

Decision 08-08-029 August 21, 2008

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Into Implementation of Federal Communications Commission Report and Order 04-87, as It Affects the Universal LifeLine Telephone Service Program.

Rulemaking 04-12-001
(Filed December 2, 2004)

DECISION ADOPTING A PRE-QUALIFICATION REQUIREMENT FOR THE CALIFORNIA LIFELINE TELEPHONE PROGRAM AND RESOLVING REMAINING PHASE 2 ISSUES

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DECISION ADOPTING A PRE-QUALIFICATION REQUIREMENT FOR THE CALIFORNIA LIFELINE TELEPHONE PROGRAM AND RESOLVING REMAINING PHASE 2 ISSUES

1. Summary

In this decision, we adopt a pre-qualification requirement for the California LifeLine Telephone Program (LifeLine or California LifeLine).¹ Under pre-qualification, a new applicant for the program will receive the discounted LifeLine rate for telephone service once Solix, the Certifying Agent determines that he/she is eligible. We adopt the necessary changes to General Order 153 to implement pre-qualification. Furthermore, we determine that we should not eliminate eligibility based on income but rather, continue to utilize eligibility based on both income and participation in other low-income programs. Some eligible customers do not participate in any of the means-tested programs and would therefore be excluded if we eliminated income-based eligibility.

We conclude that the changes we have made over the past year have been successful; the LifeLine program is operating effectively so there are no further steps we need to take at this time to improve our processes. However, we will keep this proceeding open so the Commission can monitor the implementation of pre-qualification.

2. Background

On May 3, 2007, the Commission approved Decision (D.) 07-05-030 adopting strategies to improve the California LifeLine certification and verification processes. That decision followed six months of intensive study by Commission staff, telephone carriers, consumer groups, and Solix (Certifying

¹ Also known as the Universal LifeLine Telephone Service Program.

Agent or CertA) to determine the reasons behind a low response rate the program had experienced following the implementation of new Federal Communications Commission (FCC) eligibility requirements. As part of that intensive process, Commission staff prepared its “Report on Strategies to Improve the California LifeLine Certification and Verification Processes” (Strategies Report), which formed the cornerstone of D.07-05-030.

In the Strategies Report, staff recognized that not all changes to the LifeLine program could be implemented in the short term and identified several longer-term strategies to improve LifeLine program efficiency and effectiveness. In D.07-05-030 we gave staff the latitude, in conjunction with two Working Groups² to develop creative and successful solutions. Additionally, we directed staff to continue to identify and implement longer-term strategies. To the extent that any of those elements required Commission authorization, staff was directed to bring those issues to us for resolution. The proceeding was kept open, and the assigned Commissioner was to issue the directives needed to staff and carriers to ensure further pursuit of longer-term strategies. The assigned Commissioner waited to initiate this second phase of the proceeding in order to allow adequate time to evaluate the effectiveness of the steps we took in D.07-05-030, and to determine if we needed to revisit any of the steps taken in that decision.

² D.07-05-030 required that the Implementation Working Group (IWG) and Marketing Working Group, which were established to resolve the problems with the verification and certification processes and found to be an invaluable tool, continue to develop strategies that improve the LifeLine processes.

At the end of 2006, the response rate for certifications was 46%.³ As of May 2008, the CertA and the Communications Division (CD) reported the certification rate had increased to 63%. We are pleased with this significant improvement, but we believe that we can improve the certification response rate still further.

3. Update on Recent Implementation Efforts

Before examining the issues earmarked for resolution in Phase 2, we need to explore the status of some of the strategies listed in the Strategies Report in order to put our Phase 2 proposals into perspective. Commission staff and the Implementation Working Group and Marketing Working Group have continued to work on resolving some of the issues identified. The following issues have been implemented or are in the process of being implemented and require no Commission action at the present time.

3.1. Improvements in Mail Delivery

Effective July 16, 2007, the CertA implemented the use of First Class Mail to deliver customer forms. Analysis of response time, returned mail, and the response rate is ongoing and reported weekly to Commission staff.

3.2. Developing Contractual Solutions

The CertA contract was extended for one year until 6/30/09 (with the option of one additional one-year extension) for about \$17 million. The additional funding compensates the CertA for costs associated with the revised requirements to the original contract, including the following: the redesign of envelopes for greater visibility to customers, First Class mailings, and the use of

³ D.07-05-030 at 5.

an outbound dialer to inform customers that they will be receiving correspondence from the CertA (or that a response is due). The CertA now sends reminder post cards 21 days after the initial correspondence is sent. Additionally, an Interactive Voice Recognition (IVR) system is now in place to assist in the processing of customer calls to the CertA. Commission staff and the CertA are developing a second pink envelope⁴ that would have black lettering (Important Information Enclosed) for non-essential correspondence from the CertA (confirmation, or any other document not requiring action by the customer). Currently, all envelopes from the CertA state "Immediate Action Required."

3.3. Long-Term Outreach Efforts

3.3.1. Rebranding

The Commission hired One World Communications to review LifeLine materials in light of the low response rates and to examine the possibility of redesigning LifeLine forms for improved ease of use by customers. One World recommended changes to the current verification forms. The Marketing Group will work with the new Marketing and Outreach contractor and the CertA to determine the feasibility of incorporating the changes recommended by One World.

⁴ The CertA implemented the use of a pink envelope instead of a white envelope to help customers distinguish LifeLine correspondence from other correspondence.

3.3.2. Assisting Community-Based Organizations (CBOs)

In the Marketing and Outreach Request for Proposal, ideas were solicited to determine the roles of CBOs, social service agencies, and other entities in our efforts to increase LifeLine participation.

3.3.3. Enhancing the LifeLine Marketing Contract

Following a competitive bidding process, the marketing contract was issued to Richard Heath & Associates (RHA). The contract is for one year with an option for two additional one-year extensions worth a total of \$15,085,991. RHA will design, develop, and implement a marketing and outreach campaign to increase awareness about, and to expand the reach and success of, LifeLine throughout the state. Even though 92.7%⁵ of low-income households had residential telephone service as of March 2006, this lags behind the 95% service penetration rate for the state. RHA indicates that it accepts the challenge of promoting our universal service goals.

3.4. Long-Term Solix-Carrier Interface Improvements

With the establishment of a solid baseline of LifeLine customers, the Commission can look for additional ways to increase subscribership to the program. Currently, when customers call to inquire about the status of their enrollment, the Commission's Consumer Affairs Branch (CAB) and the CertA's customer service representatives instantly have access to that customer's record of interactions (calls, notifications, etc.) through a shared LifeLine database. Also, the CAB representative can see what forms the customer has submitted to the CertA and when those forms were received. There is no database entry for

⁵ http://docs.cpuc.ca.gov/word_pdf/REPORT/72294.doc.

the customer to delegate a representative who would be authorized to speak to the CertA on his/her behalf, but customers can still verbally designate a representative.

3.5. Long-Term Appeal and Complaint Solutions

CAB and the CertA have both addressed solutions for resolving complaints, with an emphasis on directing customers to the CertA's service representatives, rather than to CAB. The IVR 800 number, implemented as part of the CertA contract amendments, is now printed on the notification forms in English and in all other languages designated by the contract. As a result, CAB has experienced a decrease in the number of complaints and appeals received. To further improve the appeal and complaint procedures, CAB's new LifeLine office is now operational specifically to handle LifeLine billing complaints, inquiries, and denial appeals. A LifeLine-specific database is currently being developed, and the new Commission Information Management System project is expected to be able to provide additional information, such as the nature of the complaint, the customer's carrier, etc. Additionally, the CertA has reported increased cooperation with carriers on handling complaints as well as updating customer data. All of these improvements have assisted in the more expeditious resolution of LifeLine complaints and appeals.

3.6. Regular Meetings

Communication continues to be good among the various entities involved in the program. The Implementation Working Group, which includes representatives from the CertA, carriers, CBOs, Commission staff and other interested parties, holds a conference call every two weeks. The Marketing Working Group was folded into the Implementation Working Group phone call

effective July 2008. The CertA visits Commission staff once a quarter, and CD staff has a monthly LifeLine phone call with AT&T, the largest LifeLine provider.

4. Phase 2 Issues

As stated earlier, other issues identified in the Staff Report require further work and possible action by the Commission. Following are several issues that we solicited comment on in Phase 2.

4.1. Customer Pre-Qualification

In the initial phases of this proceeding, the Commission decided not to change the existing LifeLine procedure where customers were eligible for LifeLine following their initial contact with the carrier, to one where customers had to pre-qualify before being enrolled in the program. With the current procedure, customers receive LifeLine telephone service discounts during the certification process which is conducted by the CertA. As a result, customers found to be ineligible for the program several months after their first contact with the carrier are subject to back-billing to pay regular rates and non-recurring charges. For many of these customers, the back-billing can be a substantial amount of money.

