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TO PARTIES OF RECORD IN RULEMAKING R.09-06-019.

This is the proposed decision of Commissioner Michael R. Peevey. It will not appear on the Commission's agenda sooner than 30 days from the date it is mailed. The Commission may act then, or it may postpone action until later.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision as provided in Article 14 of the Commission's Rules of Practice and Procedure (Rules), accessible on the Commission's website at www.cpuc.ca.gov. Pursuant to Rule 14.3, opening comments shall not exceed 15 pages.

Comments must be filed pursuant to Rule 1.13 either electronically or in hard copy. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. Electronic and hard copies of comments should be sent to ALJ Thomas R. Pulsifer at trp@cpuc.ca.gov and Commissioner Peevey's advisor Lester Wong at lj@cpuc.ca.gov. The current service list for this proceeding is available on the Commission's website at www.cpuc.ca.gov.

/s/ MARYAM EBKE for KVC
Karen V. Clopton, Chief
Administrative Law Judge

KVC:lil

Attachment

Decision **PROPOSED DECISION OF PRESIDENT PEEVEY**

(Mailed 11/15/2011)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding
Revisions to the California High Cost
Fund B Program.

Rulemaking 09-06-019
(Filed June 18, 2009)

DECISION ADOPTING BASIC TELEPHONE SERVICE REVISIONS

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DECISION ADOPTING BASIC TELEPHONE SERVICE REVISIONS**1. Introduction**

By this decision, we adopt an updated definition of basic telephone service requirements as set forth in Appendix A. Although today's telecommunications marketplace offers an increasingly diverse range of products and technology options to consumers, the scope of this decision addresses only those basic telecommunications services, defined as those services essential to meet universal service needs.¹ Although the term "basic telephone service" appeared in many Commission decisions over the years, the Commission formally defined what the term meant for the first time in D.96-10-066. As stated in D.96-10-066, a uniform definition of basic service is important so that all residential telephone customers, no matter where they live in California, can expect a certain minimum level of service. Our updated basic service definition shall apply to any telephone corporation serving as Carrier of Last Resort (COLR) and/or offering Universal Lifeline Telephone Service within California.²

¹ The principles underlying the California Public Utilities Commission's (CPUC or Commission) universal telephone service goals within a competitive environment are set forth in detail in D.95-07-050 (60 CPUC2d, 536, 546-547.)

² A "telephone corporation" is defined in Public Utilities Code Sec. 234 to include every corporation or person owning, controlling, operating, or managing any telephone line (with or without the use of transmission wires) for compensation within California. The Commission's jurisdiction applies only to those entities defined as "telephone corporations." As of this date, the Commission has not made any determination as to whether an entity offering Voice over Internet Protocol (VoIP) is a "telephone corporation" under Sec. 234. "Nomadic" VoIP service can be used by connecting with a broadband internet connection anywhere in the world to place a call. In contrast, "fixed" VoIP service describes the use of the same technology, but in a way where the service is used from a fixed location.

Footnote continued on next page

Under Commission rules set forth in Decision (D.) 96-10-066, COLR status is required to receive California High Cost Fund-B (CHCF-B or B-Fund) support.³ The CHCF-B program supports the Commission's universal service goal to keep basic telephone service affordable. A COLR must offer basic service to all residential customers within its designated service territory, including those areas that are more costly or difficult to serve. Prior to the B-Fund, a system of implicit cross-subsidies kept basic rates affordable.⁴ By replacing these implicit subsidies with an explicit subsidy fund, the CHCF-B was designed to facilitate competitive pricing for services other than basic service, while preserving the affordability of essential basic service.

Another important universal service program designed to preserve the universal availability of basic telephone service at affordable prices is Universal

On June 15, 2006, the Commission issued D.06-06-010, stating that since the FCC had determined that it is charged with the role of determining the appropriate regulatory framework for VoIP and is exercising its authority, it was premature for this Commission to assess what our regulatory role over VoIP will be. (D06-06-010 at 3). Consequently, pending further action by this Commission to determine whether a provider of VoIP is a "telephone corporation" for purposes of Sec. 234, none of the provisions in this decision apply to VoIP service.

³ The rights and responsibilities of a carrier of last resort are set forth in D.96-10-066, Appendix A. 4. D. attached hereto as Appendix C. Pursuant to Public Utilities (Pub. Util.) Code Section (§) 739.3, the CHCF-B was established in 1996 as part of a broader policy to ensure that universal telephone service continued to be available as local markets were opened to competition.

⁴ Because the Incumbent Local Exchange Carriers (ILECs) basic rates were set based upon an average between high and low cost areas, including profitable and less-profitable areas, basic residential rates in High Cost areas were internally subsidized by revenues from more profitable exchanges, subsidies between product lines, and from other sources of revenues. (See D.95-07-050; 60 CPUC 2d, 536, 546.)

Lifeline Telephone Service.⁵ Any carrier that seeks Lifeline support must offer all of the basic service elements as defined in Appendix A.

A comprehensive definition of “basic telephone service” was last adopted in D.96-10-066. Pursuant to Public Utilities (Pub. Util.) Code Section (§) 1708, by ruling dated May 28, 2008, parties in R.06-06-028 were served notice with opportunity to comment that basic service definitions in D.96-10-066 may be modified.⁶

The definition of basic service was established in the mid-1990s, and has not been updated until now. When the Commission last adopted a basic service definition, competition within the wireline local exchange market had not yet fully commenced. Wireless service subscriptions were still nascent, and Voice Over Internet Protocol services were not readily available to residential consumers. The definition adopted in D.96-10-066 was based on wireline

⁵ The LifeLine program was established in 1984 (D.84-11-028) to comply with the Moore Universal Telephone Service Act, Pub. Util. Code §§ 871-884 as a means to provide affordable basic residential telephone service to low-income households.

⁶ Pub. Util. Code § 1708 states: “The commission may at any time, upon notice to the parties, and with opportunity to be heard as provided in the case of complaints, rescind, alter, or amend any order or decision made by it. Any order rescinding, altering, or amending a prior order or decision shall, when served upon the parties, have the same effect as an original order or decision.”

exchange technology offered by the large ILECs⁷, the small regional Local Exchange Carriers (LECs),⁸ and competitive local exchange carriers (CLECs).⁹

Today's decision updates the basic service definition, recognizing the increasing diversity of choices among communications technologies since the 1990s. Our updated definition is designed to promote competition by technological neutrality while preserving the essential consumer protections.

2. Procedural Background

This rulemaking (successor to Rulemaking (R.) 06-06-028) was instituted to reform the California High Cost Fund-B program (CHCF-B or B-Fund) program. This phase of the proceeding focuses on basic telephone service revisions on a statewide basis. The record underlying this decision was compiled through written comments, working group meetings, and public participation hearings. The California Public Utilities Commission (CPUC or Commission) undertook a review to update the definition of basic telephone service, initially in the context of instituting reforms to the B-Fund Program. On June 29, 2006, we opened R.06-06-028 to review and to institute reforms to the B-Fund program and to respond to concerns as to the size of the B-Fund.

⁷ An ILEC is a local telephone corporation that was the exclusive certificated local telephone service provider in a franchise territory established before the federal Telecommunications Act of 1996 and is now regulated under the Uniform Regulatory Framework, as established in D.06-08-030. (*See* Pub. Util. Code §§ 234 and 1001.)

⁸ The Commission regulates the small regional LECs through cost-of-service reviews as required by GO 96-B.

⁹ The Commission regulates competitive local exchange carriers under rules established in Rulemaking 95-04-043/Investigation 95-04-044.

In Decision (D.) 07-09-020, (in R. 06-06-028), the Commission adopted various reforms to the B-Fund program, including scaling back the magnitude of the B-Fund by imposing more restrictive eligibility thresholds for receiving B-Fund support and by reducing the number of regions eligible for B-Fund support. Although adopting these restrictions significantly reduced the number of regions eligible for B-Fund support, the remaining regions still eligible for support amounts are based on cost proxy data from 1996.

In D.96-10-066, the Commission identified high cost areas by estimating costs within “Census Block Groups” (CBGs) of the 1990 census where the cost of basic telephone service exceeded the system average cost in the territories of the large and mid-sized Local Exchange Carriers (LECs). Since these cost proxies were adopted more than 15 years ago, the state’s demographics, CBGs, communications technologies and costs of providing service in high-cost areas have changed considerably. As a result, as noted in D.07-09-020, the cost proxies used in the B-Fund support calculations may have grown increasingly outdated.

As a basis for continuing support in high cost areas, the Commission concluded in D.07-09-020 that a new approach was needed to determine relevant cost data for purposes of supporting the provision of basic service through the B-Fund. Rather than relying on technology-specific cost proxy models as a basis to determine high cost funding levels, we sought to move toward market-based approaches that are unbiased toward any particular carrier or technology.

The Commission thus sought to design and implement a reverse auction process whereby carriers would competitively bid for the right to receive B-Fund support. The Commission sought to rely upon competitive bids as a way to determine high-cost support instead of conducting and litigating cost studies.

