

**Uniform Regulatory Framework
R.05-04-005 Phase II
Report of the
December 12, 2006
Monitoring Report Workshop**

**Telecommunications Division
Market Structure Branch**

January 18, 2007

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R.05-04-005 Phase II
Monitoring Report Workshop**

This report¹ memorializes the results of the Uniform Regulatory Framework (URF) Monitoring Report Workshop (workshop) that was held on December 12, 2006 at the California Public Utilities Commission (CPUC or Commission) pursuant to: a) the URF Phase 1 decision (D.)06-08-030, hereafter referred to as the Phase 1 decision, b) the November 9, 2006 Assigned Commissioner's Ruling, and c) the November 16, 2006 Assigned Commissioner's Ruling (ACR). This report also includes a summary of the workshop discussion covering the specific subjects directed to be addressed by the Assigned Administrative Law Judge (ALJ), Karl Bemserderfer in his opening statement at the beginning of the workshop. A list of the parties attending the workshop in person or via teleconference bridge is attached to this report as Attachment A.

I. Purpose of Workshop

The Phase I decision states that Phase II shall determine what information and what reports can best meet the Commission's needs in the new competitive environment and enable the Commission to fulfill its statutory obligations, while avoiding the collection of data that imposes asymmetric or unnecessary costs on only certain market competitors. The Commission stated that those parties who propose reporting requirements should include in the proposal an analysis showing that the projected benefits of producing the report outweigh the costs of providing the report. The Commission decided that workshops provide the appropriate venue for initiating an investigation into Commission needs, public benefits and reporting costs. (D.06-08-030, Mimeo, p.210)

Subsequently, the Assigned Commissioner Rachelle Chong issued an ACR on November 9, 2006 (and modified on Nov. 16, 2006) directing each carrier, who is a party to Rulemaking (R.) 05-04-005, to file with the Commission and to serve on the other parties a comprehensive list of all reports currently filed with the FCC or this Commission by or on behalf of the carrier that relate to service offered within California. Each carrier was also directed to provide a copy of the list to the assigned Commissioner and the assigned Administrative Law Judge (ALJ). This ACR also set forth the December 12, 2006 date for the workshop and directed parties to discuss the form and content of the list of reports, the manner in which such reports are created, and the information they are designed to capture at the workshop.

¹ TD e-mails this workshop report to the services list (R.05-04-005) without Attachments B (Copies of the Lists of Reports and Examples of Reports Submitted by Carriers) and C (Parties' Statements and Question Lists) due to the electronic sizes of these attachments. TD is making this workshop report with all Attachments available on the Commission website.

**Uniform Regulatory Framework
R.05-04-005 Phase II
Monitoring Report Workshop**

Pursuant to the November 16, 2006 ACR, carriers filed their list of reports filed with FCC and the Commission on November 21, 2006. AT&T identified a combined list of 71 FCC and CPUC reports, Verizon identified 90 reports, SureWest and Frontier each has approximately 30 reports, the Competitive Local Carriers' (CLCs)' list is approximately 20 reports.² Sprint Nextel was the only active wireless carrier participant, who filed a list of 5 reports.³

II. Reports and Issues Discussed at the Workshop

Prior to the workshop, parties were given an opportunity to exchange e-mails to identify reports and issues associated to those reports that were believed to be the most important for workshop discussion purpose. DRA, TURN, and Cox sent out statements and identified a few reports they wished to discuss first.⁴ ILEC carriers also noted their desire to go through FCC reports first so that they could more efficiently utilize their east coast personnel.

At the workshop, parties representing consumer interests indicated an interest for obtaining disaggregated data with more detail than the state level so that the Commission may have uniform and consistent data from different types of carriers for monitoring purposes. They expressed the viewpoint that there is a need for one standard geographical unit to measure number of subscription lines or other data that is more granular than the state level to have data that is consistently reported on a comparable basis across all types of carriers and all technologies to facilitate evaluating the status of competition in various areas in California. They argued that this level of detailed data would help the Commission to better focus on specific areas needed to monitor geographic price de-averaging, would provide the basis for evaluating market responses to price changes, affordability, customers, and market power. There were four FCC reports identified as being of specific interest by DRA/TURN and discussed in the Workshop.

A. Reports Discussed:

² Most CLCs deferred to the list filed by CALTEL.

³ Copies of the lists of reports and examples of reports submitted by parties are attached to the workshop report, posted on the Commission's website, as Attachments B.

⁴ Parties' statements and question lists are attached to the workshop report, posted on the Commission's website, as Attachment C.