In her November 14, 2007 Assigned Commissioner's Ruling (ACR), Commissioner Grueneich indicated that she saw advantages for all the participants in moving to a system of customer pre-qualification. It simplifies the process for both the CertA and the carriers, since customers would not be added to the LifeLine program until they have demonstrated they qualify for the program. There would also be a benefit to customers who ultimately do not qualify, since they would not be subject to back-billing. There is a disadvantage to customers who would have to pay regular rates and wait several weeks to enroll in LifeLine, during which time they would complete the forms and submit

them to the CertA for processing. We need to balance the delay in getting new customers on the program against the simplification in process for carriers and eliminating the back-billing issue for customers found to be ineligible for the program.

In the initial comments filed on the ACR, the Incumbent Local Exchange Carriers,⁶ San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (Joint Utilities) all supported adopting a pre-qualification requirement. AT&T points out that data from the CertA shows that approximately 50% of certification customers enrolled in LifeLine are deemed ineligible for benefits and are re-graded off the program. This is a substantial volume of customers whose accounts must be back-billed. This results in millions of dollars in (a) liability to customers deemed ineligible, and (b) administrative costs associated with the carriers' back-billing process which is ultimately borne by the LifeLine Fund. According to AT&T, transitioning to a pre-qualification process would avoid these expenses.

Verizon concurs with AT&T saying that pre-qualification would simplify the LifeLine certification process. Verizon states that administration of the program would become easier thereby reducing the costs of the program. Costs would be reduced because a substantial number of customers – those that sign up for LifeLine and are later found to be ineligible – would no longer have to be

⁶ AT&T California (AT&T); Verizon California Inc. (Verizon); Surewest Telephone, Calaveras Telephone Company, Cal-Ore Telephone Co., Ducor Telephone Company, Foresthill Telephone Co., Happy Valley Telephone Company, Hornitos Telephone Company, Kerman Telephone Co., Sierra Telephone Company, The Siskiyou Telephone Company, Volcano Telephone, and Winterhaven Telephone Company (collectively known as Small LECs).

processed. Second, pre-qualification would reduce the burdens on LifeLine applicants who do not qualify. Verizon notes that if the process of rejection takes several months, customers may be back-billed substantially more than \$100. According to Verizon more than 50% of the new Verizon customers do not return a certification form or are found ineligible upon submitting one. Consequently, a significant number of customers experience larger than expected bills as previous LifeLine-related discounts are reversed.

The Small LECs urge adoption of a pre-qualification system saying that the current procedure of issuing LifeLine discounts and then back-billing customers who are deemed ineligible has had a damaging effect on customers' perception of the program, and has resulted in significant back-billings for the most vulnerable sub-set of customers. According to the Small LECs, certain difficulties with the LifeLine certification process would be resolved if the Commission moved to a pre-qualification regime.

The Joint Utilities also support pre-qualification, saying that requiring pre-qualification for LifeLine applicants better aligns the enrollment process with what the Commission's California Alternative Rates for Energy (CARE) and Low Income Energy Efficiency (LIEE) programs require and is supportive of achieving synergies across the programs. The Joint Utilities believe that implementation of customer pre-qualification could include streamlined processing and expedited service to minimize the time customers do not receive the California LifeLine program services for which they qualify.

The Utility Reform Network, The National Consumer Law Center, Disability Rights Advocates and Latino Issues Forum (Joint Consumers) are opposed to customer pre-qualification. They support the long-standing "first contact" process because the customer is put on the program at his or her first

contact with the carrier. The Joint Consumers strongly advocate retention of the first contact policy because it allows customers to pay discounted installation/connection fees, a discounted conversion fee if necessary, and discounted monthly service fees while their application is pending. Joint Consumers believe that the first contact policy is most beneficial for consumers overall. According to Joint Consumers, a pre-qualification process would require all LifeLine applicants to pay larger-than-necessary up front recurring and non-recurring costs in order to protect the applicants that do not ultimately qualify and might incur significant back-billed charges. The Joint Consumers assert that before the Commission considers moving away from the first contact policy, it should first document the severity of the back-billing problem to see if it warrants a substantial change in enrollment practices. The Joint Consumers encourage the Commission to gather data on the prevalence and the extent of the back-billing problem and on processing times for certification and verification applications to understand the current situation.

DRA finds pre-qualification to be a band-aid solution to a deeper certification problem. DRA does not believe that alleviating the back-billing problem alone will improve the LifeLine certification process. DRA states that since both certification and verification processes rely on customers completing and returning LifeLine forms to the CertA, the Commission should focus on improving the methods by which customers receive and the CertA processes these forms. DRA recommends that the Commission address what is seen as root causes of the problems faced by the LifeLine certification and verification processes before adopting pre-qualification.

In their reply comments, Joint Consumers claim there is not enough record evidence or policy justification to move to a pre-qualification system. They state

that while carriers describe back billing problems of up to \$100 per customer, none of the carriers' opening comments attempt to document or quantify their own customers' experience with back-billing. DRA's comments mirror the position of the Joint Consumers that the record of the proceeding lacks sufficient evidence to warrant any significant modifications to the LifeLine certification process.

In response to these comments, the Communications Division (CD) sent an information request to all LifeLine carriers on January 30, 2008. The specific questions CD asked are as follows:

1. We would like to know the number of customers back-billed because of being deemed ineligible for LifeLine. We would like this information on a month-by-month basis from July 2006 through the present. We understand that you may not have statistics for last month (December 2007) but we would like as recent data as possible to determine whether this remains a problem.
2. We would also like to know if you provide for payment plans when customers are back-billed
3. What do your customer representatives say, if anything, to new LifeLine customers about back-billing?

The results of that informal survey were released for comment via an Administrative Law Judge (ALJ) Ruling on May 7, 2008. In the Ruling, the ALJ concluded that she believed that the data compiled by CD "show back-billing to be a significant issue, with back-billing affecting almost 1.2 million customers during the period July 2006 - January 2008." Parties were invited to comment on the data, especially as it relates to the proposal to shift to a system of pre-qualification.

In its comments on the ALJ Ruling, AT&T states that the data collected by CD illustrate the considerable burden LifeLine's current enrollment process

imposes on California's consumers who unsuccessfully attempt to enroll in the program. According to AT&T, based on the most recent industry-wide data from the CertA, the rate of denials has not decreased since January 2008. During the months of February through April 2008, approximately 142,000 customers have been denied certification, and therefore subject to back-billing. According to AT&T, this represents a 50% denial rate.

AT&T's customers who have been deemed ineligible face a balance of approximately \$65.65 in their monthly bill when re-graded off the program.⁷ Even though the customer is made aware of the risk of back-billing⁸ and has payment plans available to him/her, such a liability can be a real hardship on disqualified applicants.

AT&T points out that in addition to the financial drain on consumers, the enrollment process also causes a negative experience for the customers. Many customers have significant confusion when suddenly receiving notification of their ineligibility and a back-billed balance that is over double what they anticipate as a LifeLine participant. Consumers' unfamiliarity with the back-billing process also leads to numerous inquiries and/or complaints which must be addressed by the carriers, the Commission or the CertA. This results in the use of considerable resources and costs to administer the program.

⁷ See AT&T's January 18, 2008 Reply Comments for a detailed illustration of this calculation. This estimate represents two months of back-billed charges plus the current monthly fees of \$15.31. This figure does not reflect AT&T's LifeLine rate increase as of April 18, 2008.

⁸ General Order (GO) 153 requires carriers to explain to LifeLine applicants that should the applicant be found ineligible for the LifeLine program, the applicant is required to pay back all the discounts received.

AT&T believes the pre-qualification process will eliminate customer confusion and complaints that arise from the back-billing process. The new customer will no longer face any back-billed charges when he/she fails to certify for LifeLine benefits. Once the new LifeLine customer is successfully enrolled in the program, the carrier will convert the account to LifeLine and credit all non-recurring charges in accordance with General Order 153 and federal LifeLine/Link-Up. The carrier will also apply the appropriate discounts on monthly recurring charges as of the approval date.

According to AT&T, most LifeLine applicants could likely afford the non-recurring and monthly charges for regular basic service while waiting to enroll in LifeLine. AT&T believes that a majority, if not all, carriers will make installment billing options available to customers awaiting LifeLine certification who need assistance. Currently, approximately 20% of AT&T's LifeLine customers already request installment billing.

Verizon and the Small LECs also support instituting a pre-qualification system. The Small LECs believe prequalification is the best mechanism for promoting California's universal service goals without generating unintended negative consequences for customers or hardships for carriers. The Small LECs indicate that each of the Small LECs offer some kind of payment plan to customers. The Small LECs point out that the ALJ Ruling shows that back-billing continues to be a problem despite the certification reforms that were adopted during 2007. As long as this trend continues, back-billing will continue to present a threat to the Commission's universal service goals, since some customer who face significant back-bills will inevitably conclude that it is too difficult to sign up for LifeLine service. Others may simply be unable to pay back-bills since they have limited or fixed incomes. Some of those individuals

will drop their telephone service, and be wary of attempting to sign up for LifeLine service in the future.

