, other customers find out about their removal from Lifeline via their monthly bill that regrades them to regular rates. According to the telephone carriers who previously

¹ *Lifeline and Link-Up Report and Order and Further Notice of Proposed Rulemaking*, WC Docket No. 03-109, FCC 04-87 (rel. April 29, 2004).

conducted the verification process for their customers, they experienced a response rate of about 70%.

In recent weeks, CAB has been receiving between 300-500 letters per day from customers appealing their elimination from the Lifeline program. At the same time, the number of phone calls from these customers has deluged both the CAB offices, as well as the consumer representatives for the telephone carriers.

While we do not know for sure why the response rate is so low, staff believes that the new name (California Lifeline) and logo for this program, and the fact that the verification notice is coming from an entity other than the customer's telephone carrier have all contributed to the low response rate. Customers may have ignored the mail, thinking it was junk mail.

IV. Possible Solutions

Commission staff in the Telecommunications Division and the Consumer Service and Information Division have been working to identify the source of the problem and to develop solutions. One solution is in the process of being implemented. Effective October 31, 2006, Solix will imprint the exterior of the envelopes used to mail the verification forms with messages in English and Spanish, advising the customers on the contents and that their immediate action is required. It is anticipated that this will alert the recipients that the letter is not junk mail and needs to be opened and read.

In addition, staff is exploring ways to make better use of the current 60-day verification process, which begins with the date the certifying agent mails the verification forms to the customers and, absent a response, ends on the date when customers are removed from the Lifeline program. Currently, if a customer fails to return the verification form within 30 days, the customer has no means of correcting that oversight. The customer is in "limbo," as the customer

is scheduled to be removed from the Lifeline program on the 60th day. Days 31 to 60 are a “dead zone” that causes needless work for CPUC staff and carriers and distress for customers.

Under the proposed revised process, the notice that the customer receives after 30 days would include another copy of the verification form to be completed and returned. Staff believes that having a second opportunity to return the verification document would cause a significant reduction in the percentage of customers who do not respond to the certifying agent.

Staff is also exploring other avenues of active outreach to customers. Those include possible use of automated dialing devices to contact customers who have not returned the verification form within 15 days. The message would also tell customers how to request new verification forms. Staff is also finalizing a tri-fold brochure explaining the new Lifeline verification/certification procedures.

I anticipate that the solution could include a variety of changes to Commission internal processes, Solix-carrier processes, and perhaps also rule changes. At this point in the process, we do not know what all the elements of the solution will entail.

I appreciate the work that Commission staff is doing to identify and solve this problem. However, I am concerned that many members of the vulnerable low-income population served by the Lifeline program, including the elderly, the disabled, and limited English speakers will be erroneously deprived of their Lifeline telephone service because they do not understand the process. Therefore, we need to make urgent steps to see that this does not happen.

I intend to suspend the current annual verification process while we explore and implement solutions to the current low response rate. I do not take

this step lightly, since the annual verification process is a requirement under the FCC's order 04-87. I will ask our Legal Division to write a letter informing the FCC of this situation and the steps we are taking to correct the problems we are experiencing.

I am ordering a suspension of six months. I would prefer that the problems be resolved in 90 days and the annual verification process then be restarted, but that may not be possible. If we need to institute system changes or make changes to our General Order, it may require more than 90 days to accomplish. I strongly encourage staff to make every effort to effect the necessary changes as expeditiously as possible.

When the annual verification program resumes, we will start the clock from the beginning. I am ordering that Solix send a letter to all customers who had previously been notified that they were to be removed from the Lifeline program because they did not respond to Solix's verification letter. The letter will explain that the customer will be temporarily reinstated to the program. Those customers will receive a new verification letter after we have instituted our corrective measures and resumed the verification process. The carriers will be instructed to back-date those customers participation in the Lifeline program to the date when they were removed from the program.

CAB shall discontinue processing denial letters, which will be dealt with by the letter from Solix. Customers that contact CAB will be told that they will be reinstated to Lifeline service, pending a subsequent verification letter, which they will receive sometime over the next year.

Nothing that we are doing shall have an impact on the certification of new Lifeline customers. Those procedures will remain in place and will continue while we deal with problems in the verification process.

I plan to ask my fellow commissioners to ratify this ACR at our upcoming public meeting on November 9, 2006. Due to the urgency of the problem, this issue must be dealt with as expeditiously as possible. Still, I want to give interested parties an opportunity to comment on my ACR. Those comments will be taken into account in the decision which will ratify the ACR. Comments are due on Monday, November 6 and should be e-mailed to my advisor, Kelly Hymes at khy@cpuc.ca.gov and to the assigned Administrative Law Judge, Karen Jones, at kaj@cpuc.ca.gov.

