STATE OF CALIFORNIA ARNOLD SCHWARZENEGGER, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

December 31, 2004

TO: PARTIES OF RECORD IN RULEMAKING 03-08-018

Decision 04-12-022 was mailed on December 6, 2004, without the dissent of Commissioner Wood. Attached herewith is the dissent.

Very truly yours,

/s/ ANGELA K. MINKIN
Angela K. Minkin, Chief
Administrative Law Judge

ANG:mnt

Attachment

Dissenting Opinion of Commissioner Carl Wood
Item #42 – Interstate Carrier Excess Charges

In August of 2003, I supported the opening of this docket because I thought it was important for this Commission to review access charges that had been set in 1993, for both equity and policy reasons. The market for long distance and local service has changed dramatically since we opened the rulemaking. In August of last year, SBC was just entering the long distance market and the rules governing access to unbundled network elements were still very much in flux. Today, SBC has captured a significant proportion, if not the majority, of long distance customers. Competitors' access to unbundled network elements is looking very bleak and we recently raised UNE rates. When the rulemaking was issued, I found the argument that high access charges inhibit long distance companies competing against SBC compelling. Since that time, SBC has captured a large share of the long distance market with rates that are, at best, only slightly lower than other carriers. I conclude that many customers were more motivated by consolidated billing and the SBC brand name than by price alone.

All of this is to say that I think the Commission is wasting its time in reviewing access charges. Lowering access charges may provide some cost relief for non-SBC affiliated long distance companies, but it won't "level" the playing field. SBC retains a huge advantage with its brand name and its unparalleled access to customers by providing their local service.

In theory, if we lower access charges, long distance carriers should reduce their intrastate rates. I say in theory because I believe that many long distance companies will not lower rates immediately because their revenues are already significantly lower than even a year ago. Long distance is a declining revenue industry in which carriers will be hard pressed to lower revenue even further by reducing rates.

Intrastate long distance rates are routinely available for 7 to 10 cents per minute. If rates were to decrease by 2 to 3 cents per minute as result of lower access charges, I do not think that consumers would either dramatically increase their long distance usage or notice a sizable change in their phone bills. High volume customers already avail themselves of discounted plans with 3, 4 and 5 cent per minute rates. Lower volume customers probably will not make more intrastate calls for reasons unrelated to price. So, what is the big benefit for consumers? I think consumers would be better served by us using our limited resources to examine service quality, vigorously enforce consumer protections, and prevent fraud. Because the majority opinion reaches an opposite conclusion, I dissent.

/s/ CARL WOOD
Carl Wood
Commissioner

San Francisco, California
December 2, 2004