The Joint Consumers complain that in the ALJ Ruling, parties are given no detail or background on how carriers provided the data to staff or how staff compiled the data.⁹ They also argue that parties were given a very limited turnaround time for comments, not allowing enough time to request, receive, and analyze the workpapers or information that might explain the data. The Joint Consumers find the data to be incomplete and seemingly random. For example, in one of the Implementation Working Group discussions, one of the carriers clarified that what was reported was the number or back-billing *incidents*, not the number of *customers* experiencing back-billing problems. According to the Joint Consumers, this clarification may have a significant effect on the impact of the numbers, because the same customer with the same back-billing problem could be counted numerous times in the chart. Second, they point out that the data begins with the roll-out of the new certification and verification rules in July 2006, so it is not clear if the number of back-billing incidents is higher than before the new process.

The Joint Consumers also state that the Ruling says the data is reported to the “present,” but in reality it goes to January 2008. Improvements in the program should be reducing the amount of back-billing. The interactive website is being rolled out right now and Joint Consumers expect this tool to eventually lower the number of back-billing incidents. Joint Consumers believe program

⁹ The data compiled by the Communications Division is included as Appendix A.

changes have positively affected the back-billing numbers and will continue to do so.

Finally, Joint Consumers find the data itself to be inconclusive. For example, Verizon reports over 130,000 back-billed customers in October 2006, but most of the rest of the reported months for Verizon did not exceed 20,000. Joint Consumers believe this statistical anomaly should either be explained or the numbers should be deleted as an error.

Cox states that the back-billing data do not support the Commission's adopting a pre-qualification process. Cox believes that the back-billing data do not distinguish between subscribers subject to back-billing due to failing to certify their new enrollment and those failing to verify their existing enrollment. According to Cox and DRA, a pre-qualification process will not eliminate the number of LifeLine subscribers who are subject to back-billing because they did not complete the verification process in a timely manner or an audit deemed the customer ineligible.

Cox finds the data compiled by CD to be unreliable. In D.07-05-030, the certification and verification rates increased significantly from the end of 2006 to September 2007. Based on the increased certification and verification rates, one would expect that the number of consumers being back-billed would decrease. The increase of subscribers' timely response should result in more consumers being deemed eligible which in turn means fewer consumers being removed from the LifeLine program and subject to back-billing. Cox points to data for AT&T and Verizon that suggests that increased certifications and verifications did not eliminate or decrease the number of consumers being back-billed.

Cox concludes that the data alone does not suggest or demonstrate that ineligible enrollment on first contact is the sole or major cause of consumers

being removed from the program and subject to back-billing. Cox notes that the data also reflect that the general trend of the number of consumers being back-billed varied considerably by carrier over time. The number of back-billed consumers for each carrier increases and decreases over time, but not in sync with the other carriers. Cox states that one would expect that, if the current enrollment process caused back-billing, then the back-billing data would be consistent across carriers over the same time period. Of the carriers reporting the largest number of back-billed customers, none has a similar data pattern.

Cox also notes that the Appendix reflects data when the LifeLine program was not working well, specifically between July 2006 when the rules were first implemented and May 2007 when the Commission re-instated revised rules. Cox cautions that the Commission should not rely on data collected prior to the suspension of the rules or for a reasonable time thereafter.

AT&T and the Small LECs state that Cox and DRA erroneously assert that the back-billing data do not distinguish between subscribers subject to back-billing due to a failure to certify new enrollment versus subscribers who fail to verify ongoing participation, and therefore overstate the back-billing dilemma. CD's data do not include participants who fail to verify ongoing eligibility because those customers are not subject to back-billing. AT&T points to Rule 5.5.4 of GO 153:

Any customer who fails to qualify for continued eligibility to ULTS [LifeLine] shall be removed from the ULTS program. Upon notification from the CertA, the utility shall convert the customer to regular residential service starting with the removal date provided by the CertA.

AT&T and the Small LECs also rebut assertions by the Joint Consumers, Cox, and DRA that CD's data is flawed and cannot be used to support the need

for pre-qualification. Cox objects to CD's reported data provided by the carriers on the grounds that alleged variances in the data suggest other causes for LifeLine's back-billing history, but AT&T finds Cox's analysis to be flawed. AT&T states that whether the number of back-billed customers fluctuates on a monthly basis, as Cox and the Joint Consumers focus on, is irrelevant. According to AT&T, what is relevant is that "first contact" LifeLine has resulted in over 1.2 million instances of subscribers having to cope with this back-billing dilemma since July 2006. Further, based on the CertA's most recent industry-wide data, the program continues to see a 50% denial rate.¹⁰ Accordingly, AT&T argues the Commission should anticipate the number of back-billed subscribers to continue at the same alarming rate, unless the enrollment process is modified.

The Small LECs state that each carrier is different and each carrier has had a slightly different experience in dealing with the CertA in connection with the certification process. For example, some carriers rely on "daily feeds" to update their customer information based on the CertA's eligibility determinations. Other carriers rely on a web-based protocol that is less automated. Further, there have been numerous data eccentricities and delays throughout the last two years of the LifeLine program that have exacerbated the back-billing problem. Those problems have not affected all carriers equally. The Small LECs state that given all the various ways in which carriers have interacted with the CertA, there is no reason to expect that all carriers' data will follow the same track from month to

¹⁰ See, e.g., e-mail correspondence from Solix identifying the number of LifeLine certification-denials during the period February through April 2008, attached as Exhibit A to AT&T's May 27, 2008 Reply Comments.

month. The Small LECs conclude that these supposed problems with the back-billing data do not reduce the impact of the figures in the ALJ Ruling.

AT&T rebuts the Joint Consumers' argument that the data do not reflect the current rate of back-billed incidents because it includes a time period when the program experienced "implementation hurdles." Though AT&T agrees that significant improvements have been made to the certification process, including upgrading to first class mail and the CertA's interactive website, the most current statistics available gauge the denial rate at 50%. Verizon concurs with AT&T's findings saying that the rate at which new customers must be back-billed – 50.6% of the time – is an additional factor supporting pre-qualification.

AT&T disagrees with DRA's argument that a pre-qualification system contravenes the universal service goals of the Moore Universal Telephone Service Act by reducing the availability of affordable telephone service to eligible LifeLine customers. According to AT&T, any burden placed on a newly certifying LifeLine applicant will be minimal and temporary. As AT&T explained in its opening comments, most (if not all) carriers offer payment options to new customers in order to alleviate installation charges. As such, LifeLine applicants can avoid high telephone charges while waiting for certification.

AT&T and the Small LECs also disagree with DRA's argument that a pre-qualification system is not equitable. To the contrary, they state that the current enrollment process places an inequitable burden on the applicants who fail to certify. While the successful applicant is inconvenienced by higher fees on a temporary basis, the unsuccessful applicant is faced with a balance that can reflect up to three months, or more, of back-billed discounts. The Small LECs point out that many customers have been deemed "ineligible" due to technical

failures associated with the certification process, such as not returning forms within allotted time or sending the wrong form. Many of these customers qualify for the program, but they have been nevertheless deemed ineligible, and therefore, have been subject to back-billing. The Small LECs continue to believe that the impacts of back-billing on customers in these situations can be devastating to the overall universal service goals of the LifeLine program. A pre-qualification system would solve this problem by avoiding the rate shock associated with back-billing under the current process.

DRA and the Joint Consumers claim that the web interface will address the back-billing issue without the need to move to a pre-qualification system. Verizon and the Small LECs disagree and acknowledge that while there may be some reductions in back-billing based on the web interface, the nature of the current system is such that back-billing will continue to harm consumers on a larger scale. Significantly, the web interface only facilitates program-based online certification enrollment, so back-billing would continue to be a problem for the approximately 20% of applicants who rely on the income-based enrollment method. As many parties have acknowledged, those are likely to be the most vulnerable customers.

Also, Verizon indicates that pre-qualification provides an incentive for customers to act swiftly. Some of the back-billing problems occur because customers delay or do not return certification forms. Pre-qualification serves as a powerful incentive to action, as discounts are not provided until eligibility is confirmed.

We must first determine whether the terms of the Moore Universal Telephone Service Act limit our ability to determine qualification procedures. Section 871.5(b) of the Public Utilities Code reads as follows:

The Moore Universal Telephone Service Act has been, and continues to be, an important means for achieving universal service by making basic residential telephone service affordable to low-income citizens through the creation of a LifeLine class of service.

The Commission is charged with developing a program to provide discounted telephone service for low-income Californians. However, the Act is silent on the issue of when the low-income individual receives that service – either at “first contact” or after being “pre-qualified.” That issue is left to the Commission’s discretion.