IT IS RULED that:

1. Rulemaking 04-12-001 is reopened.
2. The following sections of General Order 153 are temporarily suspended: 4.5, including Appendix C; 5.5; those portions of 6.3 and 6.4 as they relate to the annual verification process; Appendix C; and the portion of Appendix E titled "Existing ULTS Customers (Verification)."
3. Within seven days of this ruling, the Telecommunications Division and Consumer Service and Information Division shall set a date for a workshop so that telephone carriers, the certifying agent, and other interested parties can meet with staff to discuss solutions to the current problem with the verification form response rate. That workshop should be held as soon as possible.
4. Solix, Inc. shall send letters to all customers who were sent verification notices since July 1, 2006, but did not return the forms. The letter will inform those customers that they will be temporarily reinstated on the California Lifeline program, with full reinstatement pending verification at a later date.
5. Interested parties may file and serve comments on this ACR by noon on Monday, November 6, 2006. Such comments shall be served and filed electronically and shall be limited to five pages.

Dated November 1, 2006, at San Francisco, California.

/s/ DIAN M. GRUENEICH

Dian M. Grueneich
Assigned Commissioner

R.04-12-001 DGX/KAJ/hkr **SERVICE LIST**

***** APPEARANCES *****

Josephine Wong
APEX TELECOM INC.
PO BOX 1917
OAKLAND CA 94604

C. Hong Wong
APEX TELECOM, INC.
113 10TH STREET
OAKLAND CA 94607
(510) 521-2771
hongwong@apexglobalnet.com

Anna Kapetanakos
Attorney At Law
AT&T CALIFORNIA
525 MARKET STREET, ROOM 2024
SAN FRANCISCO CA 94105
(415) 778-1480
anna.kapetanakos@att.com

Greta Banks
DORETTA DEA
AT&T COMMUNICATIONS OF CALIFORNIA
525 MARKET STREET, 18TH FLOOR, 4
SAN FRANCISCO CA 94105
(415) 778-1271
greta.banks@att.com

Brian Plackis Cheng
BLUE CASA COMMUNICATIONS
911 OLIVE STREET
SANTA BARBARA CA 93101
finance@bluecasa.com

Linda Burton
DEBBIE BEHIE
PO BOX 219
OAKHURST CA 93644
(559) 642-0229
lindab@stcg.net

Joleen Hogan
LORRIE BERNSTEIN
CAL-ORE TELEPHONE COMPANY
PO BOX 847
DORRIS CA 96023
joleen@cot.net

Yvonne Smythe
CALAVERAS TELEPHONE COMPANY
PO BOX 37
COPPEROPOLIS CA 95228
(209) 785-2211

Kimberly Kretchmer
CITIZENS TELECOM COS OF CA/GS/TU
180 S. CLINTON AVENUE
ROCHESTER NY 14646-0400
Kimberly.Kretchmer@frontiercorp.com

Margarita Gutierrez
Deputy City Attorney
CITY AND COUNTY OF SAN FRANCISCO
1 DR. CARLTON B. GOODLETT PLACE, RM. 375
SAN FRANCISCO CA 94102
(415) 554-4632
margarita.gutierrez@sfgov.org

John A. Gutierrez
COMCAST
12647 ALCOSTA BOULEVARD, SUITE 200
SAN RAMON CA 94544
(925) 973-7214
john_gutierrez@cable.comcast.com
For: COMCAST PHONE OF CALIFORNIA LLC

Mark P. Schreiber
E. GARTH BLACK, SEAN P. BEATTY,
Attorney At Law
COOPER, WHITE & COOPER, LLP
201 CALIFORNIA STREET, 17TH FLOOR
SAN FRANCISCO CA 94111
(415) 433-1900
mschreiber@cwclaw.com
For: SureWest Telephone and SureWest Tele Video

Patrick M. Rosvall
E. GARTH BLACK, JEFFREY F. BECK
Attorney At Law
COOPER, WHITE & COOPER, LLP
201 CALIFORNIA STREET, 17TH FLOOR
SAN FRANCISCO CA 94111
(415) 433-1900
prosvall@cwclaw.com
For: The Small LEC's

Latanya Linzie
COX CALIFORNIA TELCOM, L.L.C.
2200 POWELL STREET, SUITE 1035
EMERYVILLE CA 94608
(510) 923-6220
LaTanya.Linzie@cox.com

Melissa W. Kasnitz
MAZEN BASRAWI
DISABILITY RIGHTS ADVOCATES
2001 CENTER STREET, THIRD FLOOR
BERKELEY CA 94704-1204
(510) 665-8644
pucservice@dralegal.org
For: DISABILITY RIGHTS ADVOCATES

