

PUBLIC UTILITIES COMMISSION505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

August 25, 2004

Agenda ID# 3856
Alternate to Agenda ID #3743
09/23/2004

TO: PARTIES OF RECORD IN RULEMAKING 95-04-043, INVESTIGATION 95-04-044

Enclosed is the Alternate Draft Decision of Commissioner Lynch to the Draft Decision of Administrative Law Judge (ALJ) Pulsifer on August 24, 2004.

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

Public Utilities Code Section 311(e) requires that an alternate to a draft decision be served on all parties, and be subject to public review and comment prior to a vote of the Commission. Rule 77.6(d) provides that comments on the alternate draft decision be filed at least seven days before the Commission meeting.

Comments on the alternate decision must be filed and served September 9, 2004. Reply comments are due September 16, 2004.

Pursuant to Rule 77.3 comments shall not exceed 15 pages. Finally, comments must be served separately on the ALJ and the assigned Commissioner, and for that purpose I suggest hand delivery, overnight mail, or other expeditious method of service. Please also provide an electronic copy of the comments and reply comments to Cheryl Cox at cxc@cpuc.ca.gov.

Angela K. Minkin, Chief
Administrative Law Judge

ANG:mel
Attachment

Decision **ALTERNATE DRAFT DECISION OF COMMISSIONER LYNCH**
(Mailed 08/25/2004)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the
 Commission's Own Motion into Competition for
 Local Exchange Service.

Rulemaking 95-04-043
 (Filed April 26, 1995)

Order Instituting Investigation on the
 Commission's Own Motion into Competition for
 Local Exchange Service.

Investigation 95-04-044
 (Filed April 26, 1995)

O P I N I O N

I. Summary

Substantial telephone numbers are still available in the 310 area code to meet both customer and telephone carrier needs. The 310 area code still has well over two million available and unused numbers yet only needs 363,000 numbers or fewer every six months based on the recent history of customer's actual needs. Because of number conservation, the 310 has 146 more telephone numbers available today for assignment than it did when the Commission last considered a split. Accordingly, it is not necessary at this time to split the 310 area code by implementing the back-up area code split plan adopted in Decision (D.) 00-09-073.

Due to two recent conservation measures implemented in the 310 area code in the past year, an increased quantity of blocks¹ of telephone numbers have been returned to the 310 number pool.² Additionally, conservation efforts have in the past few years increased the number of blocks in the 310 pool that are available to all carriers. More blocks of numbers currently exist in both the 310 NXX code³ reserves and the 310 number pool than when the Commission voted last October not to split the area code. Additionally, rate centers have access to sufficient telephone numbers to meet carrier needs. Fluctuations in block supplies should not be perceived as a sign of exhaust. By their very nature, rate centers have blocks of numbers flowing in and out as they are needed. Moreover, carriers have excess blocks in their Accordingly, prior to imposing the burden of an area code split on businesses and families in the 310 area code,

¹ A “block” is defined as a quantity of one thousand telephone numbers.

² Thousand-block number pooling, implemented by FCC Order 00-104, is the process of distributing numbers in an area code from a pooling administrator to telephone carriers by breaking up the 10,000 numbers in an NXX code - how telephone numbers were traditionally distributed - into ten sequential blocks of 1,000 numbers each. Telephone numbers are then allocated in thousand-block increments to a different service provider - and possibly a different switch - within the same rate center. All 10,000 numbers available in the NXX are allocated within one rate center, but can be allocated to multiple service providers in thousand-number blocks, instead of only to one particular service provider.

³ *An NXX code is a block of 10,000 numbers all of the same telephone prefix, sometimes referred to as “code.” NXX codes are held in reserve by the pooling administrator in two categories: 1) a lottery, which can be accessed when needed by both the number pool and paging carriers; 2) a pool set-aside, which is accessed last and reserved strictly for the pool. Currently, the 310 area code contains six NXX codes in the lottery and three in the pool set-aside.*

recent conservation measures should be fully evaluated and additional conservation measures should be explored that will continue to promote the effective use of telephone numbers in the 310 area code.

First, the Commission should evaluate the success of wireless local number portability (LNP) to determine its current and future impact on the availability of numbers. Additionally, the Commission should build on the foundation of past conservation successes by pursuing further conservation measures, including (1) set clear and relevant criteria for carrier six-month inventories based on actual historical use of numbers; (2) determine ways to access the hundreds of thousands of available telephone numbers now stranded in carrier inventories; (3) develop a more appropriate methodology of forecasting exhaust in the 310 area code to more accurately reflect the way in which telephone numbers are now distributed to carriers in the 310 area code. Taking a proactive stance in more efficiently managing telephone numbers will not only extend the life of the 310 and all other area codes, but such actions will make telephone numbers competitively available to all carriers by maximizing blocks of numbers that are available in the area code number pool. Therefore, the Commission staff is directed to study and explore ways in which further conservation action can be taken. The Commission should also closely monitor the additional need for telephone numbers in the 310 area code to assure that telephone number supplies continue to be sufficient for competitive service.

II. Background

The traditional system for assigning telephone numbers throughout the United States was a legacy from an era in which one incumbent telephone company provided all customers with local service in a given area code. Under the traditional system, a carrier wishing to serve only a few customers in an area

was allocated telephone numbers in blocks of 10,000 for each rate center⁴ in that area. That system worked reasonably well as long as only one incumbent local exchange carrier required telephone numbers. With the opening of the local exchange market to competition, together with the growth in the competitive market for wireless and advanced technological telecommunications services, the traditional number assignment system could no longer keep up with the growing demand for numbers from multiple carriers serving the same customer base. The traditional system did not lend itself to efficient distribution of numbers in a competitive market where numbers are assigned to multiple carriers to serve customers in each rate center.

From 1947 to January 1997, the number of area codes in California increased gradually from 3 to 13. During the next three years, however, the number of area codes in California nearly doubled. By the end of 1999, California had 25 area codes statewide, and because of inefficient management of telephone numbers, the industry then projected that the state would need more than 40 area codes by the end of 2002. Today, because of aggressive and successful conservation measures implemented since 2000, California has only added one area code (area code 951) with the split of 909 in 2004.

⁴ A rate center is a specific geographic location within a local exchange that is used to determine the rating of calls as either local or toll, depending on the distance between the rate centers serving two calling parties. Each 10,000-number block of telephone numbers is assigned to a particular rate center.