Initial comments on reverse auction design issues were filed on November 9, 2007, with reply comments on November 28, 2007. By ruling dated December 13, 2007, Working Groups were established to formulate recommendations for a reverse auction process. Working Group progress reports were issued on February 21, 2008, and May 1, 2008.

The Working Groups requested Commission guidance on certain threshold issues before pursuing further discussions. Opening and reply comments on threshold issues were filed on June 24, 2008 and on July 15, 2008, respectively. The general consensus was that the first issue that required resolution was an updated definition of basic telephone service. The assigned Commissioner thus determined that an updated definition of “basic service” requirements should be resolved as a priority before proceeding further with steps to update the high-cost levels and support, whether by reverse auction or by other means.¹⁰

While the process to update the basic service definition continued, a successor rulemaking was opened on June 18, 2009. The successor rulemaking (R.09-06-019) was tasked with continuing with reform of the B-Fund program. In a ruling dated February 11, 2010, assigned Commissioner Bohn solicited comments on the advisability of continuing pursuit of a reverse auction, and concurrently issued proposed revisions to the basic service definition. The ruling also recognized the need to update the definition of basic telephone service in the

¹⁰ The question of whether to pursue implementation of a reverse auction remains a point of controversy. In this decision, we make no prejudgment concerning the merits of pursuing a reverse auction.

reform of the Lifeline program, but deferred consideration of Lifeline issues to the Lifeline Docket, R.06-05-028.

The assigned Commissioner Bohn subsequently determined ,however ,that rather than considering separate revisions to “basic service” for service in B-Fund regions versus for any statewide offering of Lifeline service, all revisions to basic service should be addressed comprehensively in R.09-06-019.¹¹ In this way, the effects on Lifeline, the B-Fund, and any other basic service obligations could be addressed in a coordinated manner.

By ruling dated December 24, 2010, a series of public participation hearings (PPHs) were scheduled at locations throughout California to provide an opportunity for public input on changes in the basic service definition. These PPHs were held during March 2011. On April 27, 2011, then Assigned Commissioner Peevey issued a revised draft proposal for basic service revisions. Parties filed comments on the draft proposal on May 16, 2011, and reply comments on May 31, 2011.

Comments on proposed basic service revisions have been filed by the incumbent LECs: Pacific Bell Telephone Company d/b/a AT&T California (AT&T), Verizon California Inc. (Verizon), SureWest Telephone (SureWest), and Citizens Telecommunications Company of California Inc, d/b/a Frontier Communications Company of California (Frontier). Comments were also filed by the small regional LECs and by parties representing other carriers’ interests including Sprint Nextel (Sprint), Time Warner Telecom of California, L.P (Time Warner), the California Cable and Telecommunications Association, Cox

¹¹ By Amended Scoping Memo issued on May 10, 2010.

California Telecom LLC (Cox), Omnipoint Communications, Inc. (dba T-Mobile), and Cricket Wireless.

Comments representing consumers' perspectives have been filed by the Division of Ratepayer Advocates (DRA), and jointly by The Utility Reform Network (TURN), Disability Rights Advocates (DisabRA), and the National Consumer Law Center (NCLC).

3. Overview of Revisions to Basic Service Definition

Based on the comprehensive record, we hereby adopt the revised definition of basic telecommunications service set forth in Appendix A of this decision. In revising the definition, we also consolidate the existing elements into a more concise listing.¹² Basic service must be offered on a nondiscriminatory basis to all residential households within the service provider's defined service territory. The basic service elements must be offered as a stand-alone option, but with the flexibility for the customer to subscribe to a larger bundle, including additional enhanced services, if so desired. The listed service elements must be offered by any carrier currently or in the future designated as a COLR, as well as any carrier seeking to qualify for high-cost and/or Lifeline support. For any carrier seeking to qualify for B-Fund support, the geographic coverage of the service area must be clearly defined, and consistent with the areas that currently receive B-Fund support.

¹² For ease of comparison between the service elements defined in D.96-10-066 and the revised list adopted in this decision, we provide a cross-reference of the prior and current elements by description and number in Appendix B of this decision.

As a framework for adopting basic service revisions, we apply guiding principles and criteria designed to:

- a. Consolidate and streamline existing listings of service elements.
- b. Apply technology-neutral terminology and definitions.
- c. Preserve standards necessary to meet essential universal service needs.

An appropriate definition of basic telecommunications service is fundamental in supporting the Commission's goal of universal service, grounded in essential consumer protections providing:

- a minimum level of telecommunications services available to virtually everyone in the state, i.e., there is ubiquitous presence of telecommunications services throughout the state, and
- that the rates for such services remain reasonable.

Consistent with our universal service goals, we previously defined basic service as consisting of those communications needs essential for participation in modern society. In D.95-07-050, we characterized basic service as the minimum level of service that consumers had come to expect, or services that are essential to all residential telephone customers. A provider can always offer more than what the basic service definition provides. (60 CPUC 2d, 536, 549).

Our revised definition continues to uphold these same guiding principles, preserving essential consumer protections while also being flexible to accommodate evolving technologies and differences in how service may be offered. The revised definition focuses on meeting the end-user customer's service needs rather than the specific technology used to provide it. Setting

an appropriate definition thus requires a balanced approach, as noted in D.96-10-066:

If the service definition is too narrowly drawn, some service elements that may be essential for participation in society may only be enjoyed by those who can afford it. Or, certain urban areas of the state may enjoy some essential service elements that customers in more rural areas may not have. In balancing what services elements should be included in the definition of basic service, the Commission must also be cognizant of the extra cost. If too broad of a definition is adopted, consumers may end up paying for services that they do not need or want.¹³

Although communications technologies and regulatory rules have evolved since 1996, consumers are still entitled to basic service elements essential for their participation in society. Different modes of technology may accommodate variations in how basic service is provided. A definition designed to be technologically and competitively neutral, however, does not require that all modes of technology provide basic service in identical fashion. The adopted definition must be broad enough to accommodate variations in service features and billing arrangements. As technology and network architecture varies, the trade-offs of competing basic service options may also vary. At the same time, a technology-neutral definition does not mean settling for the lowest common denominator of service standards. Allowing such degradation in standards would undermine principles of universal service. Essential basic needs, particularly among the most vulnerable segments of the customer base (e.g., the elderly, those with disabilities, low-income segments, etc.) must continue to be met consistent with the Commission's universal service policies.

Various parties argue that changes in technology and consumer behavior since the mid-1990s warrant eliminating service elements previously deemed essential for participation in society. To evaluate this argument, we consider the relevant data relating to the contemporary essential needs of consumers. Parties representing industry interests point to increasing numbers of consumers abandoning landline in favor of other communications technology alternatives, particularly wireless. Such parties infer that this trend toward use of wireless as a primary or sole source of communications indicates that residential consumers, in general, no longer require many currently available basic service elements.

Based on the growing use of wireless or broadband technologies, various carriers thus argue that existing basic service standards should no longer be required nor imposed. Verizon, for example, points to the diversity of products offered by wireless service in addition to mobility, including voice mail, texting and smart phones that provide broadband connectivity allowing music, video and other valued applications.

Verizon's recitation, however, blurs relevant distinctions between basic essentials and more diverse service options. We recognize that modern communication preferences and expectations among consumers reflect a diverse spectrum. The growing demand for this broader diversity of communications services is separate and distinct from the continuing need for essential basic service elements upon which a significant sector of consumers rely. The growing demand for music and video communications does not eliminate the need for basic service elements among those who rely upon them.

¹³ 68 CPUC2d; 542, 549

Likewise, the statistics showing increasing numbers of customers migrating toward wireless service does not negate the importance of existing basic service features for the majority of consumers. The relevant data source for identifying basic service needs is the 95% share of residential market penetration that represents the Commission's universal service goal. By contrast, less than 50% of California consumers have chosen to discontinue wireline service. While a growing number of consumers may be willing to give up some basic service elements in favor of wireless, this minority does not determine the preferences or needs of customers that continue to rely upon basic service.

The principles of universal service extend to all segments of the public, not just the technologically sophisticated whose calling needs may be met by wireless or other alternative technologies. In particular, many among the elderly, disabled, economically disadvantaged, or non-English-speaking sectors may exhibit different needs compared to younger, technologically sophisticated, or more affluent sectors. As expressed by speakers at the PPHs held during March 2011, more vulnerable sectors of the public are not prepared or equipped to forfeit current protections offered through wireline basic service. Also, consumers in urban settings with multiple telecommunications choices face different constraints compared with those residing in rural or remote regions with fewer or only one choice of provider for basic service.

For many, the choice is not an either-or alternative between wireline versus wireless. Most Californian consumers today own both a wireline and a wireless phone. Wireline and wireless services are more often complementary rather than complete substitutes for each other.

As noted in the Federal Communications Commission's (FCC) most recent report on wireless markets, for the first half of 2009, 22.7% of households were

wireless only, up from 17.5% a year earlier, and 13.6% a year before that. Also, as noted in the recently issued CPUC Staff Report on Affordability of Telephone Service, on a statewide basis, of the households subscribing to landline, 24% of the households are landline only, and 76% subscribe to both landline and wireless. In CHCF-B areas only 13% of households rely solely on landline and 87% of households subscribe to both landline and wireless services. Similarly, statewide Lifeline subscribers rely upon landline only service more so than those in CHCF-B areas. Of the statewide survey households subscribing to LifeLine, 49% have wireless, while 83% of the non-LifeLine customers have wireless.