Historically, the telephone companies added customers to the program when they first contacted the telephone provider, the “first contact” model. We reviewed that issue earlier in this proceeding and in D.05-04-026 and determined that we would continue the first contact model. However, we noted that if the Third Party Administrator (now known as the Certifying Agent or CertA) makes a determination that the customer is not eligible for the LifeLine program, “the customer will be back-billed at regular rates.”¹¹ Because of the problems experienced with back-billing of ineligible customers, we determined the need to, once again, look at that issue. The magnitude of the back-billing problem was not anticipated when we made the decision to continue the first contact model in D.05-04-026. The first contact concept had appeal because it allowed eligible consumers to take advantage of the discounted telephone rates from the time of their first contact with the telephone carrier. However, we need to explore the back-billing issue and its impact on customers.

¹¹ D.05-04-026, *mimeo.* at 20.

There is no reason to believe back-billing problems are temporary, as the Joint Consumers contend. The data the CertA provided for the period February-April 2008 shows that the problem is continuing, in spite of program improvements made over the past year. Thus, the problem cannot be blamed on implementation issues the program experienced earlier. Data CD provided for May 2008 show that 62.7% returned their certification forms to the CertA. That means that 37.3% did not return the forms for processing and are automatically subject to back-billing. Of those who returned their forms, 81.6% were certified as eligible for the program. Those found not to be eligible by the CertA are also subject to back-billing. Based on these statistics, over half of those who applied either did not return the form or were found ineligible by the CertA; in this period, the number of customers subject to back-billing is significant.

The Joint Consumers point out that some carriers interpreted CD's data request differently so the data may not be uniform. Even though CD asked for data on the number of *customers* subject to back-billing, it appears that the carriers supplied the monthly *incidence* of back-billing. Since a customer can be back-billed over more than one month, the 1.2 million for the period is not an accurate reflection of the number of customers subject to back-billing and Joint Consumers argue it should not be relied on. In addition, not all carriers responded to the data request so the true number of incidents of back-billing during the period requested would be even higher.

While the data provided to CD appears to be problematic, the 1.2 million incidences over the period give a good indication of the magnitude of the back-billing problem. Also, the data the CertA provided to AT&T covering the period February-April 2008 gives information by customer and shows that the back-billing problem is continuing to the present time. It also shows that about half of

those who apply each month are found to be ineligible, and as such, subject to back-billing. If the data for those three months are annualized, it shows that well over half a million customers per year are found ineligible and subject to back-billing. While there are some inconsistencies in the data submitted by the carriers, the CertA data is clearly based on customers who apply for LifeLine in a given month and are either approved or denied. There is no double counting from one month to the next.

According to Cox, eliminating back-billing would not address why the certifying agent does not or cannot qualify 50% of those consumers subscribing to LifeLine. Cox states that if ineligible consumers are subscribing, then eliminating back-billing will not address this fundamental problem. We do not agree. If customers who realize they are not eligible for LifeLine are applying for the program anyway, under a pre-qualification system they will have no incentive to attempt to sign up for the program. There is no benefit to applying since they will be paying regular rates from the beginning and will not be entitled to LifeLine rates unless and until the CertA determines they are eligible. Also, for those customers who do not return their forms by the deadline, under pre-qualification they will have an incentive to move quickly. The bottom line is that subjecting 50% of the applicants to back-billing when they are deemed ineligible for the program is unacceptable. Many of those deemed ineligible are still low-income so back-billing can be a significant financial burden.

We need to balance the needs of those who qualify for LifeLine against those who are denied. According to the information compiled by CD, the responding carriers all indicate that they have payment plans, although some are on a case-by-case basis. That means that the LifeLine applicant would have an opportunity to defer payment of part of the non-recurring charges. This lessens

the amount paid up front. We will require all carriers to inform LifeLine applicants of the payment plans available to them for non-recurring charges.

According to the Small LECs, some of those that are found to be ineligible and subject to back-billing are actually eligible for the program, if they reapply with proper paperwork or within the time limits prescribed. However, those customers could be discouraged from reapplying, after once being found to be ineligible. The program's reputation has suffered over the past two years as customers are determined to be ineligible and forced to pay large back-bills.

DRA and Cox are mistaken in saying that the back-billing data does not make the distinction between those subscribers that were subsequently back-billed because they were terminated at the certification stage versus being terminated at the verification stage. Back-billing affects only the certification process, not the verification procedure. As AT&T stated, when a customer is removed from the program as part of the annual verification process, there is no back-billing. The customer is simply re-graded on a going forward basis, and will be billed regular telephone rates. This is consistent with Rule 5.5.4 of GO 153, which reads as follows:

Any customer who fails to qualify for continued eligibility to ULTS shall be removed from the ULTS program. Upon notification from the CertA, the utility shall convert the customer to regular residential service starting with the removal date provided by the CertA.

The language in § 5.5.4 makes it clear that a customer found to be ineligible for LifeLine during the verification process is not back-billed, rather his/her charges are converted to the non-LifeLine rate on a going-forward basis from the date of the notification.

There is no question that it simplifies the process for carriers and Commission staff to institute a system of pre-qualification. In that way, they are not dealing with thousands of confused and disgruntled customers who are faced with back-bills they can ill-afford. However, simplifying the process for carriers and Commission staff is not our major reason for instituting a system of pre-qualification. The burden on consumers who apply and are found to be ineligible is of paramount concern to us.

According to the CertA, 80% of the LifeLine applicants apply based on their participation in a means-tested program. Since the new interactive website is in place, those applicants would be able to speed up the certification process by using the website. For other applicants, there is an incentive to getting their forms back to the CertA as soon as possible so that they can begin receiving discounted service.

We find the back-billing problem to be significant and ongoing. We are concerned that customers who are found to be ineligible and who have incurred large back-bills, could be unable to pay them and will be forced to drop their telephone service altogether. This result is not consistent with our universal service goals.

The burden on LifeLine applicants is temporary, and customers can minimize the time spent paying regular rates by using the interactive website (if they are applying using program-based eligibility) or by expediting the return of application forms to the CertA. Once the LifeLine applicant is determined to be eligible for the program, that customer is entitled to a credit from his/her carrier to compensate for the difference between LifeLine rates and the regular rates and charges that the customer has been paying. In light of all this, we will adopt a pre-qualification requirement for the LifeLine program.

4.1.1. Proposals to Mitigate the Impacts of Pre-Qualification

Joint Consumers recommend that if the Commission adopts a pre-qualification requirement, safeguards be put in place to mitigate the impact of this change on low-income consumers, especially those just above the LifeLine income eligibility cut-off. Joint Consumers recommend a modified version of pre-qualification in which the installation fee and deposit would be deferred for those customers who have signed up for LifeLine so that customers who successfully enroll do not pay these charges, while those who fail to enroll are then back-billed these charges, with the ability to pay spread out over three or more months. However, the carrier would be allowed to charge the full rate for all monthly recurring fees, usage, taxes and surcharges. Once a customer is approved for LifeLine, that customer's bill would be credited the discount amounts back to the date of first contact with the carrier, except for the deferred non-recurring charges which would become due and payable, albeit discounted and subject to the requirement that customers can pay over a period of three months.

Under the Joint Consumer's proposal, a customer who does not qualify for the program would only be back-billed for those non-recurring, flat fee charges that are easy to understand and calculate.

The Joint Consumers also propose that a carrier's charge for toll blocking service should be waived for non-LifeLine customers, if a customer applies to receive LifeLine discounts. The toll blocking service allows a customer to take control over his/her phone bill and prevent unanticipated toll charges from accruing. Again, if the customer is found ineligible for LifeLine, then the fee can be billed at a later date.

Joint Consumers also support the payment plan concept presented by the Small LECs in which customers who apply for LifeLine are allowed to spread the payments for the full-rate non-recurring charge over their first three payments.

AT&T argues that a payment plan requirement would be beyond the scope of this docket, saying that the proposal is nothing more than rate regulation of basic service, which the Commission eliminated for carriers operating under the Uniform Regulatory Framework (URF). AT&T claims that restricting a carrier's imposition of non-recurring charges or toll blocking fees on regular accounts would violate the pricing flexibility rules under URF. LifeLine applicants will be regular customers and treated as such until they are certified for LifeLine discounts.

AT&T says that, more importantly, the Joint Consumers have not provided a legitimate need for the proposed limitations on basic service charges to applicants while awaiting certification. According to AT&T, carriers offer varying payment options for new customers seeking assistance with non-recurring charges and such options are sufficient.