A. Prior Commission Actions Regarding the 310 Area Code

The 310 Area Code, or Numbering Plan Area (NPA),⁵ was created in 1992 to create more numbers in the geographic area previously covered by the 213 area code. The 310 area code was subsequently split in January 1997, forming a separate 562 area code in the Southeastern region of the 310 area code, again to provide additional phone numbers based solely on industry projections of future demand. On February 18, 1998, industry representatives submitted to the Commission yet another proposal for splitting the 310 area code, again claiming telephone number exhaust⁶.

The industry first began customer notification of the impending exhaustion of numbers in the 310 area code in May 1997 in accordance with the 24-month customer notification required by Pub. Util. Code § 7930(a). A local jurisdiction meeting for city and county government representatives was held on August 27, 1997 and public meetings were held throughout the 310 area code by November 1997.

⁵ Area codes are assigned nationally for designated local “Numbering Plan Areas” (NPA) by the North American Numbering Plan Administrator (NANPA). The supply of available telephone numbers is governed nationally by the North American Numbering Plan which prescribes the structure of telephone numbering codes. Telephone numbers throughout the United States utilize a 10-digit dialing format composed of a three-digit area code, a three-digit central office (NXX) code, and a four-digit individual line number. Each NXX code, also known as a prefix, represents a 10,000-number block of telephone numbers. Neustar, Inc. is the Pooling Administrator for all number pools in the United States.

⁶ Number exhaust is another term for running out of whole NXX codes in a given area code, which precipitates the need for an area code split or overlay. Carriers maintain hundreds of thousand of unused telephone numbers in their carrier-specific inventories, which are not used by customers but are unavailable for use by other carriers.

On May 7, 1998, the Commission issued D.98-05-021, approving the implementation of the first area code overlay in California. In conformance with federal and California rules, the overlay plan also required the implementation of mandatory 1+10-digit dialing within the 310 area code and the newly created 424 area code.

On June 9, 1999, shortly after implementation of mandatory 1+10-digit dialing in the 310 area code, Assemblymember Wally Knox, jointly with other parties, petitioned to modify the Commission's D.98-05-021, seeking to halt the opening of the overlay scheduled to occur on July 17, 1999, and to end mandatory 1+10-digit dialing. In D.99-06-091, issued on June 24, 1999, the Commission temporarily suspended mandatory 1+10-digit dialing in order to provide time to address the full merits of the Petition. In D.99-09-067, the Commission granted the Knox Petition, suspending the 310 area code overlay plan, eliminating mandatory 1+10-digit dialing, and instituting a program of telephone number conservation measures to extend the life of the 310 area code.

On August 2, 2000, the Cellular Carriers Association of California (CCAC) filed a motion asking the Commission to immediately create new numbers in the 310 area code.⁷ CCAC argued that in view of wireless carriers' forecasted need for triple the number of remaining 10,000-number blocks at that time, there was an unavoidable need for immediately creating a new area code.

⁷ CCAC also filed a separate motion to file certain information contained in its pleading under seal, stating that such information was highly confidential and proprietary in nature. No party opposed the motion to file under seal. We granted the motion to file proprietary information under seal.

In September 2000, the Commission took a preliminary step toward splitting the 310 area code. In D.00-09-073, the Commission, as required by the FCC, established a new 424 area code by adopting a plan for a geographic split of the 310 area code should it become necessary to implement a new area code. The split plan adopted in D.00-09-073 provided for implementation of Alternative 1A, the geographic split plan previously proposed by the industry planning group as originally described in D.98-05-021. Under the adopted plan, the northern portion of the geographic area would retain the 310 area code. The southern portion of the current 310 area code would be split off to form a new 424 area code.⁸ The boundary lines and rate centers covered by the new area code are depicted in Appendix A of this order.

The Commission recognized that any area code change will entail some level of disruption, particularly to those customers who are required to take the new area code. Alternative 1A was approved by the Commission, because it scored more highly in satisfying all of the designated criteria than any of the alternatives.⁹

⁸ Although there was no statutory requirement to conduct additional public meetings, the Commission did subsequently hold additional public meetings during 2001, to provide updated public input regarding the 310 area code geographic split plan in view of the passage of time since the original public meetings in 1997. Public meetings were held in the cities of Carson and Redondo Beach on April 23, 2001, and in Culver City on April 24, 2001.

⁹ The designated criteria included factors such as the estimated life of the new area code to be created (i.e., dividing an existing area code in a way that creates two area codes that will last the longest possible time), maintaining communities of interest to the extent possible, and preserving municipal boundaries.

On September 29, 2000, Senate Bill 1741 (Bowen) amended Pub. Util. Code § 7930. This new statute provided specific direction to the Commission regarding the creation of new area codes. Among other things, Pub. Util. Code § 7930 prohibits the Commission from approving new area code splits or overlays unless a telephone utilization study has been performed and all reasonable telephone number conservation measures have been implemented.

On December 19, 2002, CCAC sent a letter requesting that the Commission adopt and implement all-services overlays in both the 310 and 909 area codes. In its letter, CCAC reiterated its August 2002 claim that the 310 area code faces immediate need of area code relief. CCAC sent a second letter with the same request on February 6, 2003.

B. The Commission's 2000 Utilization Study and the 2001 310 Number Audit

On March 16, 2000, the Commission's Telecommunications Division (TD) issued its "Report on the 310 NPA" (Report) presenting findings on how efficiently telephone numbers remaining in the 310 area code were actually being utilized by carriers, in compliance with the directive of D.99-09-067. Parties were permitted to file responses to the Report. As reported by TD, approximately three million unused numbers existed in the 310 area code as of November 1999.

No independent analysis had been provided, however, concerning the reliability of such forecasts or carriers' actual utilization of telephone numbers. Accordingly, in D.99-09-067, the Commission ordered the staff to undertake a study of telephone number use in the 310 area code to ascertain how efficiently carriers were actually using the 10,000-number blocks already assigned to them. The Commission stated that a full accounting of telephone numbers actually in

use in the 310 area code would be required before setting any further date for the opening of a new area code.