Eric Wolfe
Regulatory
DUCOR TELEPHONE COMPANY
PO BOX 42230
BAKERSFIELD CA 93384-2230
For: DUCOR TELEPHONE COMPANY

W. Lee Biddle
Attorney At Law
FERRIS & BRITTON, P.C.
401 WEST A STREET, SUITE 1600
SAN DIEGO CA 92101
(619) 233-3131
lbiddle@ferrisbritton.com

Edward J Schneider, Jr
FORESTHILL TELEPHONE CO., INC.
4655 QUAIL LAKES DR.
STOCKTON CA 95207
ejs@ejschneider.com

Linda Cooper
GLOBAL VALLEY NETWORKS, INC.
4918 TAYLOR COURT
TURLOCK CA 95380

John L. Clark
Attorney At Law
GOODIN MACBRIDE SQUERI RITCHIE & DAY
LLP
505 SANSOME STREET, SUITE 900
SAN FRANCISCO CA 94111
(415) 765-8443
jclark@gmssr.com
For: BLUE CASA COMMUNICATIONS

Gail Long
Telephone Company
HAPPY VALLEY/HORNITOS/WINTERHAVEN
PO BOX 1566
OREGON OR 97045
gail.long@tdstelecom.com

Erin Dawley
HORNITOS TELEPHONE COMPANY
PO BOX 5158
MADISON WI 53705-0158

Dave Clark
GLENDA KOUNTZ
KERMAN TELEPHONE COMPANY
811 S MADERA AVE.
KERMAN CA 93630
dclark@kermantelephone.com

Enrique Gallardo
LATINO ISSUES FORUM
160 PINE STREET, SUITE 700
SAN FRANCISCO CA 94111
(415) 547-7550
enriqueg@lif.org

Louie De Carlo
Compliance Manager
MCI METRO ACCESS TRANSMISSION SERVICES
201 SPEAR STREET, 9TH FLOOR
SAN FRANCISCO CA 94105
louie.decarlo@mci.com

David Moriarty
MEDIA ONE/AT&T BROADBAND
550 CONTINENTAL BLVD.
EL SEGUNDO CA 90245

Lorrie Bernstein
MOSS ADAMS LLP
3121 WEST MARCH LANE, STE. 100
STOCKTON CA 95219-2303
lorrie.bernstein@mossadams.com
For: PINNACLES TELEPHONE COMPANY

Olivia B. Wein
Attorney At Law
NATIONAL CONSUMER LAW CENTER
1001 CONNECTICUT AVE., NW., STE. 510
WASHINGTON DC 20036
(202) 452-6252
For: NATIONAL CONSUMER LAW CENTER

Jeff Schnur
NECA SERVICES, INC.
80 S. JEFFERSON ROAD
WHIPPANY NJ 07981
(973) 884-8383
jschnur@necaservices.com

Lynne Martin
PAC-WEST TELECOMM, INC.
1776 MARCH LANE, SUITE 250
STOCKTON CA 95207
lmartin@pacwest.com

Peter M. Hayes
General Manager
PACIFIC BELL TELEPHONE COMPANY
140 NEW MONTGOMERY ST., RM 922
SAN FRANCISCO CA 94105
(415) 542-7824
peter.hayes@sbc.com

Lorrie Bernstein
PINNACLES TELEPHONE COMPANY
340 LIVE OAK ROAD
PAICINES CA 95043-9998

Karl Andrew
Regulatory Affairs
SAGE TELECOM, INC.
805 CENTRAL EXPRESSWAY SO, STE 100
ALLEN TX 75013-2789

Robert B. Ryan
SBC
140 NEW MONTGOMERY, ROOM 1909
SAN FRANCISCO CA 94105

Joy C. Yamagata
Regulatory Case Manager
SEMPRA UTILITIES
8330 CENTURY PARK COURT
SAN DIEGO CA 92123
(858) 654-1755
JYamagata@semprautilities.com

Peter Glass
STEVE BEATTY
SEREN INNOVATIONS, INC.
15 SOUTH 5TH STREET, STE 500
MINNEAPOLIS MN 55402
Peter.M.Glass@xcelenergy.com

Glenn Stover
CAMILLE ESTES
Attorney At Law
STOVER LAW
221 MAIN STREET, SUITE 800
SAN FRANCISCO CA 94105-1906
(415) 495-7000
glenn@stoverlaw.net
For: Adir Internation Export Ltd. dba La Curacao

Gladys K. Strong
Specialist-Regulatory
600 HIDDEN RIDGE - HQE02E88
IRVING TX 75038
(972) 718-0626
gladys.strong@verizon.com
For: VERIZON CALIFORNIA INC.