We do not see an advantage to the Joint Consumers' proposal to allow LifeLine applicants to defer their non-recurring charges until the CertA determines whether or not they are eligible for the program. As explained above, about 50% of customers who apply for LifeLine service are found to be ineligible. The Joint Consumers' proposal would involve almost the same level of back-billing that we are currently experiencing so there is no benefit to the proposal. According to the data collected by CD, virtually all carriers have some sort of payment plan available to their customers. In the PD, we direct carriers to notify LifeLine applicants about their payment plans and make them available to LifeLine applicants to assist in the payment of non-recurring charges.

In their comments on the PD, Joint Consumers assert that the PD errs in failing to *require* that carriers offer payment plans to LifeLine applicants. According to Joint Consumers, there is no finding that all LifeLine applicants will have payment plans available to them since, as noted at page 23, many of the carriers' payment plan offerings are on a case-by-case basis and not all carriers offer payment plans.

The PD also notes that AT&T opposes mandatory payment plans as "rate regulation of basic service" and a violation of the URF pricing flexibility rules. Joint Consumers assert that this is incorrect. The LifeLine program only involves basic service which was not granted pricing flexibility in URF or in the subsequent High Cost Fund-B decision. Second, Joint Consumers state it is incorrect to characterize the requirement to offer payment plans as "rate regulation" as AT&T does. Payment plans do not dictate how much an end user must pay for service, but merely when those payments are due. It is commonly cited law that billing practices are terms and conditions and not rates.

We agree with Joint Consumers that payment plans would not be a part of "rate regulation" and that billing practices fall under "terms and conditions." Therefore, requiring payment plans would not violate the pricing flexibility granted in URF.

Joint Consumers would have us institute payment plans for all consumers, but we find that issue to be beyond the scope of this proceeding. However, we see the need for LifeLine applicants to have access to payment plans for non-recurring charges and any deposits for basic service that the carrier requires. These are low-income consumers – many of whom will eventually qualify for LifeLine service – who could have problems paying large up-front one-time

costs. Therefore, we will require carriers to offer payment plans to LifeLine applicants.

In its comments on the PD, DRA points out that Rule 8.1 of GO 153 states that LifeLine customers have the option of paying the LifeLine connection charge in equal monthly installments. According to DRA, the PD is unclear as to whether this would also apply to customers that are waiting to be certified under pre-qualification. Cox also seeks clarification of whether carriers can require a deposit pursuant to Rule 7.4 prior to the CertA notifying the carrier that the customer is deemed eligible for LifeLine. We clarify that Rules 7.4 and 8.1 apply *only* to LifeLine customers, not to LifeLine applicants. However, we are requiring carriers to offer payment plans to LifeLine applicants, but that requirement is not part of GO 153.

DRA also states that the PD is unclear as to whether LifeLine applicants would need to pay a deposit, and if so, what the maximum deposit amount would be under a pre-qualification system. DRA recommends that the Commission require LifeLine carriers to (1) inform customers of any deposits at the time customers request service; (2) allow customers to make payment arrangements for deposits; and (3) itemize the deposits on the first bill to distinguish the deposit amount for basic service connection and any other services.

We do not intend to specify a maximum deposit amount. The amount of the deposit would be at the carrier's discretion. However, we agree with DRA that LifeLine applicants need to be aware of the amount of any deposits, and also that those deposits should be subject to the same payment arrangements as non-recurring charges.

Unlike the non-recurring charges, the monthly toll blocking charge is not a large amount. We see no need to defer that charge for those LifeLine applicants who choose to subscribe to the service.

As a second mitigation to pre-qualification, Joint Consumers seek to clarify that a customer's eligibility under a pre-qualification program is retroactive back to the date the customer first contacts the carrier. In other words, once a customer is certified, he/she will not only be credited the difference in non-recurring charges but also the difference between the tariffed rate and discounted monthly recurring rate for basic service from the time between service initiation and when eligibility was certified.

The Joint Consumers point out that AT&T, Verizon and the Small LECs appear to support some form of credits for those customers who successfully complete the certification process and are converted to LifeLine customers. However, Joint Consumers ask that the Commission clarify that that is indeed the case.

We agree with Joint Consumers that once a customer successfully completes the LifeLine application process, the customer should be credited for the difference between LifeLine rates and charges and the regular recurring rates and non-recurring charges the customer has been paying, as well as any deposit paid for basic service, back to the date when the customer contacted his/her carrier requesting to be added to LifeLine. The date of first contact with the carrier asking to be enrolled in LifeLine will be called the "application date" as opposed to the "certification date," the date on which the CertA determines that the customer is eligible for LifeLine and notifies the carrier. This clarification will help to mitigate the effect of pre-qualification for those customers that are

eligible for LifeLine. While they will be billed higher charges, those charges will be reversed once the customer has proven eligibility for LifeLine.

AT&T indicates that any AT&T customer has the ability to obtain a refund of any credit balance remaining in the account at the end of a billing cycle. According to AT&T, the customer may request a refund check immediately upon certification in the amount of the credit balance appearing on the account after all discounts are appropriately back-credited. All of the LifeLine carriers filed comments opposing the PD's requirement that refund checks be sent to new LifeLine customers immediately after determining the amount of the refund due. Verizon provided the following reasons why refund checks should not be required:

- First, many customers will prefer credits instead of refund checks and should have the right to choose;
- Second, there is a risk that customers will inadvertently discard their checks;
- Third, some customers may have problems trying to cash refund checks. Some LifeLine-eligible subscribers operate in a cash economy and would have to cash their checks at check cashing businesses, which tend to charge customers a percentage of the face value of the check;
- Fourth, providing refund checks when the customer has continuing responsibility to pay ongoing bills is inefficient; and
- Fifth, requiring automatic refund checks would involve substantial costs to the LifeLine Fund. Several carriers indicate that they would have to redesign their computer systems to provide refund checks automatically.

Verizon suggests that the Commission should require carriers to notify subscribers that they are eligible for a refund upon request, otherwise their bills will be credited. This notification can be included in the letter that is sent to

subscribers when they are informed that they have been approved for LifeLine service.

We find there are good reasons why refund checks should not be the default option. Checks could be difficult and expensive to cash for those customers who do not have a bank account, or the checks could be inadvertently destroyed or lost in the mail. We believe the customer should be allowed to choose between a credit and a refund check, but, in light of the issues raised by the carriers, it makes sense to establish a credit on the customer's bill as the default option. However, we require carriers to notify customers that, if they have a credit balance greater than \$10.00, they can request a refund. AT&T's proposed language in Rules 4.2.5 and 5.4.6 has been adopted, with some modifications, to reflect this change.

4.1.2. Changes to General Order 153¹² as a Result of Pre-Qualification

A number of changes have been made to GO 153 in order to implement the pre-qualification requirement. Additionally, we have made updates throughout the GO to reflect that the program is now known as the "California LifeLine Telephone Program" ("LifeLine") rather than "Universal LifeLine Telephone Service (ULTS)" and that the Telecommunications Division is now known as the Communications Division.

Several definitions have been changed, as a result of the pre-qualification requirement. These definitions clarify the point at which the customer is enrolled in LifeLine service. We have added definitions for "LifeLine service,"

¹² The revised version of GO 153 appears as Appendix B.

“pre-qualification,” and “application date.” Following are the new and revised definitions:

- 2.1.3 “Application Date” – The date the customer calls his/her carrier and requests LifeLine service. Once the CertA determines eligibility and notifies the customer’s carrier, the customer’s enrollment in LifeLine is back-dated to the date of the customer’s initial request to the carrier.
- 2.1.7 “California LifeLine Telephone Program” (LifeLine) – sometimes referred to as “California LifeLine” or “LifeLine service.” LifeLine is a class of subsidized local telephone service designed to meet the minimum communication needs of low-income residential customers. LifeLine includes all of the service elements set forth in Appendix A of this General Order. LifeLine is funded by a surcharge on all end users of intrastate telecommunications services except for certain services set forth in this General Order.
- 2.1.9 “Certification” – When a customer’s application to enroll in LifeLine is approved.
- 2.1.12 “Certification Date” – The date when the CertA determines eligibility and notifies the customer’s carrier.
- 2.1.16 “Deadline Date” – The date printed on the customer’s certification form, by which the application information must be received by the CertA to avoid having the application rejected.
- 2.1.23 “Enrollment” – When a customer begins to receive LifeLine discounts.
- 2.1.36 “Pre-qualification” – The process by which customers apply for the LifeLine program, but do not obtain the discounted service until their application has been received and approved by the CertA.

Section 4.1 in the GO relates to the initial LifeLine notice sent by the carrier. Sections 4.1.1 and 4.1.3 have been modified to incorporate the pre-qualification process as follows:

- 4.1.1 Utilities shall inform new customers calling to establish residential local exchange telephone service about the availability of LifeLine, a discount program for customers with a household member currently enrolled in certain public assistance programs or customers with low household income. If customers indicate that they are interested in subscribing to LifeLine, utilities shall contact the CertA to begin the LifeLine enrollment process for the customer in accordance with Section 4.2 of this General Order
- 4.1.3 Utilities shall send a confirmation notice to all new customers who desire to enroll in LifeLine informing them of the arrival of application forms from the California LifeLine program and the requirement to return the completed forms with all required documentation. The notice shall also inform LifeLine applicants that failure to return the forms and eligibility documentation by the deadline date will result in the denial of the application for discounted telephone service.