The TD Report also recognized that, even considering the large quantity of unused numbers in 310, various constraints then existed on the ability of carriers to make use of these unassigned numbers in meeting current customer service needs. For example, a certain quantity of unused numbers are allowed by the FCC to be reserved for carriers' inventory needs. Also, in certain cases, carriers may want numbers assigned to them from a particular rate center. Even if there are unused numbers in other rate centers, a carrier may be unable to access those numbers to serve customers in a rate center where there is a shortage of number blocks.¹⁰

While the Commission approved Alternative 1A as the designated back-up plan in D.00-09-073, it deferred its implementation pending independent confirmation that carrier-reported utilization data underlying telephone number exhaust forecasts for the 310 area code were accurate and reliable as the results of the Report reflected only the representation of carriers. The Commission ordered TD staff to conduct an independent audit of the number utilization data underlying the TD Report on the 310 area code.¹¹

¹⁰ In the case of wireless carriers, however, it is technically possible to use numbers from an adjacent rate center to provide customers with numbers even if there is a shortage of 10,000-number blocks in the desired rate center.

¹¹ The audit report findings were released on February 16, 2001. Based on the published audit findings, TD reached three overall conclusions. First, carriers did not deliberately misreport telephone number utilization data for the March 2000 Report on the 310 area code. Second, the audit authenticates the utilization data that carriers submitted for the March Report, except for certain recommended adjustments as noted in the audit report. Third, the additional telephone number adjustments noted in the audit report are relatively small compared to the twelve

Footnote continued on next page

Since the publishing of the Audit Report, additional NXX codes have been opened to provide inventory for the 310 area code number pool. Since the pool's inception in 2000, carriers have donated or returned over 704 one-thousand number blocks to the 310 area code pool. The TD audit report concludes that number pooling has been overwhelmingly successful in meeting the needs of pooling participants through better utilization of each area code's existing telephone numbers.

III. California's Innovative Number Conservation Measures Have Made More Numbers Available to All Carriers

The FCC has exclusive jurisdiction over numbering in the United States. Only by the FCC's delegation of authority can states implement number conservation policies. Recognizing the substantial social and economic burdens associated with constant area code changes, in April 1999 the Commission petitioned the FCC for the delegated authority to implement specific telephone number conservation measures in California in order to slow down unnecessary area code proliferation. The FCC granted the Commission's request in September 1999.¹²

1,000-number blocks available for assignment as of the date of the audit report and the codes set aside for number pooling.

¹² In the Matter of California Public Utilities Commission Petition for Delegation of Additional Authority Pertaining to Area Code Relief and NXX Code Conservation Measures, Order, CC Docket No. 96-98, FCC 99-248 (FCC Order). As a condition of that delegated authority, the FCC requires this Commission to take steps to provide additional telephone numbers through an area code split or overlay if telephone numbers are in imminent danger of exhaust.

In 2000, working with the North American Numbering Plan Administration (NANPA),¹³ the Commission immediately took steps to implement its delegated authority to conserve telephone numbers. Beginning in March 2000, the Commission adopted various number reporting and conservation measures which collectively have significantly slowed the pace of area code splits in California.

The number conservation measures that the Commission has adopted, including requirements for carriers to return unused codes, to use numbers sequentially and to implement thousand-block number pooling for local number portability-capable carriers, all insured that the unused numbers in the 310 area code identified in the TD Report are allocated as efficiently as possible

In exercising its delegated authority from the FCC, the Commission found that industry claims of impending telephone number exhaustion were based merely upon carriers' forecasts of future telephone number usage within each area code, not on their respective historical or actual use of telephone numbers. In essence, marketing predictions, not actual number use, formed the basis of each carrier's forecast number requirements – and the national numbering policy. Now California considers new area codes based on actual need or new numbers, not on carriers' unaudited forecast demand.

Second, under California's delegated authority, new telephone numbers are allocated to carriers more efficiently. By far the most effective number conservation tool is number pooling. Number pooling allows telephone

¹³ NANPA is an independent third-party administrator responsible for managing the nation's supply of telephone numbers under policies and guidelines established by the individual states and the FCC. NeuStar, Inc. performs this service.

companies to receive numbers in smaller blocks than the traditional 10,000 numbers, enabling multiple providers to share a 10,000-number block and therefore use this limited resource much more efficiently. Since launching the state's first number pool in the 310 area code in March 2000, every area code in California today has implemented number pooling, overseen by a neutral third-party Pooling Administrator. Through distribution of numbers in smaller blocks of 1,000, we can better match the numbering needs of telephone companies without stranding the remaining numbers in the 10,000-number block.

The technology that enables the network to support the assignment of smaller blocks is referred to as Local Number Portability, or LNP. LNP was originally mandated in 1996 by the FCC as a means to enable customers to retain their telephone numbers when they switch telephone service to another local telephone company. This same technology is utilized for number pooling. The FCC required all wireline¹⁴ carriers to become LNP-capable by the end of 1998 in the top 100 Metropolitan Statistical Areas (MSAs) in the country.¹⁵ Without LNP, a customer is inhibited from changing carriers because he or she must change telephone numbers.¹⁶

¹⁴ Incumbent and competitive local exchange carriers providing traditional "land-line" service.

¹⁵ FCC's Opinion and Order on Telephone Number Portability FCC 97-74, issued March 6, 1997.

¹⁶ In the case of wireless carriers, the customer almost always has to change equipment as well as the telephone number.

Though LNP technology has existed for several years and the wireline carriers became LNP-capable by the end of 1998, the FCC granted cellular and PCS companies three separate extensions of time, until November 2003, to become LNP-capable.¹⁷ The FCC further gave paging companies a permanent exemption from the LNP requirement. Until November 2002, only wireline carriers could participate in number pooling, and those carriers at that time received telephone numbers solely through the number pool; wireless carriers received numbers in 10,000-number blocks through a Commission-administered monthly rationing system, or “lottery,” and through emergency requests to the Commission. Currently, both wireline and wireless carriers in California now receive numbers through the state’s number pools. Only paging companies, which are still exempt from LNP requirements, receive numbers through the monthly lottery.

California also requires companies to more efficiently manage the numbers they already have had assigned to them but which are not yet assigned to customers. These rules include requiring companies to return any 10,000-number or 1,000-number block that the telephone company has held for more than six months without using it; requiring telephone companies to show they will be out of telephone numbers within six months before a carrier’s request for additional numbers can be granted; and requiring telephone companies to show they have used at least 75% of the numbers they hold before they can request

¹⁷ On September 1, 1998 the FCC’s Wireless Telecommunications Bureau, under the authority delegated to it by the FCC, granted a nine-month extension to March 31, 2000; On February 8, 1999, the FCC granted an additional extension to November 24, 2002; and on July 26, 2002, the FCC granted a final extension, to the current deadline of November 24, 2003.

additional numbers (known as the “fill rate requirement”). Companies must assign numbers in thousand-block sequence (called “sequential numbering”), moving to the next thousand-block only after using 100% of their numbers. Indeed, since the Commission extended the 100% use requirement in all California area codes, the demand for 10,000-number blocks has declined. Only two NXX codes have been opened since the start of wireless pooling in November 2002 with one of those codes having been returned.