These statistics signify that while a majority of the consuming public utilizes wireless communications, most wireless customers still concurrently subscribe to wireline service. Consequently, these statistics indicate that most customers still value features available through wireline basic service that are not otherwise available through their wireless phone. Accordingly, while these statistics indicate a growing use of wireless, wireless service – without wireline at least as a back up-- is still not adequate today to fully meet most consumers' basic calling needs. The protections offered by existing basic service provided by wireline carriers thus remain essential in meeting universal service goals.

Certain parties characterize as outdated or “legacy Incumbent Local Exchange Carriers (ILEC)-centric” a definition of basic service that retains the existing elements in the definition. The essential principle that guides any revisions in the definition does not depend on whether the service is provisioned by an ILEC or another technology. The relevant factor is what a consumer needs today in terms of essential service features irrespective of network architecture or technology. Although the essential basic service protections have traditionally

been offered principally by the ILEC, the type of the network architecture used is not the determining factor in defining basic service needs.

Even with the current limitations in participation in the B-Fund and Lifeline programs, the market is still providing customers with a growing array of communications technologies through different types of service options. Adopting the revised basic service definition set forth herein will not diminish the growing array of alternative service and technology options that are available. Even to the extent that competitive providers choose not to meet the requirements for basic service, they retain the same competitive opportunities currently available in offering an array of consumer choices.

Certain parties argue that the basic service definition should be revised to conform to existing FCC universal service requirements. We conclude that it would be inappropriate to simply adopt the FCC-jurisdictional definitions for purposes of our updated basic service definition. The FCC definitions lack sufficient detail or clarity to apply for our purposes here without further elaboration. The services or functionalities that are supported by FCC universal service support mechanisms, as identified in 47 Code of Federal Regulations (C.F.R.) § 54.101(a) are, in summary form:

1. voice-grade access to the public switched telephone network;
2. local usage;
3. dual tone multi-frequency signaling or its functional equivalent;
4. single-party service or its functional equivalent;
5. access to emergency services;
6. access to operator services;
7. access to long distance services;
8. access to directory assistance; and
9. toll limitation for qualifying low-income consumers.

The FCC's definition applies not only to COLRs but to any carrier designated as an Eligible Telecommunications Carrier (ETC).¹⁴ Cox argues that while the FCC's definition does not match every element of the CPUC Basic Service definition, it is technology neutral. Because carriers may provide the given service or functional equivalent, both wireline and wireless carriers may and have been participating in the federal universal service program for many years. If the Commission were to adopt the FCC's definition and require a provider to provide the given service or functionality, wireline, wireless and Voice Over Internet Protocol (VoIP) providers would also be eligible to voluntarily participate in the LifeLine program.

Relying on the FCC's definition would still require this Commission to fill in the details associated with what many of the FCC's components would mean for a COLR. For example, the FCC's definition of basic service indicates local usage is the amount of usage that should be provided "free of charge." The FCC has not, however, defined what that amount of usage should be.

The FCC definitions omit key service elements that are an important part of the California-jurisdictional basic service requirements. In any event, many of our adopted basic service elements are similar to FCC elements. We choose to address the merits of each service element rather than simply discarding the entire definition and replacing it with one from a federal agency that was developed under different circumstances and for different purposes. We address each element of basic service in the following section

¹⁴ The FCC designation of ETC applies to those carriers meeting FCC eligibility requirements for federal high-cost universal service support.

4. Revised Basic Service Requirements

4.1. Ability to Place and Receive Voice-grade Calls over all Distances Utilizing the Public Telephone Network

As the first revised element of basic service, we consolidate the following separate existing service elements:

- 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

These elements are replaced with the following consolidated requirement that:

1. The carrier must provide the customer with the ability to place and receive voice-grade calls over all distances utilizing the public telephone network.
2. The existing five elements listed above, taken together, define customers' ability to send and receive voice calls both locally and by longer distance. The revised requirement consolidates these separate existing basic service elements into a single element, stated on a technology-neutral basis.
3. The restated definition replaces language requiring access to "single party local exchange" service which relates to wireline network architecture and geographically-based exchange boundaries. By removing references to the local exchanges, the revised definition allows for the diversity of technologies and service plans from intermodal carriers.

The existing service elements describe wireline network technology, but do not reflect how other technologies may offer two-way voice service. Non-wireline carriers may have different local calling boundaries or, in the case of

wireless, no geographically limited calling boundaries at all. Wireless networks are not designed for interexchange access requirements that apply to wireline networks. Many wireless plans include nationwide long distance, encouraging customers to use the same network for local and longer distance calling.

Wireless and VoIP carriers typically offer services in bundles of local and long distance. For some customers, the benefits of bundled service from a single carrier may outweigh access to multiple carriers for only one segment (i.e. interexchange) of their telecommunications needs.

This revised element does not entail any change to the flat rate billing practices that existing wireline basic service providers currently use. Existing basic service customers will retain their ability to make calls within their local community as they currently do. (We address the revised flat rate requirement in detail below). At the same time, wireless or other non-ILEC providers that seek to offer basic service will not be required to conform to wireline exchange-based network architecture.

The existing basic service definition also requires that customers be given access to interexchange carriers serving in the local exchange regions. This interexchange access provides customers with the ability to make and receive calls over longer distances, even though the basic service focus is on the local community in which the customer resides. Where basic service is offered by a wireline provider, customers will continue to be able to access interexchange carriers offering service within the local exchange. Customers can thereby access a pre-subscribed long distance carrier. Wireline carriers offering basic service will remain subject to applicable federal law requiring access to the customer's presubscribed long distance carrier using 1+ dialing.

The revised definition can be satisfied by wireless service providers that do not have legal obligations to provide interexchange access. Unlike traditional wireline carriers; wireless and VoIP providers often have calling plans and network designs that do not necessarily distinguish between local, intrastate toll, or interstate toll calling; they may not have networks currently capable of providing equal access to interexchange carriers. 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, without being subject to the requirement to provide access to presubscribed long distance carriers.

The revised definition requires a voice-grade connection to the public switched telephone network. Basic service customers have come to rely on dependable voice-grade transmissions.¹⁵

A wireless provider of basic service that seeks to qualify as a COLR must offer sufficient signal strength for customers to maintain a voice-grade connection from at least one room in their residence, sufficient to avoid dropped calls. Absent this requirement, the wireless service will not meet minimum standards necessary for the provision of basic service.

We recognize that there are many factors that may impact a wireless customer's ability to make and receive calls, including but not limited to the

¹⁵ Current voice data quality on an Internet Protocol (IP) network may be sensitive to degradation in the form of latency, jitter, and packet loss. As noted previously, this order does not apply to VoIP. A further record would be necessary to determine minimum technical standards necessary to ensure that a VoIP basic service provider offer acceptable voice grade transmission quality, assuming we were to define VoIP as a telephone corporation.

building materials used to construct the customer's residence; where the customer is in the house (e.g. in the basement or attic); amount and stature of surrounding vegetation; weather; call volume within the network cell at the time the call is attempted; potential sources of interference; and the type of phone used by the customer. These limitations, however, should not excuse a COLR from satisfying the Commission that its basic service customers can send and receive calls from at least one room in the customer's residence. Existing COLR rules require the Commission to consider the facilities in place or the arrangements in order to provide basic service.¹⁶ A wireless carrier seeking B-Fund support must therefore certify that its facilities provide the capability for customers to send and receive voice calls from their residence with a clear signal. For a wireless provider to meet this requirement, it may be necessary that a wireless bridge antenna be utilized. A service technician may need to visit the customer's location to trouble-shoot the initial service initiation.

We remove explicit reference to touch tone dialing, otherwise known as Dual Tone Multi Frequency (DMTF) signaling. This feature is implied in the requirement to provide the ability to send and receive calls over the public telephone network.

4.2. Provision of Free and Unlimited Access to Emergency Services

The basic service definition currently requires that customers be provided free and unlimited access to emergency 911/E911 services. Access to emergency services is essential to all consumers. Accordingly, the existing basic service

¹⁶ See D.96-10-066, Appendix A.4.D.3(a).

standards and requirements for 911/E911 service requirement shall continue to apply.

Some additional clarification of the definition is necessary, however, to recognize the applicability of this service element to providers utilizing wireless or other alternative technologies. As various parties observe, although wireless and other alternative technology providers are required by law to offer free access to emergency 911/E911, the technology and call routing protocols used to provide emergency access differs from those used by traditional wireline providers.

For purposes of the basic service definition, we recognize that carriers can utilize different technologies and procedures to provide emergency 911/E911 access. We do not dictate the use of any particular technology or network design for the purpose of satisfying the basic service requirement for 911/E911 access, but recognize that a carrier must comply with applicable state and federal laws pertaining to 911/E911 access.¹⁷

In situations where a carrier seeks to qualify as a COLR, however, particularly in high-cost regions where customers may have little or no options to choose alternative communication services, however, we conclude that customers should not be forced to risk losing their existing level of 911/E911 access reliability.

