

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking Regarding Revisions to the California Universal Telephone Service (LifeLine) Program.

Rulemaking 11-03-013
(Filed March 24, 2011)

RESPONSE OF THE GREENLINING INSTITUTE, THE NATIONAL CONSUMER LAW CENTER AND THE CENTER FOR ACCESSIBLE TECHNOLOGY SUPPORTING THE MOTION OF THE UTILITY REFORM NETWORK TO EXTEND THE RATE FREEZE FOR CALIFORNIA LIFELINE SERVICE AND ORDER A CORRESPONDING FREEZE TO SUBSIDY AMOUNT GRANTED CARRIERS

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June 27, 2012

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INTRODUCTION

Pursuant to Rule 11.1(e) of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, the Greenlining Institute, the National Consumer Law Center and the Center for Accessible Technology ("Joint Consumers") hereby submit their response to the *Motion of the Utility Reform Network to Extend the Rate Freeze for California LifeLine Service and Order a Corresponding Freeze to Subsidy Amount Granted Carriers* ("TURN Motion"). The TURN Motion was filed on June 12, 2012. Thus, this response is timely filed.

Joint Consumers are deeply committed to ensuring that telecommunications service remains available and affordable for all Californians. Telecommunications service is a necessity for individuals to be fully integrated in society. If telecommunications become unaffordable for people, especially low-income people, they will be unable to take advantage of economic opportunities that may be available to them, and they will also be excluded from social networks and important access to assistance and benefits. Some elderly people or people with disabilities who are able to function independently with support available by phone may become unable to maintain their independence without affordable telecommunications, and may be forced into expensive institutional care.

As recognized by both the legislature and the Commission, the LifeLine program is the most important means for achieving affordable telecommunications service for low-income households.¹ However, TURN's Motion presents convincing evidence that for many consumers, LifeLine service is becoming increasingly unaffordable. At the same time, many California households now have less income available to pay for telephone service. The motion presents a well-founded argument that the only way to address this situation is to extend the rate freeze on LifeLine service while additional issues regarding the LifeLine program are developed further. Joint Consumers thus strongly support TURN's Motion.

I. The TURN Motion Illustrates that LifeLine Service Is Becoming Increasingly Unaffordable.

As detailed in the TURN Motion, the cap on the price of LifeLine service, currently set at \$6.84, is to be removed on December 31, 2012. After this date, the price of LifeLine service will vary among carriers, depending on a formula based on the carrier's price for basic service. The TURN Motion demonstrates that the price of basic service for carriers has risen rapidly in recent years and may continue to rise, which will likely lead to a rapid increase in the price for LifeLine service. TURN offers the example of the largest provider of telephone service in the state, AT&T. The price of AT&T's basic service has more than doubled since 2006, and if the cap on LifeLine price is lifted, then the price of AT&T LifeLine service will likely rise from the current rate of \$6.84, perhaps as high as \$10.50.² This would be a drastic rate change (this new rate would be over 150% of the current rate), and would be likely to cause much hardship among low-income households.

¹ See Cal. Public Util. Code § 871.5; Order Instituting Rulemaking On Revisions To The California LifeLine Program (OIR), R.11-03-013, p. 3.

² See TURN Motion, p. 4.

TURN also describes how already-occurring changes in the LifeLine program have increased the burden on customers. For example, recent changes in the process for qualification to the LifeLine program require payment of full, non-LifeLine rates when a customer initiates service.³ Moreover, TURN also describes how changes in the eligibility and enrollment processes for LifeLine have led to millions of previously eligible LifeLine customers to be removed from the program.⁴ These customers have had to pay full non-LifeLine prices if they wished to retain telecommunications service, further increasing the burden on them. Thus, changes in the LifeLine program have recently allowed much higher burdens on LifeLine-eligible customers. An uncapped increase in LifeLine rates would only exacerbate an already unsustainable situation.