Fourth, as an additional measure to extend the life of the 310 area code, the Commission filed a petition with the FCC on September 5, 2002,¹⁸ seeking a waiver from the FCC’s “contamination” (or number use) threshold requirement. Specifically, the Commission requested that the FCC grant California the authority to increase the existing 10% “contamination” rate. Under FCC rules, carriers must donate to each area code’s common number pool all thousand-blocks of telephone numbers that contain less than 10% “contaminated,” or used, numbers. An increased level of allowable contamination or usage rates for poolable thousand-number blocks (from current 10% to 25%) increases the number of thousand-blocks that are available to all carriers through each area code’s number pool. By increasing the number of available thousand-blocks to the pool, the life of the 310 area code is extended by maximizing the amount of telephone numbers that are available to all carriers.

The FCC acted upon this Petition by its order 03-196 adopted August 5, 2003 and released August 11, 2003. While the FCC declined to grant a statewide

¹⁸ See the *Petition of the California Public Utilities Commission and the People of the State of California for Waiver of the Federal Communication Commission’s Contamination Threshold Rule*, dated September 5, 2002.

waiver of the 10% contamination rate, it did find good cause to justify raising the contamination level in the 310 and 909 area codes. The Commission directed carriers to comply with the new contamination rate in the 310 and 909 area codes by ruling dated August 21, 2003. In its June 2004 report to the FCC on the effectiveness of this contamination waiver, the Commission determined that this increased threshold in conjunction with inventory guidelines would extend the life of area codes in California across the board – and in particular would extend the life of the 310 area code by 21 months.

Likewise, wireless LNP after years of delay, was finally implemented by the FCC Order 96-286 in the top 100 MSAs on November 24, 2003. Using LNP technology allows consumers to “port” or carry with them their existing phone numbers when they switch telephone providers. This new option imposes fewer burdens on consumers and helps to minimize the demand by carriers to assign new telephone numbers.

Moreover, wireless carriers which may have lower resources in certain rate centers have the flexibility to meet their customer needs by serving them from any rate center in their 310 service area. Some wireless carriers already do this using just a handful of rate centers. As a result, wireless carriers have the ability to more efficiently access resources in rate centers where there is a wealth of telephone numbers available.

The effect of these conservation measures is that a continual return of telephone numbers by carriers to the 310 number pool has resulted in the return of 413 blocks of one-thousand numbers since August 2003. In October 2003, the Commission voted not to split the 310 area code in order to take time to monitor and determine the impact of newly implemented conservation measures. Even with continual carrier assignments over the past year, the 310 pool now contains

146 one-thousand number blocks more than it did when the Commission voted not to split the 310 area code ten months ago as well as one additional NXX code which has been returned to the lottery code reserves. Thus, the 310 area code contains more telephone numbers in 2004 than it did in 2003 in both its number pool, to be shared among all carriers that need numbers, and in its reserve of unused NXX code numbers – to be available if demand surges in any particular 310 location.

III. Discussion

In D.99-09-067, we stated that the public interest demanded an accounting of what telephone numbers are actually in use before we set a date to split the 310 area code. Since the completion of the March 2000 study, we have undertaken a rigorous scrutiny of existing number utilization, and instituted the numerous telephone number conservation measures discussed above to ensure more efficient utilization of telephone numbers. These actions have spared customers in the 310 area code the risk and inconvenience of being prematurely forced to undergo an area code change.

We remain cognizant of our obligation to provide for adequate telephone numbers in each area code so that the public may have a competitive choice in selecting a local carrier. At the same time, we are acutely aware of our responsibility to California businesses and consumers to ensure that California's telephone number inventory is efficiently managed to the extent we can under FCC rules, and our statutory duty under state law to implement all possible number conservation measures before imposing the burden of an area code split. Toward that end, we believe it is important to scrutinize carefully carriers' claims of impending number exhaust, to analyze the remaining numbers in the 310 area code in the context of the rate that carriers are withdrawing and returning

numbers from the number pool, and to evaluate our options for managing the remaining numbers in the 310 area code.

A. Forecast Versus Actual Demand for Telephone Numbers

The decision whether or not to split or overlay an existing area code is based on an analysis of whether adequate telephone numbers exist to meet the projected demand. Currently, six (6) unassigned NXX codes remain available in the 310 area code in the lottery reserve, and three (3) NXX codes remain available in the pool set-aside reserves for replenishing the 310 area code number pool. In other words, there are nine (9) whole prefixes (NXX codes) or 90 one-thousand number blocks unused and available in 310. This is one additional full code more than existed when this Commission last decided not to split the 310 area code in October 2003. Even though carriers, at the time of the decision, had claimed that the then remaining 8 NXX codes were needed immediately to meet their 6-month inventories, that purported need did not materialize and there has actually been a net increase of NXX codes to the 310 reserves since that time.

Comparisons of carriers' actual need for thousand blocks versus forecasted demand since the inception of the 310 number pool indicate that carriers have consistently over-estimated their actual need for number blocks by several orders of magnitude. For example, for the year 2000, carriers forecasted 883 one-thousand number blocks would be needed to meet demand. However, only 161 one-thousand number blocks were actually used by carriers participating in the 310 area code number pool, less than 20% of forecasted demand. Likewise, in 2001, carriers forecasted that 581 one-thousand number blocks would be required from the 310 area code number pool to meet demand. By contrast, only 20 blocks were actually assigned during the same period. Thus, only 3.4% of the forecasted block demand was actually needed during 2001. For 2002, carriers

forecasted a need for 626 blocks, but actually took only 227 blocks. The relative increase in carrier “withdrawals” from the number pool in 2002 over 2001 was due to the effects of wireless carriers entering the number pool and leaving the lottery system from which they had previously obtained numbers. In 2003, carriers projected they would need 821 one-thousand blocks yet only requested 413 one-thousand blocks. Many carriers that obtained number blocks in 310 in 2003 obtained those numbers for their inventories and not to assign to customers immediately.