¹⁷ Public Utilities Code Section 2891 sets forth the requirements for wireless carriers to “provide access to the local emergency telephone systems described in the Warren-911-Emergency Assistance Act (Article 6 (commencing with Section 53100) of Chapter 1 of Part 1 of Division 2 of Title 5 of the Government Code) . . . in accordance with all Federal Communications Commission orders..”

Delays or failure to promptly route 911 calls to local emergency responders are detrimental to public health and safety and could risk significant loss of life and property. In an emergency, precious time may be lost waiting for routing to complete. The importance of the E-911 requirement is particularly essential in those regions where only one COLR is available to provide basic service. In high cost rural areas, however, the capability to provide E911 location accuracy may be limited.

We, thus, disagree with those parties arguing that existing standards for wireless 911/E911 services should be deemed sufficient to qualify under the COLR definition. Accordingly, regardless of whatever technology or network design a carrier utilizes to provide 911/E911 access, in order to qualify for high-cost B-Fund support as a COLR, the carrier must demonstrate the capability to provide the caller with 911/E911 location accuracy and reliability that is comparable to what is currently available through wireline service. This additional standard is necessary to protect customers in those regions where the COLR may be the only service option.

4.3. Provisions to Protect Billing Affordability

The basic service elements currently include the following elements that provide billing affordability protections:

- Provision of Lifeline Rates to Eligible Customers
- Customer Choice of flat rate or measured service for local calls
- Provision for “free” unlimited incoming calls

We shall incorporate these elements into one consolidated requirement to provide billing affordability protections in the form of (a) Lifeline rates to eligible customers, (b) a flat rate option for basic calling, and (c) unlimited incoming calls at no additional charge. We address each of these three component elements below.

4.3.1. Provision of Lifeline Rates to Eligible Customers

We retain the basic service requirement that the COLR offer Universal Lifeline Telephone Service rates and charges to all eligible basic service customers pursuant to the Moore Universal Telephone Service Act (Lifeline Program). Traditionally, the Lifeline rate is determined as a discount from the otherwise applicable stand-alone basic service rate. The manner in which the Lifeline rate will be calculated and applied is addressed in R.11-03-013 (successor to R.06-05-028).

The Commission has taken steps in D.10-11-033 to facilitate the offering of Lifeline by wireless and other nontraditional providers, clarifying that wireless and VoIP service providers may participate in the LifeLine program provided they offer Basic Service and otherwise comply with GO 153.¹⁸ No wireless carrier, however, is currently receiving any support from the California Lifeline program.

¹⁸ See D.10-11-033 at 68-69: Given the more dramatic shifts to wireless-only households over the last decade, with more than one million homes in California relying on wireless as their only communication service, California [footnote omitted] LifeLine should subsidize wireless telephone service when consumers choose that service as their residential service. In addition, there is no limitation on any type of technology or service provider to offer LifeLine service as long the basic service elements are part of the service delivered to the low-income customer. “

Small LECs recommend that before a wireless or VoIP carrier receive either B-Fund or Lifeline support, that they meet the requirements of, or already be designated as, an ETC under FCC rules. Small LECs point to the importance of an alternative provider of basic service delivering service throughout the service territory for which they are designated ETCs, noting that leaving the service area selection to the carrier may result in cream skimming.

We shall require that a COLR must meet the Lifeline requirements adopted in D.10-11-033, along with any other applicable Lifeline implementation requirements adopted in R.11-03-013. Any COLR offering basic service must offer Lifeline rates on a non-discriminatory basis to any eligible customers within the region where the provider offers basic service. A COLR may not selectively exclude customers residing in areas that are more costly to serve, thus targeting only the customers that are less costly to serve. All consumers must have the ability to choose alternative technologies for basic service on a non-discriminatory basis.

If a Lifeline provider was allowed to selectively exclude customers residing in areas where it is more costly for the alternative Lifeline provider to serve, thus targeting only the low-cost customers, the Commission's goal to promote consumer choice will be undermined.

Although the Commission does not have jurisdiction to regulate the rates of wireless carriers, to the extent that a carrier seeks to qualify for B-Fund or Lifeline subsidies, that carrier must comply with the billing conditions applicable to basic service. As noted above, if a provider seeks to offer customers Lifeline service, but does not otherwise seek to serve as a COLR, we shall not require the carrier to meet the basic service requirements of this decision. We shall consider a less restrictive set of requirements for such carriers in R.11-03-013.

4.3.2. Provision of Unlimited Incoming Calls at No Additional Charge

The current definition enables the customer to receive unlimited incoming calls without charge to the retail customer. We shall retain this feature in the definition as it applies to wireline service, recognizing that wireline providers can recover their costs for delivering incoming calls through intercarrier compensation. We recognize that wireless carriers recover their costs for delivering incoming calls in a different manner than do wireline, however, and do not have the same access to intercarrier compensation. Accordingly, we conclude that wireless providers of basic service should not be required to offer unlimited incoming calls at no additional charge. Nonetheless, we consider the requirement to provide the customer some reasonable allowance of minutes to receive incoming calls without a per-call or per-minute charge to be a necessary feature of basic service offered by wireless providers.

Although wireless customers may be accustomed to paying for incoming calls on their cell phone, most wireless customers typically do so within an environment where they also rely on a separate telephone for meeting basic service needs. Therefore, such customers can choose whether to give out a cell phone number to receive calls, knowing they can use their wireline phone service to receive incoming calls at no charge. If the wireless provider becomes a COLR providing basic service, then the cell phone would become the customer's primary or only source for incoming calls. In that settling, the customer would no longer have the protection of receiving unlimited incoming calls on a wireline phone at no charge. Accordingly, we shall require the wireless provider of basic service to offer its customers the option of both receiving and sending calls up to a reasonable limit without incurring a per-minute or per-call charge. As

discussed in further detail in the following section, we shall require wireless providers of basic service to offer the option to send and/or receive calls up to a limit of 450 minutes per month without incurring per-minute or per-call charges. As discussed in the following section, we conclude that a 450-minute allowance offers a reasonable proxy for purposes of keeping basic service affordable. Thus, the combined monthly usage of calls received and sent will count against the 450-minute limit. For calls beyond this limit, the wireless provider of basic service may charge a market-based rate. We shall adopt this modified requirement for wireless service as an essential affordability protection for basic service customers.

4.3.3. Customer Option of Fixed Rate for Basic Calling

Under the current definition of basic service, the provider must offer a choice of a flat rate or measured rate option which covers the ability to place unlimited calls that originate and terminate within the same local exchange area.

Under the current definition, flat or measured rate service applies only to calls terminating within the same local exchange within which the call originates. For calls terminated beyond the subscriber's local exchange boundaries, a per-minute toll charge applies. Basic service customers also have the option of paying a measured rate for local calls.

Under the revised definition, we shall retain the requirement for a fixed or flat rate option for basic calling needs, but we shall permit flexibility in terms of how the rate is applied, depending on whether the provider utilizes geographically based local calling areas. For providers of basic service that offer flat rates within a geographically designated local calling area, such arrangements will continue to provide a satisfactory flat rate option.

Providers, such as wireless, that do not utilize local exchanges or central office rate centers for billing purposes will not be required to offer flat rate plans based upon local exchanges. In order to preserve the affordability and predictability feature currently incorporated in the flat rate option for basic service, however, a reasonable proxy is needed for wireless service which approximates a similar protection.

Recognizing that wireless providers do not typically configure service on geographic basis to distinguish calling distances, it is not necessary for a wireless provider to mirror the wireline offering of flat rate for calls terminated within a geographically-defined area. For providers of basic service such as wireless that do not otherwise offer billing plans based on geographically designated local calling areas, the flat rate shall be applied to a minimum allowance of minutes rather than a geographic region.

Earlier in this proceeding, parties were encouraged to seek consensus on a fixed allowance of minutes that could serve as a proxy for a wireless version of flat rate basic service. There was much opposition to setting any specified minutes of usage allowance. Parties argued that billing plans should be tailored to the needs and preferences among customers.

We recognize that individual customers vary in calling needs and preferences. A calling allowance that is optimal for one customer will not

necessarily optimize calling preferences of others. The concept of basic service is not that standards must match exactly every customer's calling preferences, but rather, that an affordable option be provided within the price range of the majority of customers for meeting basic needs. Wireline and wireless calling plans need not be identical to achieve the goal of affordable basic service.

The precise measure of what constitutes essential basic calling needs is difficult to quantify and will vary depending on individual patterns and situations. As a way to recognize these differences, while still preserving affordability, we shall require that wireless customers be offered a flat rate based on a monthly calling allowance of at least 450 minutes for a fixed fee. As noted in the preceding section, we shall require that the 450-minute monthly calling allowance apply to both the customer's incoming and outgoing calls. As noted by DRA, certain wireless providers currently advertise a 450-minute allowance as a baseline for customers who want to save money and talk less. A 450-minute calling allowance thus reflects the range of minutes currently offered by wireless carriers as an affordable option to customers interested in limiting their usage. By requiring wireless basic service to offer an option of at least a 450-minute monthly calling allowance option at a flat rate, we establish a reasonable proxy to the affordability currently offered under the existing flat rate basic service for calls within a local exchange. We emphasize that we are not here authorizing any additional charges for wireless customers, but rather, are merely authorizing the replacement of per-minute or per-call charges with a fixed amount that does not vary with call volume within the specified limits. This revision is intended to keep basic service affordable. We shall also permit, however that the wireless basic service may offer the option of paying an additional fee for more or unlimited minutes if the customer so chooses.