Section 4.1 in the GO outlines the process the carriers use in talking to a new customer who asks to enroll in LifeLine service. Sections 4.2.1.2.1.1 and 4.2.1.2.2 have been modified, as shown below, to describe the steps the utility takes in the pre-qualification process.

- 4.2.1.2.1.1 If customer verbally indicates participation in an approved public program, immediately contact the CertA to begin the LifeLine enrollment process for the customer and inform the customer that: (i) the customer will be receiving a certification form in the mail for completion and submission; (ii) the certification form must be completed on-line or filled in and returned to the CertA by the deadline date indicated in the form; (iii) specify any deposits required, (iv) a payment plan is available for charges and deposits relating to basic service, and (v) the CertA will notify the customer and the customer's carrier once it determines whether or not the customer is eligible for LifeLine.

- 4.2.1.2.2 If no, ask the customer about his/her household size and read the corresponding LifeLine income limit that the customer must meet in order to qualify for LifeLine. The utility shall also inform the customer that he/she must also provide income document(s) substantiating the household income, and inform the customer that: (i) the customer will be receiving a certification form in the mail for completion and submission; (ii) the completed certification form and supporting income document(s) that reflect total household income must be returned and received by the CertA by the deadline date indicated in the form; (iii) specify any deposits required; (iv) a payment plan is available for charges and deposits relating to basic service; and (v) the CertA will notify the customer and the customer's carrier once it determines whether or not the customer is eligible for LifeLine.

Section 4.2 of the GO explains what the utility must inform a customer about how the enrollment process works. Section 4.2.3.1 describes the enrollment process for obtaining two LifeLine lines if a member of the family uses a TTY, while Sections 4.2.4 and 4.2.5 have been added to state that applicants are required to pay tariff rates until they are deemed eligible, but will receive a credit on their bill once they are added to the program.

In its comments on the PD, AT&T indicates that the PD creates an unworkable two-tier enrollment process by failing to modify Rule 4.2.1.1 in accordance with the pre-qualification system. The PD instructs carriers to require pre-qualification for all new customers with the exception of those who claim to be enrolled currently, or within the last 30 days, in the program with another carrier. According to AT&T this exception will further complicate carrier administration of the program, create customer confusion, and impose back-billing burdens on customers. We agree. This would require a two-tier enrollment system and complicate the process for carriers and consumers. The

CertA should be able to ascertain fairly quickly that the customer is already enrolled in LifeLine and inform the customer and his/her new carrier. We have modified Rule 4.2.1.1 as recommended by AT&T.

- 4.2.1.1 If yes, contact the CertA to validate customer's certification status. The utility shall inform the customer that the CertA will notify the customer and the customer's carrier once it determines whether or not the customer is currently or within the last 30 days has been enrolled in LifeLine. If the CertA cannot confirm the customer's continued eligibility, the customer will be treated as a new LifeLine applicant and be subject to the certification process.
- 4.2.3.1 If the customer verbally certifies that he/she qualifies for two LifeLine lines, the utility shall immediately contact the CertA to begin the LifeLine enrollment process for the second LifeLine line and remind the customer that he/she must provide proof for the need of a TTY as outlined in Section 5.1.7 of this General Order.
- 4.2.4 Utilities shall inform LifeLine applicants that they will incur regular tariff rates and charges until completion of the certification process.
- 4.2.5 Utilities shall inform LifeLine applicants that, once certified, they will receive a credit on their bill for LifeLine discounts as of the application date and, if they have a credit of at least \$10.00, may request a refund check for any net credit balances reflected on their next bill.

In its comments on the PD, Cox recommends that the Commission revise Rule 4.5.1 to clarify that the Application Date (and not the Certification Date) is the annual date on which customers will receive their verification form. Cox notes that because the Application Date and the Certification date could vary by approximately two months, the Commission should add clarifying text. We agree, but we believe that the anniversary date should be the Certification Date,

the date when the CertA first determined the customer's eligibility for LifeLine, rather than the Application Date. We have added clarifying text to Rule 4.5.1:

- 4.5.1 Verification forms are used annually to determine customers' continued eligibility in LifeLine. The "Certification Date" will be used as the annual anniversary date.

Section 5.4 describes the certification process. Section 5.4.4 was revised and a new Section 5.4.6 added to reflect the pre-qualification requirement, and Sections 5.4.4.1 and 5.4.4.2 have been deleted. Those sections describe the process for a utility to claim reimbursement under the first contact model, when a customer is found to be ineligible for LifeLine. Section 5.4.4.3 has been modified and renumbered as 5.4.4.1 to reflect the fact that utilities may not treat as bad debts unpaid LifeLine discounts by customers found to be ineligible for the program. In its comments on the PD, Cox proposes to revise Rule 5.4.4 to specify that a customer that does not timely return the Certification Form will be notified that his/her application has been rejected. We agree that the customer should be notified whether or not his/her application is accepted, but we have made the change to sections 4.2.1.2.1.1 and 4.2.1.2.2 above. Those sections describe the customer's interaction with the CertA.

- 5.4.4 Any customer who fails to return the form or otherwise qualify for LifeLine as specified on the certification form by the deadline date shall have their application rejected.
- 5.4.4.1 A utility may treat any unpaid LifeLine rates and charges as bad debt and seek reimbursement from the LifeLine program pursuant to Section 9.3.9 of this General Order.
- 5.4.6 Upon successful completion of the certification process, the customer's basic service will be converted to LifeLine service and the customer's account credited the difference between LifeLine rates and charges and regular tariff rates and charges, as outlined in Section 8.1 of this General

Order, and any deposits related to basic service, as of the Application Date. Customers with a credit balance of at least \$10.00 may request a refund check in the amount of the credit balance reflected on their next bill.

Section 9.3.9 describes the costs utilities can recover from the Fund. Sections 9.3.9 and 9.3.9.1 have been revised to clarify that carriers may not claim bad-debt costs for back-billed LifeLine discounts incurred by customers found to be ineligible for the program, and Section 9.3.10 has been modified to incorporate the pre-qualification process. The modifications are as follows:

- 9.3.9 Bad-debt costs equal to the lowest of (i) the actual amount of the LifeLine rates and charges that a LifeLine customer fails to pay, plus the associated lost revenues that the utility may recover from the LifeLine Fund, (ii) the actual amount of the LifeLine rates and charges, or (iii) the deposit for local residential service, if any, that the utility normally requires from non-LifeLine customers.
- 9.3.9.1 Utilities must take reasonable steps to collect bad debt costs from LifeLine customers before they seek to recover these costs from the LifeLine Fund. A utility that disconnects a customer for non-payment of LifeLine rates and charges, pursuant to the applicable rules governing disconnection, shall be deemed to have undertaken reasonable collection efforts for the purposes of this section.
- 9.3.9.2 Bad-debt expenses are limited to actual LifeLine rates and charges; and do not include other expenses such as the lease of unbundled loops or non-LifeLine services or rates and charges incurred by LifeLine applicants who are found to be ineligible for LifeLine service.
- 9.3.10 The demonstrably incremental costs associated with the time spent by utility service reps to (i) notify residential customers about the availability of LifeLine, (ii) ask residential customers if they are eligible to participate in the LifeLine program, (iii) obtain verbal indication from

residential customers regarding their eligibility to participate in the LifeLine program, (iv) inform applicants that they must return the signed certification form on or before the deadline date specified on the form, and (v) inform enrolled customers of the yearly verification requirement.

A new Section 12.2 has been added to describe the availability of the LifeLine interactive website:

- 12.2 LifeLine applicants also have the option of certifying their eligibility (program-based only) or verifying their continued eligibility via the LifeLine interactive website, which can be found at the following address: <http://www.californiaLifeLine.com>. Access requires a Personal Identification Number (PIN) found on the application/renewal forms sent by the CertA.

A portion of Appendix E has been modified to reflect the pre-qualification process:

- Five days from receipt of customer data records from carriers, CertA sends a partially completed Certification form to each LifeLine applicant and notifies the customer that the form has been sent.

4.1.3. Implementation of Pre-Qualification

We realize that there is significant work for the carriers in switching over to a pre-qualification process. Carriers will need to revise their methods and procedures, rewrite scripts for their customer representatives, and train their representatives in the revised procedures. In their comments on the PD, all the LifeLine carriers indicate that 60 days is not an adequate amount of time to implement pre-qualification because they will need to make extensive system changes. The Small LECs and AT&T ask for a full year for implementation, while Cox and Verizon say they would need at least nine months to implement the change. Some of the carriers indicate that the time would increase

considerably if they were required to modify their IT systems to send automatic refund checks in all cases. The carriers state unequivocally that the move to pre-qualification will require system changes that take much longer than 60 days to develop.