B. Carriers Continue to Retain Excess Numbers in the Inventories

Numbering Resource Utilization/Forecast (NRUF)¹⁹ data for carriers’ actual telephone number assignments demonstrates that carriers needed only 363 blocks²⁰ of numbers for their six-month inventory needs to meet all customer demand in the 310 area code. Yet at the end of 2003, they retained in their 310 inventories 556 one-thousand number blocks less than 25% used (or contaminated) plus nearly 5,500 one-thousand number blocks that were greater

¹⁹ NANPA prepares an NRUF report every 6 months on telephone number utilization based on data reported by carriers.

²⁰ Commission calculation of inventory need based on historical use of 2003 NRUF data.

than 25% contaminated and were therefore not required by the FCC to be returned to the 310 number pool.

In light of the consistent pattern of carriers' significant over-forecasting of demand, carriers have held significantly more numbers in their inventories than they than need to meet their actual customer demand throughout the 310 area code.

Telephone Numbers in Carrier Inventories Compared to Carrier Needs*

Carrier	Available Telephone Numbers in Inventory²¹	Inventory Blocks <u>Less than 25% Contaminated</u> (in 1,000 blocks)	Inventory Blocks <u>More than 25% Contaminated</u> (in 1,000 blocks)	Blocks needed to meet Carrier 6-Month Customer Demand (in 1,000 blocks)
TOTAL	1,764,686	556	5,459	363

** December 31, 2003 NANPA NRUF data – aggregated to protect confidential carrier use data of individual carriers*

The above table, comparing carrier inventory to actual need, clearly demonstrates how carriers' forecasts far exceed their actual need. The history of over-forecasting as outlined above illustrates the need to create more realistic criteria for carrier six-month inventories based upon actual need.

The Commission staff's report to the FCC in June 2004 on the impact of the contamination threshold waiver²² on the 310 area code clearly delineates how important inventory guidelines are to extending the life of an area code. Staff applied conservative exhaust methods for inventory guidelines scenarios based

²¹ Available numbers is described as unused telephone numbers in carrier inventories including aging and administrative numbers.

²² Federal Communications Commission (FCC) Order 03-196, adopted August 5, 2003 and released August 11, 2003. FCC Order 03-196 grants California a limited waiver to raise the authorized contamination threshold on an interim basis from 10% to 25% in the 310 and 909 area codes to define the type of thousand-number blocks that carriers are required to return and/or donate to the number pools.

upon actual historical use of numbers in conjunction with the increased 25% contamination threshold and found these conservation measures would extend the life of the 310 area code by an additional 21 months or until the end of 2006. The staff report confirms the value of setting inventory guidelines in extending the life of an area code. Carriers otherwise take numbers from the pool in excess of what they really need, creating the illusion of imminent area code exhaust.

On July 16, 2004, an Assigned Commissioner Ruling (ACR) discussed creating inventory guidelines for carriers to more accurately determine their six-month inventories. With comments from carriers and interested parties, six-month inventory guidelines will be developed within the next couple of months. Setting of inventory guidelines is also necessary to support and increase the effectiveness of other conservation measures already in place. Implementing inventory guidelines is consistent with our responsibility under PU Code 7930 to implement all reasonable conservation measures before implementing an area code split.

C. Carriers Have Substantial Available Numbers in the 310 Area Code

The Commission's March 2000 Utilization Report on the 310 area code based on 1999 carrier data found nearly 3 million unused, available telephone numbers in 310 carrier inventories. Nearly five years later, more than two million telephone numbers are still unused and available to customers in the 310 area code.

Available Numbers in the 310 Area Code

Location of Available Numbers in 310	Quantity of Telephone Numbers
All Carrier Inventories	1.76 million numbers*
310 Number Pool (as of July 31, 2004)	476 one-thousand blocks**
NXX Codes (10,000 number blocks of reserved prefixes)	90 ten-thousand blocks❖

* NANPA, 12/31/03 NRUF Report

** NeuStar, Pooling Administrator Website, 310 Pool Tracking Report

❖ NANPA Website, Central Office Code Assignment Activity Report

1. The 310 Number Pool

In September 2003, there were only 328 one-thousand number blocks in the 310 number pool, but by the end of July 2004, after the implementation of both the FCC's contamination threshold waiver and LNP order, the 310 pool contained 476 one-thousand number blocks. The increase in available numbers in the pool resulted from carriers returning unused numbers pursuant to the FCC's contamination waiver order. Even after ten months of normal carrier activity of assigning telephone numbers to customers, the most current NRUF report shows that since last September there has been a 148 one-thousand block increase into the 310 number pool, for an average net take-up rate of -9.5 (that is, a net average return of 9.5 one-thousand blocks into the 310 number pool each month). Compared with the period August 2002 through March 2003, before the contamination waiver and LNP took effect, the 310 number pool experienced an

average net take-up (or decrease) of 35 blocks per month. As long as the 310 number pool continues to be replenished with more numbers than are taken out of the pool, it is reasonable to conclude that the 310 area code will not exhaust for years to come.

Pub. Util. Code § 7930 states that a utilization study must be completed before implementing an area code split or overlay. This Commission voted not to split the 310 area code in October 2003 in part based upon the previous 2000 utilization report. Recognizing that several conservation measures have been implemented since that initial study was performed, and considering that the Report is nearly five years old, the current utilization study is dated. A new utilization study must be undertaken pursuant to § 7930's requirements before an area code split is implemented in the 310 area code.

2. Rate Center Exhaust is Not Imminent

Telephone numbers may only be given out to customers by rate center (the 310 area codes has 16 rate centers). Rate centers are replenished from the number pool in blocks of one-thousand when more numbers are needed to meet customer demand in a particular rate center. Inherent in the pooling system of distribution, telephone numbers flow in and out of rate centers as they are needed or returned. Therefore, the number of available blocks in a rate center will fluctuate as blocks are taken or returned. While rate centers may appear to be out of blocks of numbers one month, the following month they may see an influx of blocks of telephone numbers. Any given point in time is merely a snapshot of availability, rate center-by-rate center. Consequently, just because a rate center may appear to have a low supply of number blocks in a given month, this does not signify area code exhaust. A rate center must be evaluated by how many of its blocks are already assigned to carrier inventories, what the average

customer demand is for that rate center, whether there are eligible blocks that can be returned, and whether it is time to open an NXX code to replenish the rate center.