While the affordability offered by the volume-based calling allowance is not precisely identical to the existing local exchange flat rate, both provisions meet needs of affordability and predictability. At the same time, the flexibility in requirements recognizes differences in the way that each type of carrier designs billing plans.

4.3.3.1. Flat Rate Affordability Provisions in High-Cost Areas

When the basic service definition was adopted in D.96-10-066, the flat rate was subject to Commission-regulated caps. Although the requirement to offer a flat rate still applies, the level of the rate is no longer subject to Commission-regulated caps.

Effective January 1, 2011, the Commission no longer imposes caps on basic rates. The COLR serving in a designated high cost area, however, is still currently required to certify that its basic rate in the high cost area does not exceed 150% of the highest basic rate charged in California outside of the high cost area. If a non-wireline COLR does not offer a separate stand-alone rate outside of the high cost area, such carrier is to apply the 150% limit based on stand-alone rates of an adjacent ILEC or other acceptable proxies as may be approved by the Commission. (See D.08-10-040 Ordering Paragraph (OP) 14).

As an acceptable proxy for wireless carriers seeking to comply with D.08-10-040, OP 14, we shall require that a carrier's basic service flat rate offered not exceed the existing fixed rate for the carrier's comparable 450-minute calling plan rate offered outside of a high-cost area.

We disagree with parties claiming that a fixed or flat rate option is an outdated vestige of an era when wireline was the only option. Based upon the significant numbers of customers that still subscribe to basic wireline service, and in view of comments on this issue heard at the PPHs held in this proceeding,

we conclude that a flat rate option for basic calling needs continues to represent an essential need. We recognize that individual customer billing preferences may vary. For example, certain customers may accept a limited number of on-peak minutes when they can have unlimited usage, including some long-distance, during off-peak times. Nonetheless, for a significant number of customers, a flat rate option offers an essential affordability protection. Irrespective of how technology has evolved over time, basic service must remain affordable. A flat rate for essential basic calling needs continues to provide important affordability protection.

4.4. Provision of Directory Services

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

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

The revised definition consolidates these separate elements to require the provider to offer access to directory assistance, the option for a published directory, and the option for a directory listing. We elaborate on the manner in which these options may be offered in view of differences between wireline and wireless service. Nonetheless, we preserve the customer's right to elect to receive these services, taking into account the variations among different technologies and provisioning options involved.

4.4.1. Access to Directory Assistance

The current definition, referencing directory assistance “access to foreign NPAs” refers to access to directory assistance in areas outside the caller’s local calling area via NXX-555-1212 dialing. We shall continue to require access to directory assistance, recognizing that directory assistance remains necessary to enable customers to readily access phone numbers for communicating with others. We shall modify the definition, however, to recognize that directory assistance may be offered in more diverse ways depending on the carrier and mode of service. We shall replace references to calling areas by local exchange or NPA, with more generic reference to access to listed numbers within the customer’s local community. While it is not necessary to require directory assistance cover the exact exchange boundaries employed by a wireline carrier, we shall require access to directory assistance for listings within the local community of the subscriber. We shall define the local community to cover geographic areas at least equivalent to the range and quality currently provided by the customer’s existing COLR.

Small businesses and residents of rural areas, in particular, depend upon directory services that are knowledgeable about local businesses and residential listings. The definition will require that providers of basic service offer directory assistance.

4.4.2. Provision of Directory Listing

The existing definition requires the free provision of one directory listing per year as provided for in D.96-02-072.¹⁹ We recognize, however, that wireless

¹⁹ As stated in D.96-02-072, Appendix E, § 8.J. (2): “[Incumbent Local Exchange Carriers] ILECs shall include [competitive local carriers] CLCs’ customers telephone

Footnote continued on next page

service providers typically do not provide a published listing of its subscribers' phone numbers in a directory. Moreover, many wireline customers actually pay to keep their phone numbers out of a white pages directory. In recognition of the growing trend favoring customers' preference not to be listed, we shall modify this requirement to highlight that inclusion of a customer's listing in published directory should be made available on an optional basis.

Basic service customers will continue to have the option to have their number listed for free in a published directory, but will not be required to do so. Where a wireless provider offers basic service, we shall permit as a default that the customer number will not be listed in a published directory. If the customer affirmatively requests to be listed in a published directory, however, we shall require that the provider arrange to have that customer listed.

Accordingly, wireless carriers offering basic service must provide their residential customers the option— but not the requirement-- to have their numbers listed in a directory. Unless the wireless customer affirmatively requests to have their number publicly listed, the number will not be listed in a published directory. Wireless customers shall be allowed the option to choose to have their number included in a published directory at no charge, if so desired.

As a default, the wireline customer will be included in the published directory. Currently, the wireline customer must pay a fee not to be listed. For purposes of the revised basic service definition, we shall require that customers

numbers in their "White Pages" and directory listings associated with the areas in which the CLC provides local exchange telecommunications services to its customers, except for CLC customers who desire not to have their telephone numbers appear in such listings and databases, at nondiscriminatory tariff rates charged to the CLC or its customer."

no longer be charged a fee simply for not being listed in a published directory. There is no valid basis to penalize customers with a fee merely to have their listing excluded from a published directory.

4.4.3. Provision of White Pages Directory

The existing definition requires the offering of a free white pages telephone directory as part of basic service. In adopting this requirement in 1996, we noted that:

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. We shall add the free white pages directory to the definition of basic service.²⁰

White page directories containing both business and residential listings are commonly bundled with yellow-page directories and provided to both residences and businesses in the ILEC's service territory. The directories list all residential customers in the customer's local calling area, with published numbers, and typically contain, or are bundled with, business and government white pages, traditional yellow page listings, and sometimes additional consumer guides.

A white page directory competes with the carrier's directory assistance service, and empowers consumers to take advantage of this competition to reduce their costs of telephone service. Eliminating the provision of a white page directory would eliminate a critical element of customer choice.

²⁰ D.96-10-066, 68 CPUC 2d 524, Slip Op. at 28.

Although the delivery of a white pages directory has traditionally been provided in paper form, the Commission has approved Verizon's proposal (in Advice Letter 12535) to end automatic delivery of printed white pages directories containing residential listings and instead to offer its customers the alternative option of receiving the directory of residential listings electronically in CD-ROM format, or by online directory of the listings. (See Resolution T-17302).

Under this authorization, Verizon customers will no longer receive paper delivery of the directory unless they affirmatively elect to keep receiving it by contacting Verizon. A customer need only make a one-time election to receive a printed paper copy of the white page residential listings directory. The one-time election entitles the customer to continue to annually receive a paper directory unless the customer changes his/her request or discontinues local service from Verizon.

Accordingly, while we approved this variation in the manner of providing access to a published directory for Verizon, the underlying requirement in D.96-10-066 to provide access to a local directory remains a required element of basic service for all COLRs.

For purposes of our revised definition, we shall continue the requirement that the COLR provide access to a local white pages directory. Since Verizon has been authorized to provide electronic delivery, we recognize the Verizon authorization as being compliant with the revised definition. At this point, however, since we have not developed a record on the implications of more widespread applicability of the Verizon proposal to other carriers, we refrain from broadening the Verizon authorization to apply to other COLRs. Accordingly, other COLR's existing manner of satisfying the directory delivery

requirement shall continue to apply for purposes of our revised basic service rules.

We also provide for additional flexibility in meeting this requirement for telecommunications providers that do not publish their own directory. The directory publishing market has not supported a white-page directory, in particular, for the wireless industry. Accordingly, we shall not require a basic service provider to engage in directory publishing, so long as the provider makes commercial arrangements with a directory publisher to have a white pages directory delivered to subscribers who wish to receive one.

We, thus, disagree with parties claiming that market developments demonstrate that consumers no longer view a white page listing as an essential element of basic service and that we should discontinue the requirement to provide a local directory. Consumers' ability to interact in their local community of interest is supported by having the ability to receive a free local directory as a feature of basic telephone service. The revised definition that we adopt safeguards consumers rights to continue to receive a free local directory while providing appropriate flexibility in how this requirement may be satisfied.

4.5. Access to 800 or 8YY Toll-Free Services

The basic service definition in D.96-10-066 entitles customers to access 800 or 800-like (8YY) toll-free services without incurring per-call or per-minute toll charges. We shall continue to include this requirement for any provider seeking to offer basic service, requiring unlimited access to 8YY toll-free services. Important social, health care, and financial services, as well as recreational options, rely upon access to 8YY calls to meet essential customer needs.

Current federal law requires wireline carriers to treat calls to 8YY numbers as toll-free calls. Wireless carriers 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 calling plans 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.