**Uniform Regulatory Framework
R.05-04-005 Phase II
Monitoring Report Workshop**

- 1) FCC Form 477 – “Local Telephone Competition and Broadband Reporting” – FCC currently collects some data (whether the carriers offer broadband service and whether the carriers offer voice-grade [e.g. traditional wireline style]-equivalent lines or wireless channels) on a 5-digit zip code basis.
- Virtually the entire morning session of this workshop focused on this report.
 - TURN and DRA asked carriers whether they could expand this reporting to include actual counts of broadband connections and/or voice-grade equivalent lines by either 5-digit zip code or, preferable, 9-digit zip code. TURN/DRA desire to have disaggregate data at the 5 digit or preferably 9 digit zip code level in order to be able to have symmetric and consistent data from different types of service providers for competition and affordability of service comparison.
 - The conclusions drawn from the discussions were:
 - Each carrier uses somewhat different systems to gather the information and produce the reports.
 - All carriers asserted that 9-digit reporting was either impossible or prohibitively expensive.
 - Some ILECs claimed that it would be costly or difficult to expand the current 5-digit reporting to include line counts per zip code.
 - The majority of CLCs and Frontier stated that their systems are not set up to generate the 5-digit zip level detail data.
 - ILECs collect data on a wire center basis. However, CLCs (including intermodal competitors such as Cox and Sprint Nextel) stated that they do not collect data about customer connections in a format that corresponds to ILECs’ wire center basis.
 - Sprint Nextel (wireless provider) indicated that they cannot readily determine the location in which a customer plans to use their phone because neither the customer billing address nor the area code of the customer’s cell phone number is necessarily indicative of the customer’s service location.
 - Cox is the only carrier that stated 5 digit zip information would be possible.
 - No carrier responded to DRA/TURN’s inquiries regarding any other possible geographically disaggregated data for the Commission to use to monitor the competition status in

Prepared by the Telecommunications Division

**Uniform Regulatory Framework
R.05-04-005 Phase II
Monitoring Report Workshop**

California, which is especially important concerning competition in rural areas.

- Form 477, part I.B, requires an estimate of the percentage of residential customers in each carrier's service area that is capable of supporting xDSL or cable modem service. It appears that carriers are able to identify the maximum speed the customers subscribed to, but the carriers stated that they were unable to verify the actual speed experienced by customers.

2) FCC Form 499A – “Annual Report of Revenues”

- The conclusions drawn from the discussions were:
 - Verizon filed 499-A on a legal entity level, which include California, Arizona and Nevada. It is able to disaggregate data at a California state level.
 - The other 3 ILECs filed 499-A on a California basis.
 - Cox and Arrival also report it on California basis, CALTEL will check with its members.
 - It appears that all carriers are able to provide revenue data at the state level.

3) FCC Urban Rate Study: contains residential and business basic rate information for selected urban areas.

- The conclusions drawn from the discussions were:
 - FCC selected several urban areas and asked AT&T to file these reports.
 - AT&T's rates shown in these reports are basically the tariff rates.
 - No additional comments were offered by other ILECs or any other CLC's at the workshop. It is not clear to TD if AT&T is the only carrier who files such reports or not.

4) FCC Annual Certification of Rate Averaging and Rate Integration: Filed in compliance with TA 96, Section 254(g)

- The conclusions drawn from the discussions were:
 - This report is required for the long distance carriers only. So, parties concluded that this is not relevant for monitoring local services.

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**Uniform Regulatory Framework
R.05-04-005 Phase II
Monitoring Report Workshop**

5) CPUC – NRF Affordability Studies

- Previously these studies were only provided by AT&T and Verizon using a third party consultant. These studies were prepared on a census block group basis, disaggregated by income.
- AT&T and Verizon asserted that submitting affordability studies had been “eliminated” per the URF Decision.
- The conclusions drawn from the discussions were:
 - There was no common understanding of what is meant by the term “affordable” and there is no common definition of affordable for all technologies and modes.
 - The issue of what are possible indicators to track “affordability” was discussed. A couple carriers suggested reviewing customer subscription levels and changes in subscription price.
 - There were no suggestions offered by carriers on how the CPUC can monitor affordability.

B. Additional Subjects Discussed:

- 1) Alternatives to Carriers’ FCC Reports for use by CPUC for monitoring the industry on a consistent and symmetric basis across different types of providers and different types of technologies:
 - DRA raised the possibility that carriers might already revise their systems to satisfy AB 2987 state video franchise reporting requirement, which would be on a census block basis. Verizon and AT&T are currently investigating the issue. Frontier did not expect to seek statewide video franchise in the near future. Surewest is still awaiting clarification of AB 2987 reporting requirements. In any event, the reports will not become available until April 2008. It is TD’s understanding that if carriers need to report data on the census block basis, it may be used in lieu of 5-digit zip code geographical level data.
 - DRA also raised the possibility at hiring independent third party consultant to survey consumers in order to monitor affordability and/or availability of telecommunications services, and the status competition at various geographical areas in California. This suggestion raised several attendant issues: Who should oversee the consultants’ work? Who is responsible for the costs? The carriers indicated their unwillingness to bear this cost responsibility.