When a rate center is completely out of numbers and cannot be replenished from the pool, several options for obtaining additional numbers for that rate center exist. For instance, as a last resort, a new NXX code may be opened to replenish the rate center. However, an NXX code should be opened only after all less than 25% used blocks in carriers' inventories have been returned to the number pool and requesting carriers have demonstrated a need for numbers from that particular rate center. If it is necessary to open an NXX code, needed numbers in increments of 1,000 blocks are assigned to a carrier's inventory while the balance of unneeded blocks from the NXX code are assigned to the number pool for that rate center. In order to prevent premature exhaust of an area code that still has millions of unused telephone numbers, blocks of numbers must be managed more efficiently at the rate center level.

a) Carriers Must First Look to Their Own Inventories to Meet Rate Center Needs

Carriers have an abundance of blocks in their 310 inventories that are more than 25% used which are already associated with a particular rate center and currently cannot be returned to the 310 number pool. Accordingly, carriers should first look to their own inventories to support their rate center needs. To make the point, the tables below illustrate that carriers have an abundance of inventory in rate centers to meet their needs, even in those rate centers that have the current lowest supplies of blocks.

Carrier Resources for *Inglewood Rate Center* Compared with Carrier Need*

Available telephone numbers in Carrier Inventories	Number of less than 25% contaminated 1,000-blocks in Carrier Inventories	Number of greater than 25% contaminated 1,000-blocks in Carrier Inventories	Number of blocks needed for Customer Demand (6 month average)	Number of blocks currently in Rate Center
123,701	34	371	42	2

* December 31, 2003 NRUF Report, aggregated to protect confidential carrier use data of individual carriers.

Carrier Resources for *Lomita Rate Center* Compared with Carrier Need*

Available whole telephone numbers in Carrier Inventories	Number of less than 25% contaminated blocks in Carrier Inventories	Number of greater than 25% contaminated blocks in Carrier Inventories	Number of blocks Needed to meet Customer Demand (6 month average)	Number of blocks currently in Rate Center
25,442	10	89	9	2

* December 31, 2003 NRUF Report, aggregated to protect confidential carrier use data of individual carriers.

Carrier Resources for *San Pedro Rate Center* Compared with Carrier Need*

Available whole telephone numbers in Carrier Inventories	Number of less than 25% contaminated blocks in Carrier Inventories	Number of greater than 25% contaminated blocks in Carrier Inventories	Number of blocks Needed to meet Customer Demand (6 month average)	Number of blocks currently in Rate Center
60,210	17	234	24	0

* December 31, 2003 NRUF Report, aggregated to protect confidential carrier use data of individual carriers.

Carrier Resources for *Torrance Rate Center* Compared with Carrier Need*

Available whole telephone numbers in Carrier Inventories	Number of less than 25% contaminated blocks in Carrier Inventories	Number of greater than 25% contaminated blocks in Carrier Inventories	Number of blocks Needed to meet Customer Demand (6 month average)	Number of blocks currently in Rate Center
73,272	33	225	32	3

* December 31, 2003 NRUF Report, aggregated to protect confidential carrier use data of individual carriers.

This data demonstrates that carriers have telephone numbers in their inventories well in excess of their respective customer demand for these rate centers. Though a rate center may have “0” blocks at a given point in time with the fluctuation of the pool as numbers flow in and out, blocks of excessive numbers in carrier inventories, which carriers need not return to the pool under current FCC rules, can still meet customer demand in these rate centers.

For example, in the San Pedro rate center, which currently has “0” blocks, carriers still retain tens of thousands of unused and available numbers. Cumulatively in that rate center, carriers hold 235 blocks that are over 25% contaminated (or used) compared with only a cumulative 6-month customer demand of 24 blocks. Thus, carriers should first utilize numbers in their inventories that are greater than 25% contaminated and return all blocks less than 25% contaminated to replenish the number pool.

b) Wireless Carriers’ Relationship to Rate Centers Should be Streamlined

Wireless carriers may not need to have a presence in every rate center to effectively serve their customers, and most do not have such a presence. Because wireless carriers do not have the same geographical constraints as wireline carriers, they have flexibility to assign and take telephone numbers from any rate center in a more flexible way. Given that the issue of area code exhaust is closely tied to the rate center model in the current area code configuration, staff should evaluate ways in which wireless carriers can more progressively serve customers from various rate centers. Therefore, staff is directed to examine and propose how wireless carriers can hold inventories in fewer rate centers and still be able to serve their customers located in any rate center. While we realize this may raise issues of inter-carrier compensation, this aspect will also be taken into consideration as staff explores this issue.

D. Continued Requirements for Effective Number Conservation

While it has only been a year since the contamination threshold waiver was granted by the FCC, eight months since the FCC’s long-delayed implementation of Local Number Portability (LNP) between wireless carriers, and only three months since the FCC’s implementation of LNP between wireline

and wireless carriers, their positive effects on the 310 number pool are obvious. With its potential for decreasing demand for new telephone numbers, it is essential that the impact of LNP be studied before deciding to split the 310 area code.

There also remains a number of further conservation measures that should be considered before implementing area code relief.

1. Returning all Blocks of Numbers Under 25% Contaminated to the 310 Number Pool

In July 2004, an Assigned Commissioner Ruling (ACR) was published further implementing FCC Order 03-196 granting the waiver to increase the contamination threshold to 25% requiring that carriers return all blocks under 25% used. Current NRUF data indicates that carriers have blocks of numbers in their inventories well in excess of their actual need for numbers. Returning unused numbers from blocks less than 25% contaminated (or used) promotes more efficient use of numbers by returning numbers to the pool where they can be accessible to carriers that have a present need for additional numbers to assign to customers. Carriers that have not yet returned all blocks in their inventories less than 25% used (or contaminated) are directed to do so immediately or demonstrate that they need to keep these blocks to meet customer demand.

Furthermore, carriers must be cognizant of their accountability for numbers in their inventories that they assign to intermediate carriers and their responsibility for enabling intermediate carriers to return numbering resources back to the carrier from which they received them, in a timely and seamless manner. This type of return of numbering resources will make more thousand-blocks eligible to be donated to the number pools. It has come to our attention that several intermediate carriers possess (or maintain) large quantities of

numbering resources that have attempted to return them to the carrier from which they received the numbering resources, but could not do so because of insufficient cooperation by the code or block holder. It would be irresponsible to open new NXX codes or to split the 310 area code when such blocks of numbers may be available to be returned to the number pool.