In order to qualify as a basic service, wireless providers may have to alter their calling plans which offer only specified minutes of usage to qualify for a given monthly rate. Because calls to 8YY numbers would count against the user's specified minutes of usage, the user would incur additional charges to call 8YY numbers in volumes exceeding the user's specified minutes and, such calls would not be considered "free."

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

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. We are unpersuaded by arguments of AT&T, Cox, and Nexus that there is no need to include this element as it is a statutory mandate. As the Small LECs and Surewest note, pursuant to subdivision (f) of the statute, Pub. Util. Code § 2881 does not apply to all carriers, such as intermodal competitors.

We shall maintain this element, affirming that all providers of basic service, regardless of the technology used, must offer access to the Relay Service to customers pursuant to provisions of § 2881.

4.7. Free Access to Customer Service for Information about Universal Lifeline Telephone Service, 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. Free access to customer service information about these essential categories of basic service empowers customers to make proper decisions about their service needs. As the Lifeline program is revised to encourage wireless providers to participate, such providers will be required to provide free access to the above-referenced information.

4.8. One-Time Free Blocking, 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 argue that this requirement now seems unnecessary as consumers have grown familiar with these types of services.

We shall retain this element. We disagree with parties who claim that 900/976 blocking is no longer an issue and this provision should be dropped. Even though the original billing problems encountered with 900/976 numbers may have subsided, other unauthorized charges may continue to be a potential risk. Basic service providers should not be allowed to force basic service customers to buy add-ons or pay per-use fees for non-basic features. Consumers should be able to control the potential for unexpected charges up front by being fully informed about “features” in their service that may result in additional charges, and having ability to block access to these features. Accordingly, the

general protections that this service offers continue to be relevant. As a practical matter, most if not all carriers currently provide blocking to these types of numbers.

5. Service Quality Standards

5.1. Importance of Service Quality Standards for Basic Service

In addition to defining the service elements making up basic service, the Commission has a statutory duty to ensure that telephone corporations provide customers with reasonable statewide service quality standards. Applicable standards include but are not limited to, network technical quality, customer service, installation, repair, and billing. The obligation to provide adequate service quality standards extends beyond basic service providers to include any telephone corporation, as defined under Pub. Util. Code § 234(a).²¹

Appropriate consumer protection standards associated with basic telephone service quality must be in place and enforced, regardless of the service provider technology involved. The Commission has previously adopted service quality standards for wireline carriers.²² In the case of wireless and VoIP, however, proceedings have not yet been conducted to identify, adopt, and enforce the necessary standards.

²¹ A telephone corporation, for purposes of applying service quality standards under the Commission's general orders, includes every certificated or registered carrier, and every corporation or person owning, controlling, operating, or managing any telephone line for compensation within this state.

²² The Commission adopted service quality reporting measures and standards in GO 133-C through D.09-07-019 on July 9, 2009 as a result of R.02-12-004.

In D.09-07-019, the Commission most recently addressed the issue of telecommunications service quality standards, but concluded that it was premature to address whether it had jurisdiction to require service quality reporting for wireless, VoIP, and IP-enabled carriers. We deferred any decision on such service quality issues pending the FCC's rulemaking regarding the regulatory treatment of such carriers.²³ Until the determination is made regarding the nature and extent of service quality standards applicable to wireless and other alternative providers of basic service, those categories of carriers will not be a qualified to be a COLR.

5.2. Positions of Parties

Parties filing comments in this proceeding expressed conflicting views on service quality standards in the context of basic service requirements.

Small LECs argue that consumers who receive basic telephone service from a carrier other than an ILEC should also receive the benefit of the GO 133-C service quality standards. TURN agrees. Small LECs state that there are numerous consumer protection rules that should also be applied to alternative providers of basic service – pointing to warm-line requirements as an example.

²³ See Order Instituting Investigation on the Commission's Own Motion to Determine the Extent to Which the Public Utility Telephone Service Known as Voice over Internet Protocol Should be Exempted from Regulatory Requirements [D.06-06-010] (2006) __Cal.P.U.C.3d __, at 3 (slip op.).) VoIP providers fall into two general categories. Facilities-based providers, own the last-mile broadband connections that reach end-users. There are also "over-the-top" VoIP providers that provide voice services by using a last-mile broadband connection that the customer has the responsibility to secure from some source.

DRA proposes the following areas that service quality standards must address include:

- Standardized operator response time;
- Street level coverage maps for wireless service;
- Network Outage Reporting System (NORS) data; and
- Carrier specific complaint statistics from the Commission's Consumer Affairs Branch (CAB).

DRA argues for adoption of standards for each technology providing basic service. For wireline carriers, the Commission established standards in GO 133-C. However, there are currently no service quality standards for VoIP providers and the only requirement applicable to wireless carriers is to supply coverage maps to customers. DRA proposes that VoIP and wireless providers should report operator answering time performance based on the GO 133-C requirements for wireline carriers. DRA proposes that VoIP providers should provide network outage information to the Commission, as wireline and wireless carriers do now. DRA believes that wireless providers of basic telephone service should provide more than the general coverage maps required under GO 133-C and should provide customers with detailed street level wireless coverage maps. VoIP providers are exempt from the requirements of the Billing Rules Decision (D.10-10-034) but DRA proposes that they comply with the same rules as wireline and wireless providers. DRA also proposes the Commission publish CAB statistics on all providers of basic service to alert customers of service problems.

Other parties offered alternative perspectives on service quality and fitness standards. AT&T continues to advance the position that service quality

standards are only an issue for a reverse auction, should the Commission decide to conduct one. AT&T states that service quality standards should not be established for basic service outside of the auction context.

AT&T also states that the competitive marketplace will ensure providers have sufficient incentive to provide adequate service in order to attract and retain customers. AT&T argues that wireless carriers compete for customers based on network quality and performance and do so in the absence of Commission mandates.

Without service quality standards, the potential for waste, fraud, and abuse increases. Service quality standards are an integral component of the revision of the basic service definition that the Commission cannot ignore.

Cricket Wireless also argues that the Commission should not impose service quality requirements on wireless carriers in this or any proceeding. Cricket offers its perspective on why service quality regulation is not needed for supported wireless carriers.

Given the variability of service quality over any given coverage area and in the interest of ensuring customers are satisfied with their service, wireless carriers have largely adopted a model that allows customers to “test drive” their service and assess whether the phone meets their needs (e.g. works in their home or office, along their typical travel routes, etc.). If the customer is not satisfied with the level of service, they are able to return the phone within a certain amount of time.

TURN agrees that “trial periods” are a positive improvement with wireless mobility offerings, but contends that a trial period does not resolve the service quality issue for supported services.

5.3. Discussion

Consistent with our universal service obligations to ensure that all Californians have access to essential telecommunications services necessary for them to interact and participate in modern society, we conclude that further proceedings are warranted to identify, adopt, and enforce appropriate service quality standards applicable to any carrier, including wireless or VoIP, that serves in the capacity of COLR.

We cannot simply rely on competitive forces to ensure that wireless providers serving in the capacity of COLR will make the necessary commitment to quality standards for all of customers. Objective measures of wireless carrier performance, as produced by entities such as Consumer Reports, consistently report significant variation in wireless carrier performance. Wireless industry practices offering trial periods for their services do not provide a sufficient substitute for service quality standards, particularly where COLR obligations are involved.

Accordingly, we must develop the requisite standards together with enforcement tools to ensure that the standards are met. A further record is necessary to resolve this issue. We shall issue a further ruling either in this docket or another proceeding to provide further guidance on the development of a record on this issue.

In addition to the need to identify, adopt, and enforce standards for wireless other alternative technologies, we also recognize the need to consider additional measures to promote compliance and enforcement of existing quality standards applicable to wireline carriers.

In its March 2011 report on telecommunications carrier compliance with existing standards, the Commission's Communications Division (CD) found a

number of instances where carriers failed to meet existing service quality standards. CD recommends that the Commission initiate an Order Instituting Investigation (OII), and/or an Order Instituting Rulemaking (OIR) to review the GO 133-C standards, particularly with regards to Out-of-Service restoration times and assess why carriers consistently could not meet this standard, why carriers are not regularly meeting the operator answer time standard of 60 seconds or less, consider adopting new standards or modify existing standards, and consider penalty mechanisms for companies that consistently fail to meet one or more standards. We agree that the adequacy of existing compliance and enforcement of service quality standards needs to be reviewed, and necessary remedial action taken, as that inquiry may determine to be warranted.

6. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Thomas R. Pulsifer is the assigned Administrative Law Judge in this proceeding.

7. Comments on Proposed Decision

The proposed decision of the assigned Commissioner in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code, and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____ and reply comments were filed on _____ by _____.