II. Current Economic Conditions Are Extremely Challenging for Low-Income Californians.

Since the time the Commission decided to eliminate price caps on basic service in D.06-08-030 and D.08-09-042, economic conditions in California have greatly changed. As detailed in the TURN Motion, the state's median income has fallen drastically, and more and more Californians are falling into poverty.⁵ Perhaps more significantly, due to budget cuts, many low-income Californians receiving public benefits have much less income available to pay for telecommunications service. The CalWORKs program is the largest public benefits program in California, serving about 1.4 million Californians. Since the start of the recession, CalWORKs has continually lowered the grants available to recipients. CalWORKs grants have been reduced by 12 percent and two cost-of-living adjustments have been suspended since the 2008-09 budget

³ See *id.*

⁴ See *id.*

⁵ See *id.*, p. 3.

cycle, with the biggest cut occurring just last year.⁶ CalWORKS faces further cuts in this year's budget. Thus, for the 1.4 million people receiving CalWORKs, an increase in the cost of LifeLine service could be extremely difficult to bear.

Other public benefits programs have faced and continue to face similar reductions in grants. The beginning of the next year is thus an inopportune time to raise LifeLine rates. At the time the Commission made its decisions regarding the lifting of rate caps, the economic landscape was not as harsh, especially for Californians receiving public benefits. The Commission should revisit its prior decisions to ensure that it continues to fulfill its obligation to provide for universal access.

III. The Proposed Extension of the LifeLine Rate Cap Is a Necessary Move; Freezing the Amount of the Specific Support Amount Will Keep the LifeLine Surcharge Sustainable.

Without an extension of the rate cap on LifeLine service, rates are likely to initially rise, perhaps as much as from \$6.84 to \$10.50 for AT&T customers. Moreover, basic service rates – and corresponding LifeLine rates – may continue to rise year by year. Such a situation is untenable, given low-income customers' increasing affordability challenges, especially for those receiving public benefits. An extension of the rate cap on LifeLine service is necessary to avoid increasing hardship for LifeLine customers.

The TURN Motion details a number of issues that the Commission noted as being outstanding when it ordered the LifeLine rate cap to end after 2012.⁷ The Commission may have anticipated that all of these issues would be addressed prior to or soon after the lifting of the rate cap; however, this has not been the case. The Commission should address these issues more comprehensively prior to lifting the cap on LifeLine prices. Otherwise, there may be significant

⁶ See California Budget Project, *Falling Behind: The Impact of the Great Recession and the Budget Crisis on California's Women and their Families* (February 2012), p. 10.

⁷ See TURN Motion, pp. 8-9, citing D.10-11-033.

changes in the type of basic service that the LifeLine program will provide to its customers. LifeLine customers should understand what they are paying for when they sign up for service that comes at an increasing cost. Moreover, if rates are allowed to rise in 2013, the ability of LifeLine to accomplish its goal of providing affordable phone service to low-income Californians will be diminished.

Joint Consumers also support TURN's request for a temporary freeze on the Specific Support Amount (SSA) available.⁸ As TURN demonstrates, without such a freeze, carriers' incentive to increase basic rates and the resulting amount of the LifeLine surcharge will be left unchecked. TURN also notes that the California LifeLine fund will need to support increasing costs, as it makes up certain losses from the federal Lifeline fund.⁹ Thus, the Commission must ensure that the surcharge does not grow too large for non-LifeLine customers and the LifeLine-eligible customers who are not in the program. An increase in rates for LifeLine service will unnecessarily harm low-income Californians' access to affordable basic phone service.

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⁸ See *id.*, pp. 10-12.

⁹ See *id.*, p. 12.

Conclusion

For the reasons stated above, Joint Consumers respectfully urge the Commission to grant TURN's Motion to Extend the Rate Freeze for California LifeLine Service and Order a Corresponding Freeze to Subsidy Amount Granted Carriers.

Respectfully submitted,

Dated: June 27, 2012

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