2. Setting Carrier Inventory Guidelines

As noted above, we will establish specific criteria for carrier six-month inventories. Considering the history of how carriers over-forecast their needs for six-month inventories in comparison to the telephone numbers that are actually assigned to customers, it is clear that setting inventory guidelines is imperative to the efficient management of telephone numbers. The Commission staff's report to the FCC in June 2004 on the impact of the contamination waiver on the 310 area code clearly demonstrates how important inventory guidelines are in extending the life of area codes. In particular, even under the conservative staff approach, the life of the 310 area code would be predicted to last an additional 21 months or until the end of 2006. Having clear inventory guidelines that are based on actual, historical use will promote greater efficiency of number management and allow optimal access to number resources for all carriers.

3. Conservation Measures should also be Applied to Paging Carriers

By FCC rules, paging carriers are not currently a part of the pooling distribution system for telephone numbers and therefore any excess paging carrier inventory is unable to be returned to the number pool and sits unusable

in paging carrier inventories.²³ Current NRUF data indicates that paging carriers have 750,000 unused and available 310 telephone numbers in their inventories. Given that paging carriers only use approximately 17% of the inventory they take and have no means of relinquishing unused blocks of numbers this demonstrates an ineffective use of numbering resources. With the pervasiveness of other wireless technology that is able to take telephone numbers from the number pool in blocks of one-thousand, other means must be explored to incorporate paging carriers into the number pooling system so that hundreds of thousands of telephone numbers do not remain stranded in paging carrier inventories. Unused telephone numbers in paging carrier inventories alone could likely extend the life of the 310 area code by several years. Staff should explore ways of working with the FCC to return unused pager numbers to the 310 pool.

4. Accessing Stranded Telephone Numbers

As discussed above, carriers have hundreds of thousands of telephone numbers that remain stranded in their inventories because blocks are over 25% contaminated thus making the blocks of numbers ineligible for return to the number pool. Nearly 5,500 one-thousand blocks across all carriers inventories (excluding paging carriers) are over 25% contaminated. This Commission should explore methods by which stranded numbers can be accessed, including:

²³ Additionally, because paging carriers are not a part of the number pool, they are allowed by the FCC to take telephone numbers in blocks of 10,000.

- sharing numbers through intermediate number distribution for which carriers already have a process;
- Working with the FCC to expand Local Number Portability to allow carriers to receive numbers in even smaller “blocks” from an area code number pool, such as individual telephone number pooling (ITN) and unassigned number porting (UNP);
- Working with the FCC to further increase the contamination threshold to allow greater numbers of blocks to be returned to the pool.

Accordingly, we direct staff to begin exploring ways in which further conservation measures may be pursued to access stranded numbers.

E. The Methodology of Forecasting Exhaust Should be Updated to Reflect the How Numbers are Actually Distributed in the 310

NANPA currently projects exhaust in the 310 area code based upon the traditional lottery system, which was the process used to give out numbers to carriers before the implementation of number pooling.²⁴ Now that all California area codes, including 310, use pooling to give out numbers, allowing numbers to be returned from carriers inventories and stored in a number pool, a new methodology to forecast area code exhaust should be applied to reflect the

²⁴ *The 10,000-number block lottery for the 310 area code currently continues in effect only for paging companies because they are not currently subject to number pooling or porting requirements. We note, however, that since non-paging wireless carriers have become the major participants in the 310 area code number pool, no requests for 10,000-number blocks through the 310 area code lottery have been received. During this period, paging carriers have been able to meet their demand for numbers in the 310 area code without drawing additional codes from the 310 lottery. Nonetheless, in the interests of number conservation and preserving a supply of 10,000-number blocks, if needed, for paging carriers, we decline to discontinue 10,000-number block rationing in the 310 area code*

distribution system now in use throughout California.²⁵ Given that the 310 area code has had a positive inflow or increase of telephone numbers into its pool for the past year, and only one net NXX code has been opened since wireless pooling began, therefore it is not reasonable to take Commission action on an area code split based upon this outdated method of exhaust projection. Accordingly, we direct Commission staff to develop a more relevant methodology to determine area code exhaust in California based on the attributes of the number pooling process that the Commission can use and can provide to the FCC.

IV. Conclusion

With more than two million telephone numbers still available in the 310 area code, it is not necessary to split the 310 when there are more than enough unused and available telephone numbers to serve customer demand for the foreseeable future. The excessive demand forecasts and the continuance of overly large inventory holdings in the 310 area code make it appear unnecessarily that 310 area code has less numbers available for use than are actually available. This chicken-little approach to projecting area code relief is clearly flawed.

The 310 area code, which was originally projected by industry forecasters for imminent split in 1997, is still strongly alive eight years later. The success of past conservation efforts indicates just how important it is to continue down the

²⁵ The current method of exhaust is based on a lottery system that allocates one NXX code – a 10,000 block of numbers – to carriers approximately each month. However, telephone numbers are now distributed to carriers in blocks of one-thousand on a needs basis and NXX codes are held in reserve until numbers run out in a particular rate center.

path of conservation. We believe that specific telephone number conservation options should be more fully explored as a means of prolonging the life of the 310 area code before taking action to impose a split or overlay on it businesses and families.

Conservative estimates of implementing just two additional number conservation measures (inventory guidelines and moving pager carriers to the pooling system) would alone add four to five years to the life of the 310. Beyond that, the full impact of current conservation measures such as LNP for wireless carriers has yet to be fully studied. Given the current continual and positive net inflow or increase of numbers to the 310 pool, it is conceivable that the 310 area code relief might not be needed for many years to come.

California has been a leader and innovator in this country for telephone number conservation. A step backwards now will lead the state to where we were in the late nineteen-nineties with a proliferation of new area codes.

Accordingly, we direct the Commission Telecommunications Division (TD) staff to explore further conservation measures as indicated, to develop a plan for streamlining the way that wireless carriers use rate centers, and to develop an updated approach to forecasting area code exhaust in California. TD should also continue to monitor the remaining telephone numbers in both the 310 number pool and the lottery, and to make any necessary reallocations in order to provide carriers with necessary telephone numbers.

Some data contained in this document is obtained from the most current NANPA NRUF report available (12/31/03) and represents the most currently known state of available numbers in the 310 area code as well as trends in how carriers utilize telephone numbers. As new NRUF data is expected to be publicly

available by mid-September, we will incorporate new data into this decision as it is updated in response to public comment.