Prepared by the Telecommunications Division

**Uniform Regulatory Framework
R.05-04-005 Phase II
Monitoring Report Workshop**

- Carriers suggested that the CPUC staff search the web to collect the telecommunication service offering and prices by carriers in the actual market place.
 - Carriers also suggest that the CPUC subscribe to commercial publications to monitor telecommunications services and prices.
 - Census Bureau publishes subscription data. (However, census data may not be recent enough for CPUC monitoring.)
 - DRA also asked the possibility of using E-911 database⁵ to develop geographically disaggregated data concerning competition. No carriers at the workshop addressed this possibility.
- 2) Carriers' view of the list of reports they filed with the FCC or the CPUC that was filed pursuant to Nov. 9, 2006 ACR:
- AT&T believes its lists are complete, post URF filing requirements.
 - Verizon, Surewest and Frontier: The filed lists are what they currently filed with FCC and CPUC, but it does not mean that they agree that all those reports are required to be filed on an ongoing basis.
- 3) DRA raised a question regarding how CPUC should develop the starting point post URF to establish the benchmark for future trend comparison. There were no suggestions or answers provided.

C. Discussion of Issues to be Discussed in the Workshop per the ALJ's Opening Statement:

- 1) Parties should identify the purpose of the FCC reports:
 - Not much discussion, but a suggestion was offered that the CPUC review the FCC website to learn purpose of the FCC reports.
- 2) Parties should discuss the level that reports are produced (e.g., consolidated, state, etc.):
 - No consistency between carriers existed.
 - Some carriers utilize multiple states, whereas others do not.
 - Some reports utilize combined type technology (wire line, wireless, ILEC, CLC).

⁵ The data collected should be on an aggregate level without revealing any individual customer's record.

**Uniform Regulatory Framework
R.05-04-005 Phase II
Monitoring Report Workshop**

- 3) Would FCC reports be useful for CPUC monitoring purposes? Can reports be used by CPUC?
- FCC reports do not provide comparable data on a consistent basis between types of carriers and types of technologies due to different reporting units for different types of technologies (wire line, wireless, ILEC/CLC, cable). Hence, FCC reports would not be useful in their current form.
 - It would be costly for carriers to modify their systems in order to produce a report geared for California results.
- 4) Suggestions on what CPUC's monitoring objectives should be, and what type of data can achieve these objectives.
- No response from carriers.
 - DRA/TURN suggested the following types of data are necessary to be monitored:
 - access or subscription rates to services at geographic area level for mass market customers (residential and small business customers)
 - price lists for services to validate economic theory regarding whether competition is working effectively

DRA/TURN also offered the following data sources/measurements:

- Modification of carriers' reporting system to generate 5-digit ZIP level data
- Developing data on census block basis as needed for video franchise reporting
- Investigating the possibility of using E-911 data.

III. Summary of Conclusions

- 1) FCC reports may not be useful for CPUC monitoring purposes under URF because carriers do not have one standard geographical unit of measurement to have data that is consistently reported on a comparable basis across all carriers and all technology providers to facilitate evaluating the status of competition, evaluating market responses to price changes, affordability to customers, and market power in various areas in California.
- 2) System modifications to generate California system reports or to standardize measurement basis may be very costly for carriers.

Prepared by the Telecommunications Division

**Uniform Regulatory Framework
R.05-04-005 Phase II
Monitoring Report Workshop**

- 3) No agreements were reached on specific monitoring reports to use under URF.
- 4) The ALJ's request for suggestions as to what the Commission's monitoring objectives should be and what types of data can achieve these objectives were not adequately addressed at the December 12, 2006 workshop. The Assigned Commissioner's December 21, 2006 scoping ruling scheduled another workshop to take place on February 16, 2007. At that workshop, parties are reminded that they need to work cooperatively to develop proposals that address the ALJ's request at the December 12, 2006 workshop.

Attachment A -

<http://www.cpuc.ca.gov/PUBLISHED/GRAPHICS/63802.PDF>

Attachment B -

<http://www.cpuc.ca.gov/PUBLISHED/GRAPHICS/63803.PDF>

Attachment C -

<http://www.cpuc.ca.gov/PUBLISHED/GRAPHICS/63804.PDF>