Linda Lupton
Regulatory Manager
SUREWEST TELEPHONE
PO BOX 969
ROSEVILLE CA 95678
(916) 786-1677
l.lupton@sureswest.com

Sean Wilson
TALK.COM
12020 SUNRISE VALLEY, STE.250
RESTON VA 20191

Sharon Thomas
TECHNOLOGIES MANAGEMENT, INC.
210 N. PARK AVE.
WINTER PARK FL 32789
(407) 740-8575
sthomas@tminc.com
For: Talk America Inc.

Jeff Compton
Vice Resident Carrier Relations
TELSCAPE COMMUNICATIONS INC.
606 EAST HUNTINGTON DRIVE
MONROVIA CA 91016
(626) 415-1016
jcompton@telscape.net

Chris Vaeth
Attorney At Law
THE GREENLINING INSTITUTE
1918 UNIVERSITY AVE., 2ND FLOOR
BERKELEY CA 94704
(510) 926-4026
chrisv@greenlining.org
For: THE GREENLINING INSTITUTE

Dan Douglas
MINDY DUALL
THE PONDEROSA TELEPHONE CO.
PO BOX 21
O'NEALS CA 93645
dand@ponderosatel.com

James Lowers
DENISE REYNOLDS
THE SISKIYOU TELEPHONE COMPANY
PO BOX 157
ETNA CA 96027
jtlowers@sisqtel.net

Christine Mailloux
Attorney At Law
THE UTILITY REFORM NETWORK
711 VAN NESS AVENUE, SUITE 350
SAN FRANCISCO CA 94102
(415) 929-8876
cmailloux@turn.org
For: THE UTILITY REFORM NETWORK

Regina Costa
THE UTILITY REFORM NETWORK
711 VAN NESS AVENUE, SUITE 350
SAN FRANCISCO CA 94102
(415) 929-8876 X312
rcosta@turn.org
For: THE UTILITY REFORM NETWORK

Rose Cullen
THE VOLCANO TELEPHONE COMPANY
PO BOX 1070
PINE GROVE CA 95665-1070

Kristie Flippo
TIME WARNER CONNECT
15303 DALLAS PARKWAY, SUITE 610
ADDISON TX 75001
kristie.flippo@twtelecom.com

Mary Pharo
VAR TEC TELECOM, INC.
1600 VICEROY DRIVE
DALLAS TX 75235

Jacque Lopez
Legal Assistant
VERIZON CALIFORNIA INC
CA501LB
112 LAKEVIEW CANYON ROAD
THOUSAND OAKS CA 91362
(805) 372-6664
jacque.lopez@verizon.com

Lorraine A. Kocen
VERIZON CALIFORNIA INC.
112 S. LAKEVIEW CANYON ROAD
THOUSAND OAKS CA 91362
(805) 372-6945
lorraine.kocen@verizon.com
For: VERIZON CALIFORNIA INC.

Don Eachus
VERIZON CALIFORNIA, INC.
CA501LB
112 S. LAKE LINDERO CANYON ROAD
THOUSAND OAKS CA 91362
(805) 372-7276
don.eachus@verizon.com

Jesus G. Roman
VERIZON CALIFORNIA, INC.
112 S. LAKEVIEW CANYON ROAD, CA501LB
THOUSAND OAKS CA 91362
(805) 372-6233
jesus.g.roman@verizon.com
For: VERIZON CALIFORNIA, INC.

Sara A. Lauer
Verizon West Coast
VERIZON CALIFORNIA, INC.
600 HIDDEN RIDGE DR., E01E55
IRVING TX 75038-2092

Michael Morcom
VERIZON SELECT SERVICES, INC.
600 HIDDEN RIDGE, HQE01J016
IRVING TX 75038

Thalia R. Gietzen
VYCERA COMMUNICATION, INC.
12750 HIGH BLUFF DR., STE.200
SAN DIEGO CA 92130-2565

Dale Dixon
Attorney At Law
VYCERA COMMUNICATIONS, INC.
12750 HIGH BLUFF DRIVE, SUITE 200
SAN DIEGO CA 92129
(858) 792-2400
ddixon@vycera.com

Ross A. Buntrock
WOMBLE CARLYLE SANDRIDGE & RICE PLLC
1401 EYE STREET, N.W. SEVENTH FLOOR
WASHINGTON DC 20005
(202) 857-4479
rbuntrock@wcsr.com
For: FONES4ALL