V. Comments on Draft Decision

The alternate draft decision of Commissioner Lynch in this matter was mailed to the parties in accordance with Pub. Util. Code § 311(e)(1) and Rule 77.6(d) of the Rules and Practice and Procedure. Comments were filed on Assignment of Proceeding

Loretta M. Lynch is the Assigned Commissioner and Thomas R. Pulsifer is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. There are substantial telephone resources in the 310 area code with over two million numbers unused and available and therefore area code relief is not needed at this time.

2. The Commission has undertaken reasonable audit and conservation measures to assure that telephone numbers in the 310 area code are being utilized as efficiently as possible.

3. In D.00-09-073, the Commission previously approved Alternative #1A, a geographic split, as the designated back-up plan to be implemented for creating additional number in the 310 area code.

4. The Commission has a responsibility to California consumers to efficiently manage California's telephone numbers, and to implement all possible number conservation measures before imposing the burden of an area code split or overlay on consumers.

5. In view of the consistent pattern of carriers' significant over-forecasting of demand for thousand blocks, carriers' forecasts of blocks required to meet

six-month inventory needs are also likely to be overstated and should be better defined by specific guidelines based on actual historical use by carriers.

6. There remains in carrier inventories an excess of telephone numbers beyond carrier needs that carriers are unwilling to return to the 310 number pool.

7. There exist 9 whole prefixes available in the 310 area code, one more than was available when the Commission last considered splitting the 310 area code.

8. Only one net NXX code has been opened in the 310 area code since wireless pooling began in November 2002.

9. There are 413 one-thousand blocks of numbers that have been returned to the 310 number pool since August 2003.

10. As of September 2003 there were only 328 one-thousand number blocks in the 310 pool.

11. There were 148 one-thousand blocks returned to the 310 number pool since September 2003 resulting in 476 one-thousand number blocks by the end of July 2004 that are already assigned to various rate centers and currently available to be used by carriers within the 310 number pool.

12. There remain adequate number resources in 310 rate centers to support carrier needs either in the 310 number pool or carrier inventories.

13. Beginning in November 2002, the 310 number pool was the only way for wireless carriers to acquire new telephone numbers or to build up their respective six-month inventories in the 310 area code.

14. Carrier draws from the 310 number pool spiked significantly in November and December 2002 after wireless companies joined the number pool and no longer received 10,000-number blocks of numbers through the monthly lottery.

15. There are currently adequate telephone numbers for the 310 area code to meet carrier and customer needs.

16. An increased level of allowable contamination, or usage, rates for poolable thousand-blocks (from current 10% to 25%) increases the number of thousand-blocks that are available to all carriers through each area code's number pool.

17. FCC rules required wireless carriers to implement LNP technology by November 24, 2003.

18. Wireless LNP could also expand the industry's participation in other number conservation measures that would allow carriers to receive numbers in even smaller increments from an area code number pool.

19. Accessing currently stranded numbers through new methods of number conservation will extend the life of the 310 area code.

20. Returning all blocks of numbers less than 25% contaminated in carrier inventories as well as in the inventories of intermediate carriers will extend the life of the 310 area code.

21. The setting of guidelines for six-month carrier inventories will more effectively manage telephone number resources and extend the life of the 310 area code.

22. Developing an appropriate method of forecasting exhaust in area code that utilizes pooling to distribute telephone numbers to carriers will more accurately determine the life of an area code.

Conclusions of Law

1. The Commission's telephone number conservation policies and actions to date have spared customers the risk and inconvenience of being prematurely forced to undergo an area code change.

2. It is important to carefully scrutinize carriers' claims of impending number exhaust, and to analyze the remaining numbers in the 310 area code in the

context of the rate that carriers are withdrawing those numbers from the number pool, and the Commission's options for managing those remaining numbers.

3. Flexibility exists to reallocate 10,000-number blocks between the pool inventory and the lottery allotment as deemed necessary to best provide for carriers' number resource needs.

4. The significant draw on the 310 number pool resources was precipitated by the wireless carriers' joining the pool for the first time in November 2002.

5. Wireless local number portability will continue to help to decrease the demand for new telephone numbers in the 310 and other area codes, as customers exercise the option to keep their existing telephone number(s) if they switch carriers.

6. The Commission must implement all possible and reasonable numbering conservation measures before splitting an area code as directed in Pub. Util. Code § 7930

7. The Commission must first perform a number utilization study before splitting an area code as directed by Pub. Util. Code § 7930.

8. It is premature to implement the 310/424 area code split until the data indicates that demand exceeds supply of numbers, and until the effects of other number conservation measures such as the increased contamination threshold, wireless local number portability, and a technology specific overlay, have been evaluated.

9. The wireless carriers' implementation of local number portability technology will be another important number conservation tool for the 310 area code, as well as California's other area codes.

10. The existing 310 area code number pool should continue pursuant to the federal number pooling program.

11. Lottery rationing of 10,000-number blocks in the 310 area code should continue.

12. It is in consumers' best interests that an independent staff verification of carrier-reported numbers be made prior to adoption of a back-up plan for that area code.

O R D E R

IT IS ORDERED that:

1. It is not necessary at this time to implement the back-up area code split plan for the 310 area code adopted in Decision (D.) 00-09-073

2. The Director of TD is hereby delegated the task of continuing to review the current lottery allotment and readjusting the allotment of 10,000 number blocks for the 310 area code between the lottery and the number pool as appropriate.

3. Commission staff is directed to develop an area code exhaust methodology that is more appropriate to the distribution of telephone numbers in California through pooling.

4. Commission staff is directed to explore and propose methods for accessing stranded telephone numbers in carriers' inventories including but not limited to: intermediate number distribution; expanding Local Number Portability to allow the distribution of number blocks in even smaller components; increasing the contamination threshold.

5. Commission staff is directed to evaluate and propose ways in which wireless carriers can hold inventories in fewer rate center and still be able to serve their customers located in any rate center.

This order is effective today

Dated _____, at San Francisco, California.

CERTIFICATE OF SERVICE

I certify that I have by mail, and by electronic mail to the parties of which an electronic mail address has been provided; this day served a true copy of the original attached Alternate Draft Decision of Commissioner Lynch] on all parties of record for proceeding R.94-04-043/I.95-04-045 or their attorneys of record.

Dated August 25,2004, at San Francisco, California.

Ernesto Melendez

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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