The Small LECs propose that CD conduct a workshop, and Verizon and AT&T suggest that the Commission have staff work with carriers to schedule an appropriate implementation date, while Cox states that the Commission should acknowledge that carriers may need to request an extension. We see the value in having CD staff meet with carriers to discuss implementation issues, and will order CD to schedule a workshop shortly after this decision is effective.

The carriers have convinced us that 60 days is not adequate for carriers to make the necessary modifications to their IT systems required by pre-qualification. Rather than leave the issue open, we are setting a date over 10 months in the future, namely July 1, 2009, as our implementation date. That said, we see the need to have all carriers implement at the same time, so we will instruct the Executive Director not to approve any requests for extension. While the carriers request between 9-12 months to implement, we believe that it can be accomplished in 10 months, if carriers apply themselves to the project. From what the carriers reported in their comments, it will take less time since we are not requiring carriers to issue refund checks, except in response to a specific request from the customer, which will not require modification to existing IT systems.

Various carriers ask the Commission to confirm that carriers may recover costs associated with migration to a pre-qualification enrollment process pursuant to GO 153 Rule 9.2.1. We acknowledge that carriers are entitled to recover those expenses specifically related to the implementation of a

pre-qualification enrollment process, including, but not limited to, necessary system changes, revision of methods and procedures and rewriting scripts for customer service representatives.

Setting a specific implementation date ten months from now will give us time to develop and conduct necessary education efforts on this change. We recognize the need for Commission staff, the marketing contractor, call center contractor, CBOs, social service agencies, and other external entities to engage in an education campaign so that customers are aware of the change in advance of the implementation date. Commission staff will closely work with RHA to conduct this educational outreach effort and will proactively review and approve all outreach plans, activities, and materials. Part of the objective will be to ensure that the outreach entities will have sufficient information to educate consumers about LifeLine and these pre-qualification requirements.

Some of the educational outreach efforts will include the following:

1. Issue press releases in all required languages about the pre-qualification requirement;
2. Train the call center contractor, CBOs, social service agencies, and other external entities about LifeLine and the changes ordered in this decision;
3. Distribute brochures informing consumers about LifeLine;
4. Utilize targeted media to spread the information;
5. Conduct meetings or participate in community events to promote LifeLine and educate consumers; and
6. Provide marketing kits to CBOs, social service agencies, and other external entities' and

We realize that there is no way to flash cut the enrollment process without causing a great deal of confusion on the part of those applying for LifeLine.

Therefore, we will retain the current "first contact" process for all customers who

contact their carriers to apply for LifeLine prior to the pre-qualification implementation date. At the same time, we will need to keep the prior version of GO 153 in effect, until we have completely transitioned over to the pre-qualification process. During the time when the new rules are in effect, but customers are still being processed under the old GO, we will have both versions of the GO in effect. Once the transition is complete, CD will send a letter to everyone on the service list of this proceeding, and to all LifeLine carriers, notifying them that the prior version of the GO has been superseded by the version adopted in this order. CD will also post this notice on the Commission's website.

According to CD, the switch to pre-qualification will not impact the CertA's procedures to any significant degree. However, the carriers will have to keep track of whether a customer is applying before or after the implementation date, and take appropriate steps for those customers found eligible and/or ineligible when they receive their data feeds from the CertA.

In their comments on the PD, DRA suggests that CD should review the enrollment process revisions to the LifeLine scripts used by the carriers' customer service representatives. This will ensure that the scripts are not confusing to customers. We concur that CD should review the scripts prior to implementation, and will require carriers to get draft scripts to CD by April 1, 2009 for review.

DRA also recommends that the Commission should require specific monitoring reports from carriers and the CertA to allow the Commission to monitor the effects of pre-qualification. Verizon points out in its reply comments on the PD that monitoring reports will only add more reimbursable costs to the program, with no corresponding benefit. Instead of specific monitoring reports,

CD can continue to obtain information from Solix, the LifeLine implementation workgroups and carriers through targeted data requests. In the past, CD has been able to get specific reports from the carriers and the CertA on an ad hoc basis and should be able to continue to do so.

Over the past two years, we have found the Implementation Working Group to be an invaluable tool in identifying problems and potential problems in the LifeLine program, and in resolving those problems without the need to bring specific issues to the Commission. With the participation of all interested parties – the Commission, CertA, carriers, and consumer groups – we believe that this collaboration will continue to be a helpful tool in monitoring implementation of pre-qualification, as well as other issues that arise in the LifeLine program. CD shall continue to hold regular meetings of the working group to discuss various issues relating to the LifeLine program. However, we will rename this the “LifeLine Working Group” because it should continue to function after pre-qualification as well as other changes, have been implemented. We will leave it to the discretion of the group, if it wishes to separate out the marketing component into a separate working group at some time in the future.

In their comments on the PD, DRA and Joint Consumers request that the Commission not close this proceeding until pre-qualification has been implemented. We are aware that the LifeLine Working Group will be available to address implementation issues, and CD will keep the assigned Commissioner apprised of any problems that arise. We believe that with the LifeLine Working Group in place to resolve implementation issues, there is less need for the Commission to become involved in the implementation process. However, in case there are issues the Commission needs to resolve, we will keep this proceeding open until pre-qualification has been implemented.

4.2. Lessons From Other States

Staff spent a significant amount of time researching LifeLine processes in other states. While programs differ among the states, sometimes in significant respects, parties were asked to explore ways that we could benefit from programs in other states.

4.2.1. Web-Based System

In the ACR, parties were asked to comment on how other states use their web-based system and how those systems could be duplicated or adapted for use in California. A number of parties encouraged the Commission to work with the CertA to complete work on a web-based system. We are pleased to report that the interactive website is fully operational in all languages for both certification (program-based only) and for verification. The website cannot be used for income-based certifications because the customer must submit background information supporting his/her income. Over 800 customers per day use the site, and the CertA reports only about 40 calls per week from customers who have questions pertaining to the website.

The Joint Consumers emphasize that the Commission is in a central role in relation to all the different regulated utilities and could be doing more to facilitate cooperation and overlap on its website. Ideally, a joint online enrollment application for all Commission-regulated or even State-administered low-income programs could be a universal point of entry for all consumers. In the interim period, however, the Commission could enhance its website to create a central web portal that is, if nothing else, a place that compiles information about the various low-income programs in one convenient location.

The Joint Consumers report that Pennsylvania has an award-winning website called Commonwealth of Pennsylvania Access to Social Services

(COMPASS). COMPASS allows individuals and CBOs to screen for customer eligibility, apply and renew eligibility for a multitude of low-income programs including Medicaid and other health care programs, Food Stamps, Cash Assistance, Long-Term Care, Home and Community Care for Individuals With Mental Retardation and the federal Low-Income Home Energy Assistance Program (LIHEAP). The website also includes eligibility screens for other programs such as home and community-based services and the school lunch and breakfast program.

CBOs that register as Community Partners have access to enhanced tools that streamline the application process, decrease application time and have an e-sign functionality. Consumers using the web-based enrollment processed have 30 days to complete their e-form and they can log in multiple times, and can also check on the status of their applications.

The Joint Consumers state that West Virginia's Information Network For Resident Online Access and Delivery of Services (inROADS) website also allows consumers to screen for possible eligibility for a number of low-income programs. Consumers can also apply and respond to agency notices for review of eligibility for these programs online through the site. The programs covered on this site are administered by the West Virginia Department of Health and Human Resources and include low-income health care programs, Food Stamps and LIHEAP. Consumers can use the site to check their benefit information and see whether they need to take additional steps to receive or maintain their benefits. Consumers can complete unfinished applications as well as view their final applications.

AT&T is impressed with Florida's web-based system for its LifeLine program that allows customers to submit an on-line application for

program-based eligibility. The customer submits the application on-line after initiating regular telephone service with his carrier. The carrier accesses the customer's online application after it is posted to the website in order to confirm certification. Once certification is confirmed, the carrier enrolls the customer in LifeLine. AT&T notes that although this web-based system is convenient for customers, it requires carriers to manually search the website to enroll their customers in the program. AT&T believes that implementing a similar, but more mechanized process in California may help expedite the certification and verification processes and improve overall customer experience.

We are pleased that the interactive website is operational and available to enroll California's customers in LifeLine. It serves to expedite the process for customers who are certifying with program-based eligibility and for customers who are re-certifying through the annual verification process. Once the customer receives the appropriate form with his/her identifying information in the mail, he/she can complete the process with the use of a computer within a matter of minutes. We see this as an opportunity for greater involvement of CBOs, who can assist their clients in use of the website. While we want to explore the West Virginia, Pennsylvania and Florida models, we are not prepared to commit the Commission to such an extensive effort at the current time.