Findings of Fact

1. The Commission, in D.96-10-066, last devised minimum basic service standards applicable to the Commission's universal service program.
2. The existing adopted requirements for basic telephone service apply to any carrier seeking to qualify for B-Fund support and/or for Lifeline support.
3. Under the B-Fund program, a COLR must offer basic residential service to all customers within a designated service area, and receives funding to subsidize affordable basic rates in high cost areas.
4. The Commission undertook to update the definition of basic service in view of the passage of time since the definition was last adopted.
5. Although basic service has traditionally been provided by carriers using local exchange wireline network architecture, other forms of telecommunications services offered by wireless, cable, and VoIP have been growing in popularity, particularly over the past decade.
6. Revising the basic service definition in a competitively neutral manner offers the potential to expand the range of providers offering basic service, thereby increasing the range of service choices for consumers.
7. Wireless and VoIP currently offer telecommunications services in competition with ILECs, but do not currently offer stand-alone basic service.
8. While the Wireless and other alternative offerings are configured differently from basic service, those offerings currently serve as partial, but not complete, substitutes for basic service for many customers.
9. Although a growing percentage of customers subscribe to wireless or VoIP service for certain communications needs, a majority of customers continue to subscribe to basic wireline service, either alone or in combination with wireless service.

10. Wireless and VoIP communications services offer mobility and other potential advantages that are not available through traditional wireline basic service. At the same time, wireless and VoIP omit certain features and benefits that are otherwise available through traditional wireline basic service.

11. While some customers have discontinued wireline service in favor of other communications services, the needs and preferences of that minority of customers do not represent the needs and preferences of the majority of customers that continue to subscribe to basic wireline service.

12. Information received from members of the public through oral presentations at public participation hearings and through written letters to the Commission indicate that elimination of essential service features currently available through basic service would be detrimental.

13. Based upon the features currently relied upon by customers, essential basic service features include the service features set forth in Appendix A of this decision.

14. A defining feature of the basic service obligation is the capability for all residential customers within a designated service area to send and receive telephone calls.

15. If a carrier's facilities provide insufficient signal strength or transmission quality to enable all customers within the designated COLR service area to send or receive calls from their residence with a clear signal, or to avoid dropped calls, then the carrier would fail to satisfy a key basic service need.

16. The ability to receive unlimited incoming calls without charge is an existing feature of basic service that customers have come to expect at least within a wireline context. Although wireless customers may be accustomed to paying for incoming calls on their cell phone, most wireless customer typically

do so within an environment where they also rely on a separate wireline telephone for meeting basic service needs.

17. The flat rate option for calls within a local exchange currently available as a basic service element provides a measure of affordability and predictability in the monthly bill. In order to provide a comparable degree of affordability and predictability in meeting basic calling needs offered by a wireless provider, establishing a reasonable threshold of minutes to cover both incoming and outgoing calls available for a flat fee provides a reasonable proxy.

18. A threshold of 450 minutes of combined incoming and outgoing calls at a flat rate offers a reasonable proxy for the affordability and predictability feature currently offered by the basic service flat rate for calls within a local exchange. The 450 minutes monthly calling allowance reasonably approximates the terms of calling plans currently being advertised by wireless carriers as a baseline to customers who want to save money and talk less.

19. Free access to 911/E911 service is an essential basic service. Particularly in regions where the COLR is the sole option for basic service, delays or failure to promptly route 911 calls to local emergency responders could risk significant loss to a customer relying on 911.

20. Wireless and VoIP providers are currently subject to FCC compliance standards for 911/E911 calls which involve a different standard compared to existing wireline standards.

21. In situations where a carrier seeks to qualify as a COLR, however, particularly in high-cost regions where customers may have little or no options to choose alternative communication service options, customers need the protection offered by their existing level of 911/E911 access reliability.

22. Although wireless customers may be accustomed to paying for incoming calls on their cell phone, most wireless customer typically do so within an environment where they also rely on a separate telephone for meeting basic service needs.

23. If the wireless provider becomes a COLR providing basic service, the cell phone would become the customer's primary or only source for incoming calls. In that settling, the customer would no longer have the protection of receiving incoming calls on a wireline phone at no charge.

24. The provision of Lifeline service is an essential basic service element that promotes affordable basic service for low-income consumers.

25. Access to directory assistance remains a necessary basic service element to enable customers to readily access phone numbers for communicating with others.

26. Having the option to receive delivery of a published local directory as a basic service feature provides an important means for consumers to interact with others within their local community.

27. Verizon currently satisfies the basic service requirement to provide a local directory by providing the option for electronic delivery by CD-ROM format or via on-line delivery, as an alternative to paper delivery.

28. Current basic service rules entitle customers to access to 800 or 8YY toll-free services without incurring per-call or per-minute toll charges.

29. Requiring that any provider of basic service to offer free unlimited access to 8YY toll-free services will help meet important social, health care, and business needs of customers that rely upon access to 8YY calls.

30. Requiring any provider of basic service to offer customers access to telephone relay services pursuant to the provisions of Pub. Util. Code § 2881 will

provide important consumer protections, particularly to the deaf and disabled sector of consumers.

31. Essential basic service includes requiring any provider of basic service to offer free access to information about Lifeline, service activation or termination, service repair or bill inquiries.

32. Essential basic service includes requiring one-time free blocking for 900/976 Information Services and adjustments for charges incurred mistakenly or without authorization.

Conclusions of Law

1. While reducing the regulation of telecommunications services and prices in recent years through adoption of the “Uniform Regulatory Framework,” the Commission has continued to impose minimum service requirements for the provision of “basic telephone service.”

2. The relevant criteria for determining basic service requirements include whether a service element meets an essential residential consumer needs and whether the element is defined in competitively neutral manner.

3. The determination of essential residential consumer needs should consider relevant universal service goals to ensure consumers throughout California have access to essential telecommunications services, taking into account the essential needs of the most vulnerable consumer sectors, including the elderly, those with disabilities, and low-income sectors.

4. While basic service may be offered as part of a larger bundle of services, basic service should also be available at a stated rate on a stand-alone basis.

5. Defining basic service on a technologically neutral basis does not warrant the degrading of essential consumer needs to satisfy the lowest common denominator of service features that carriers may currently be willing to offer.

6. The requirements of basic service set forth in Appendix A should apply to any carrier that performs the function of a carrier of last resort.

7. A defined set of basic service features offered by a carrier of last resort, as set forth in Appendix A, is warranted as an essential tool to satisfy the Commission's universal service goals.

8. Any carrier seeking to qualify for high-cost support should be required to meet the requirements for a carrier of last resort in accordance with the rules adopted in D.96-10-066, Appendix B. 6. D, and to offer at least the basic service elements, as defined in Appendix A of this decision.

9. Although the basic service features set forth in Appendix A should be applied to any carrier seeking to qualify as a carrier of last resort, a less restrictive set of requirements should be determined for a provider that simply seeks to offer Lifeline service without serving as the customer's carrier of last resort.

10. The determination of minimum service requirements applicable to wireless or other carriers that seek only to qualify for Lifeline support, but who do not seek to qualify as a carrier of last resort should be determined in R.11-03-013.

11. Additional proceedings are necessary to determine the appropriate service quality standards to be adopted for wireless providers seeking to qualify as carriers of last resort offering basic service, subject to a further ruling in this proceeding or another proceeding. These further proceedings should also address the adequacy of compliance and enforcement of existing service quality standards.

O R D E R

IT IS ORDERED that:

1. The basic telephone service requirements set forth in Appendix A are hereby adopted. These requirements must be met to be eligible for California High Cost Fund-B support.
2. Any service provider seeking to qualify as a carrier of last resort eligible for California High Cost Fund-B support or Lifeline support must offer basic telephone service in accordance with the requirements of Appendix A.
3. The adopted requirements set forth in Appendix A modify and supersede the previous basic service requirements as adopted in Appendix A, Part 4, of Decision 96-10-066.
4. Further proceedings in Rulemaking 11-03-013 shall resolve all other issues pertaining to Lifeline reform.
5. Further proceedings must be scheduled to determine and adopt appropriate service quality standards applicable to wireless providers seeking to qualify as a carrier of last resort. A separate order, either in this proceeding or a separate docket shall provide further procedural guidance on the process to resolve applicable service quality issues.
6. Rulemaking 09-06-019 is remains open for is position of remaining issues relating to B-Fund reform.

This order is effective today.

Dated _____, at San Francisco, California.

ATTACHMENT A**Revised Definition of Basic Telecommunications Service Elements**

The following service elements must be offered by any carrier of last resort (COLR) providing service within California in order to satisfy basic telecommunications service requirements. These basic service requirements apply only where a carrier serves as a COLR to qualify for high-cost support. Separate minimum service requirements may be considered in Rulemaking (R.) 11-03-013 applicable to wireless only service where the provider does not otherwise serve as a COLR.

Adopted Listing of Required Basic Service Elements:

- 1. The provider must offer customers the ability to place and receive voice-grade calls over all distances utilizing the public switched telephone network.**
 - a. Carriers currently offering basic service utilizing wireline exchange-based technology may satisfy this requirement by enabling calls to be sent and received within a local exchange or over longer distances utilizing interexchange access.
 - b. Wireline carriers providing basic service shall remain subject to existing requirements to provide equal access to interexchange carriers within the local calling area. Wireless carriers providing basic service are not subject to requirements to provide equal access to interexchange carriers within a local calling area, but may not block or charge for calls using competitive providers.
 - c. Carriers offering basic service utilizing wireless or other non-wireline technologies may satisfy this basic service requirement by enabling subscribers to send and receive calls utilizing other network architectures, provided that the calls cover all geographic distances and are of voice-grade quality

comparable to that available through currently existing basic service providers.