***** STATE EMPLOYEE *****

Natalie Billingsley
Division of Ratepayer Advocates
RM. 4108
505 VAN NESS AVE
San Francisco CA 94102 3298
(415) 703-1368
nxb@cpuc.ca.gov

Karen A. Degannes
Energy Division
AREA 4-A
505 VAN NESS AVE
San Francisco CA 94102 3298
(415) 703-2575
kdg@cpuc.ca.gov

Hazlyn Fortune
Energy Division
AREA 4-A
505 VAN NESS AVE
San Francisco CA 94102 3298
(415) 703-1809
hcf@cpuc.ca.gov

Jessica T. Hecht
Consumer Service & Information Division
RM. 2013
505 VAN NESS AVE
San Francisco CA 94102 3298
(415) 703-2280
jhe@cpuc.ca.gov

Karen Jones
Administrative Law Judge Division
RM. 2106
505 VAN NESS AVE
San Francisco CA 94102 3298
(415) 703-1483
kaj@cpuc.ca.gov

Mark A Vandervelden
Division of Strategic Planning
RM. 5119
505 VAN NESS AVE
San Francisco CA 94102 3298
(415) 703-2329
mav@cpuc.ca.gov

Donna L. Wagoner
Water Division
AREA 3-C
505 VAN NESS AVE
San Francisco CA 94102 3298
(415) 703-1942
dlw@cpuc.ca.gov

Josie Webb
Energy Division
AREA 4-A
505 VAN NESS AVE
San Francisco CA 94102 3298
(415) 703-1966
wbb@cpuc.ca.gov

Sean Wilson
Water Division
AREA 3-C
505 VAN NESS AVE
San Francisco CA 94102 3298
(415) 703-1818
smw@cpuc.ca.gov

Angela Young
Information & Management Services Divisi
AREA 3-E
505 VAN NESS AVE
San Francisco CA 94102 3298
(415) 703-2837
ayy@cpuc.ca.gov

***** INFORMATION ONLY *****

Esther Northrup
COX CALIFORNIA TELCOM
5159 FEDERAL BLVD.
SAN DIEGO CA 92105
(619) 266-5315
esther.northrup@cox.com
For: COX CALIFORNIA TELCOM

Suzanne Toller
Attorney At Law
DAVIS WRIGHT TREMAINE LLP
505 MONTGOMERY STREET, SUITE 800
SAN FRANCISCO CA 94111-6533
(415) 276-6500
suzannetoller@dwt.com

Bettina Cardona
President
FONES4ALL CORPORATION
6320 CANOGA AVE, SUITE 650
WOODLAND HILLS CA 91367
(818) 615-0100
bettina@fones4all.com

Joe Chicoine
Manager, State Government Affairs
FRONTIER COMMUNICATIONS
PO BOX 340
ELK GROVE CA 95759
(916) 686-3588
jchicoine@czn.com

Margaret L. Tobias
Attorney At Law
TOBIAS LAW OFFICE
460 PENNSYLVANIA AVENUE
SAN FRANCISCO CA 94107
(415) 641-7833
marg@tobiaslo.com

Charles E. Born
Manager-State Government Affairs
FRONTIER, A CITIZENS TELECOMMUNICATIONS
PO BOX 340
ELK GROVE CA 95759
(916) 686-3570
cborn@czn.com

Gina Gomez
VERIZON BUSINESS
201 SPEAR ST., 9TH FLOOR
SAN FRANCISCO CA 94105
(415) 228-1245
garciela.gomez@verizonbusiness.com

Glenda Kountz
Regulatory Assistant
KERMAN TELEPHONE CO.
811 S. MADERA AVENUE
KERMAN CA 93630
(559) 846-4872
gkountz@kermantelephone.com

Law Department File Room
PACIFIC GAS AND ELECTRIC COMPANY
PO BOX 7442
SAN FRANCISCO CA 94120-7442
cpuccases@pge.com

Julie Weigand
RICHARD HEATH AND ASSOCIATES, INC.
590 W. LOCUST AVENUE, SUITE 103
FRESNO CA 93650
(559) 447-7000
julie@rhainc.com

Adrienne M. Mercer
Regulatory Compliance Analyst
SAGE TELECOM, INC.
805 CENTRAL EXPRESSWAY S, STE 100
ALLENT TX 75013
(972) 747-4004
ADmercer@sagetelecom.net

Robert Gnaizda
Policy Director/General Counsel
THE GREENLINING INSTITUTE
1918 UNIVERSITY AVENUE, SECOND FLOOR
BERKELEY CA 94704
(510) 926-4006
robertg@greenlining.org

(END OF SERVICE LIST)