- d. Wireless carriers providing basic service must offer voice-grade service sufficient to produce a clear signal in at least one room of the subscriber's residence

2. The provider must offer free access to 911/Enhanced (E) 911 service.

The provider must offer free access to Emergency 911 E/911 service.

Although wireless and other alternative technology providers are required by law to offer free access to emergency 911/E911, the technology and call routing protocols used to provide emergency access differs from those used by traditional wireline providers.

For purposes of the basic service definition, carriers can utilize different technologies and procedures to provide emergency 911/E911 access. We do not dictate the use of any particular technology or network design for the purpose of satisfying the basic service requirement for 911/E911 access, but recognize that a carrier must comply with applicable state and federal laws pertaining to 911/E911 access.²⁴ By promoting a technologically neutral basic service definition in this manner, we hope to encourage greater availability of Lifeline among competing services, including wireless.

In situations where a carrier seeks to qualify as a COLR, however, particularly in high-cost regions where customers may have little or no options to choose alternative communication service options, however, customers shall

²⁴ Public Utilities Code Section 2891 sets forth the requirements for wireless carriers to “provide access to the local emergency telephone systems described in the Warren-911-Emergency Assistance Act (Article 6 (commencing with Section

Footnote continued on next page

not be forced to risk losing their existing level of 911/E911 access reliability. Accordingly, regardless of whatever technology or network design a carrier utilizes to provide 911/E911 access, in order to qualify for high-cost B-Fund support as a COLR, the carrier must demonstrate the capability to provide the caller with 911/E911 location accuracy and reliability that is comparable to what is currently available through wireline service. This additional standard is necessary to protect customers in those regions where the COLR may be the only service option.

3. The Provider shall provide Access to the following directory services.

a. Access to Directory Assistance

The provider shall offer access to directory assistance at least equivalent to the range and quality of directory assistance service currently provided by the existing COLR.

b. Option for a Published Directory Listing

Each basic service customer shall have the option – but not the obligation-- to have their listing published within the customer’s local directory of telephone listings. Where basic service is provided by a wireless carrier, the customers’ listings shall be automatically excluded from the local published directory as a default unless the subscriber affirmatively requests to have their number published. Customers shall not be charged a fee for having their number excluded from the directory.

c. Option to Receive a Published Directory

53100) of Chapter 1 of Part 1 of Division 2 of Title 5 of the Government Code) . . . in accordance with all Federal Communications Commission orders..”

A basic service provider must provide customers the option to receive a published directory of telephone listings covering the local community in which the customer resides. For purposes of this definition, the local community shall incorporate a geographic region comparable to that provided by the customer's current COLR service.

A basic service provider that does not otherwise engage in directory publishing shall not be required to publish a directory, but must at least make arrangements with an existing directory publisher, as necessary, to ensure that its basic service customers have access to a published directory of local listings if they wish to receive one.

In the case of Verizon California, Inc. (Verizon) the requirement to provide access to a local directory will be satisfied using the procedures authorized in Resolution T-17302). Under this authorization, Verizon customers will receive delivery of the directory electronically in CD-ROM format or by on-line access, unless a customer affirmatively elects to keep receiving a traditional printed paper copy by contacting Verizon under the procedures authorized in Resolution T-17302. A customer need only make a one-time election to receive a printed paper copy of the white page residential listings directory. The one-time election entitles the customer to continue to annually receive a paper directory unless the customer changes his/her request or discontinues local service from Verizon.

Other than the procedure authorized for Verizon, each COLR must offer its customers a free white pages directory of telephone listings in the traditional paper format. Paper delivery shall be the default option unless a customer affirmatively elects to discontinue delivery by paper directory and to replace it with an electronic copy in CD-ROM format.

4. The provider must offer the following bill affordability options:

a. Unlimited incoming calls at no additional charge

The wireline service provider must offer an option that provides for unlimited incoming calls at no additional charge. Wireless or other non-wireline providers must offer customers an option that provides for a combination of incoming and outgoing calls at no additional charge up to a total monthly allowance of 450 minutes. For monthly calling volume exceeding the 450-minute allowance, the provider may charge market-based per-minute or per-call charges.

b. The provision for Lifeline Service on a nondiscriminatory basis.

Any COLR offering basic service must offer Lifeline rates on a non-discriminatory basis to any customers meeting Lifeline eligibility requirements residing within the region where the COLR offers basic service. The applicable Lifeline rates shall be determined in accordance with the rules and methodologies adopted in R. 11-03-013. A COLR may not selectively exclude customers residing in areas that are more costly to serve, thus targeting only the customers that are less costly to serve.

c. Flat Rate for Outgoing Calls

If the provider is a wireline carrier, existing basic service billing provisions for flat rates within a local exchange calling area will meet this basic service requirement.

If the provider utilizes wireless or other form of non-ILEC network architecture, the provider is not required to apply a flat rate based on calls within a designated geographic region. Such provider, however, must offer a flat rate plan for combined incoming and outgoing calls for calling volumes up to 450 minutes per month. As long as this fixed rate option is made available to all basic service subscribers on a non-discriminatory basis, the provider may also

offer the subscriber alternative basic service billing options. For combined incoming and outgoing calling volume that exceeds the 450 minutes per month limit, the provider may offer a billing plan that covers such additional minutes.

Effective January 1, 2011, the Commission no longer imposes caps on basic rates. The COLR serving in a high cost area, however, is currently required to certify that its basic rate in the high cost area do not exceed 150% of the highest basic rate charged in California outside of the high cost area. If a non-wireline COLR does not offer a separate stand-alone rate outside of the high cost area, such carrier is to apply the limit based on stand-alone rates of an adjacent ILEC or other acceptable proxies as may be approved by the Commission. (See Decision (D.) 08-10-040 Ordering Paragraph (OP) 14).

As a proxy for wireless carriers seeking to comply with D.08-10-040, OP 14, the basic service flat rate offered not exceed the existing fixed rate for a comparable 450-minute calling plan rate offered outside of a high-cost area.

5. Access to 800 and 8YY Toll-Free Services.

The COLR shall provide toll-free access to 800 and 8YY calls.

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

The COLR must offer basic service to their deaf and hearing-impaired customers by providing access to California Relay Service pursuant to § 2881.

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

The COLR shall provide 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.

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

The COLR shall provide one-time free blocking for 900/976 information services and one-time free billing adjustments for changes inadvertently incurred resulting from such services.

(END OF APPENDIX A)

Appendix B - Cross-References of Existing to Revised Service Element Listings**(Page 1 of 1)**

Element #	Existing Definition Elements from Decision 96-10-066	Cross-References to Revised Element List
1	Access to single-party local exchange service	(See Revised Element 1)
2	Access to interexchange carriers	(See Revised Element 1)
3	Ability to place and receive calls	(See Revised Element 1)
4	Ability to receive free unlimited incoming calls	(See Revised Element 1)
5	Free touch-tone dialing	(See Revised Element 1)
6	Free Unlimited Access to emergency services 911/E911	(See Revised Element 2)
7	Access to Local Directory Assistance	See Revised Element 3)
8	Provision of Lifeline Rates for eligible customers	(See Revised Element 4)
9	Choice of "flat" or "measured" rate service	(See Revised Element 4)
10	Provision of free directory listing	(See Revised Element 3)
11	Provision of "white pages" telephone directory	(See Revised Element 3)
12	Access to operator services	(See Revised Element 3)
13	Voice-grade connection to the public switched telephone network	(See Revised Element 1)
14	Free Access to toll-free 8YY Services	(See Revised Element 5)
15	One-time free blocking for Information Services	(See Revised Element 6)
16	Access to Telephone Relay Service	(See Revised Element 7)
17	Free Access to information about Lifeline, service activation, etc.	(See Revised Element 8)

(End of Appendix B)

APPENDIX C**Rules Governing Carrier of Last Resort**

**(Excerpted from D.96-10-066, Appendix 5 -
"Universal Lifeline Telephone Service", Part D)**

D. Carrier of Last Resort

1. All of the incumbent local exchange carriers (LECs) listed in Attachment A of [Decision 96-10-066] shall be designated as the carrier of last resort (COLR) in all their respective service areas at least until such time that another carrier or carriers are designated as the COLR.
2. Other qualified providers may seek to become a designated COLR, or to compete in a Geographic Study Area (GSA) without being designated a COLR.
3. Only designated COLRs shall have access to the High Cost Voucher subsidy.
4. Those carriers seeking to be designated a COLR shall file a Notice of Intent to be designated a COLR. The Commission will consider the following factors in deciding whether the COLR status should be granted:
 - a. The facilities the carrier has in place or the arrangement that the carrier plans to enter into in order to provide basic service;
 - b. The ability of the carrier to promote the goals of universal service to all customer segments throughout the COLR's service area.
5. A designated COLR shall be required to serve the entire GSA.
6. A designated COLR may opt out of its obligations in a GSA by advice letter, unless it is the only carrier remaining in the GSA, in which case it must file an application to withdraw as the COLR, and continue to act as the COLR until the application is granted or a new COLR has been designated as a result of an auction.

(END OF APPENDIX C)