4.2.2. Modification of the Certification Requirement

Some states base eligibility strictly on participation in low-income programs and have no income option. In the ACR, parties were asked to comment on whether the Commission should move to a program of strictly program-based eligibility.

AT&T and Verizon support elimination of income eligibility and moving toward a program based strictly on program-based eligibility. The two carriers assert that modifying California LifeLine to a pure program-based criterion will significantly simplify the certification and verification processes for the customer, as well as the overall administration of the program. The customer need only complete and return a one-page application by identifying the government program he/she is a participant in and signing at the bottom. The customer would no longer have to take the additional steps of producing copies of sensitive income documentation with the certification form, and the CertA would no longer be required to review each income-based application and accompanying documentation manually. The process of reviewing and approving certification would be fully automated since the program-based application would be a single page that could be scanned. This would lead to a significant decrease in processing costs for the CertA, and ultimately, the Fund.

According to AT&T, based on information provided by the CertA, approximately 20% of applicants were certified under LifeLine's income-based criteria over the last few months. AT&T believes that the number of customers eligible under program-based criteria is probably significantly higher. For example, in its Ohio service area, the number of AT&T customers qualifying under income-based criteria diminished from 20% in 2004 to 4% in 2007. AT&T believes that California is likely to experience the same decreases in income-based eligibility eventually as customers recognize the convenience of certifying under program-based criteria. Cox responds that AT&T does not establish that the California and Ohio programs are similar such that California rates will mimic those in Ohio, and asserts the Commission does not have enough

information to know if income-based certifications will decrease over time in California.

AT&T asserts that through proper education and outreach, the California LifeLine can transition to program-based criteria without losing eligible customers. AT&T suggests that the Commission consider expanding the list of government programs under which an applicant may satisfy the program-based criteria in order to cast a wider net.

Other parties – Joint Consumers, Cox, DRA, Small LECs, and Joint Utilities – are all opposed to elimination of income-based eligibility at the present time. The Joint Consumers point to the universal service directive in Pub. Util. Code § 871.5(c):

... [e]very means should be employed by the commission and telephone corporations operating within service areas which furnish LifeLine telephone service to ensure that every person qualified to receive LifeLine telephone service is informed of and is afforded the opportunity to subscribe to that service.

The Joint Consumers assert the Commission should not make a change to the LifeLine eligibility processes without reliable evidence that use of only program-based eligibility can satisfy California's universal service principles. According to the Joint Consumers, many people rely on income-based eligibility to subscribe to LifeLine. Approximately 20% of applicants utilize income-based eligibility procedures to apply to LifeLine. The applicants likely choose income-based eligibility for a good reason – otherwise it would be much more convenient for them to check a box noting their participation in a public benefits program, rather than having to provide proof of their income. There is no evidence that program-based eligibility alone could capture those 20% of applicants who apply through income-based processes.

According to the Joint Consumers, many California customers eligible to participate in LifeLine may not participate for a variety of reasons. Some persons feel a stigma associated with participation in “welfare” programs. Specific households – for example, households without children, elderly or disabled persons who do not rent housing through the Section 8 program – would not be eligible for 11 of the 12 programs through which they could establish eligibility for LifeLine.

Many LifeLine eligible households may not be eligible for other programs through which they could establish eligibility. Undocumented immigrants who do not have children in the household would not be eligible for any of the dozen programs. For this population, income-based certification is the only means to establish eligibility for the LifeLine program.

The Small LECs state that, given the number of customers that rely on the income-based process and the evolving nature of the program-based process, it is not clear at this point that program-based eligibility alone could achieve the high levels of LifeLine penetration that have existed among low-income California households. The Small LECs believe that if the program-based functions become sufficiently robust, that will pave the way for a mass shift away from income-based certification. As this occurs, the Commission should evaluate the need for the income-based process.

To be consistent with the Universal Service goals of this Commission, and of our Legislative mandate in the Moore Universal Telephone Service Act, it is our responsibility to ensure that all those Californians entitled to LifeLine service are able to receive that service. The Legislative mandate cited by the Joint Consumers in Pub. Util. Code § 871.5(c) gives us the clear mandate to maximize participation of those eligible for the program.

At the present time, 20% of those who apply for LifeLine utilize the income-based eligibility option. Even if we mirrored the results from Ohio exactly as cited by AT&T, and the number of applicants using income eligibility dropped from 20% to 4%, elimination of income-based eligibility would result in that 4% being unable to participate in the program. That is unacceptable. According to data provided by the Joint Consumers, households without children, elderly or disabled, are limited to one program they can use for eligibility, namely Food Stamps.

In D.05-04-026, we attempted to provide a comprehensive list of eligible means-tested government programs. However, we encourage parties to continue to work on the list. The Commission's CD is authorized to revise the GO, to add other means-tested programs so that more customers can use the program-based prong to enroll in LifeLine. However, until data from the CertA shows us that the number of customers applying based on income is *de minimus*, we are unwilling to eliminate income-based eligibility. To do otherwise would be inconsistent with the requirements of Pub. Util. Code § 871.5(c) which places the following requirement on the Commission:

... to ensure that every person qualified to receive LifeLine telephone service is informed of and is afforded the opportunity to subscribe to that service.

4.3. Refinements in Customer Responses

4.3.1. Processing Unscannable Mail

The CertA has implemented process changes that include maintaining a customer in the enrollment process even if a customer notification has been returned as undeliverable. Items (including the envelope) are scanned and retained by the CertA. Partial responses (those missing information, cashier's

checks, etc.) can either be returned or the carrier is notified so that it can take action. Only those mail items that cannot be traced to a customer are shredded. With guaranteed mail return for first class postage, the CertA is reporting a more accurate picture of total undeliverable correspondence. Parties were asked to comment on whether other steps should be taken for unscannable mail.

Based on its experience with the LifeLine program before the Commission implemented a third party administrator, AT&T recommends the following solutions be put in place in order to avoid the unscannable-correspondence predicament faced by the CertA:

- Place a second bar code under the signature line so that there is a second location on the application from which the CertA can access customer information should a portion of the correspondence be damaged;
- Place the customer's telephone number in two locations on the application should the bar codes be unreadable. One location should be right under the customer signature. The DMDR [Direct Mail Direct Response organization within AT&T] typically called customers to inform them that their certification form was damaged and AT&T would re-issue another form for the customer to sign and return; and/or,
- Add bold language to the bottom of the certification form instructing customers that the entire form must be returned.

The Small LECs support AT&T's proposal to place a second bar code under the signature line as well as the proposal to put the customer's telephone number in two locations.

CD reports that the unscannable mail issue has improved in recent months. The CertA is implementing a change whereby an application returned as "undeliverable" no longer results in an immediate "denial." Now customers

continue to receive outbound dialer calls, postcards, etc. Correctible denials are still sent a letter asking for additional information.

While the issue seems to be under control, we believe AT&T's proposals could be very helpful in dealing with this problem in the future. However, we realize that they would necessitate changes to the notification forms, which would require costly system changes. We encourage CD to work with the CertA to implement AT&T's suggestions in the future when other changes are made to the forms.

4.3.2. Remediating Other Issues

Non-response data are being reviewed on a regular basis by the CertA and staff via the Implementation Working Group (IWG) meetings. Return rates are stratified by the three types of notifications (certification, verification, and audits). This information currently is not broken out by carrier or language group.

Joint Consumers believe that the CertA should categorize return rates by language group and provide this data to the IWG for review. There is a possibility that particular language groups may be experiencing problems in returning forms, and return data by language group could reveal these problems so that parties could collectively address them.

The Joint Consumers also state that return rates broken out by carrier can demonstrate if a particular carrier is facing challenges in getting its customers to return certification and even verification and audit forms. The challenges may be due to the carrier's customer population or due to the carrier's LifeLine procedures.

AT&T supports the Joint Consumers' recommendation that the non-response data be analyzed by language group, but opposes the proposal to

distribute carrier-specific response data to the IWG, which is a voluntary informal group of interested parties. AT&T believes that proprietary, carrier-specific information should not be shared with the IWG. AT&T claims that Joint Consumers fail to explain how carrier-specific data can provide additional insight into this non-response mail analysis since carriers are no longer involved in mailing and processing certification and verification forms.

We will adopt Joint Consumers' suggestion to have non-response data analyzed by language group. That information could be helpful in determining whether there are differences in response among language groups. However, given carriers' limited role in the current LifeLine program, we agree with AT&T not to require collecting data by carrier.

4.4. Synergies With Other Commission Low-Income Programs

Currently, there are no systems in place to coordinate subscribership with other Commission-regulated low-income programs (CARE, Water Low Income, etc.) Parties were asked to comment about how we might tie in with other low-income programs and specifically, whether there is a way that a customer could sign up for all low-income programs administered by the Commission at one time.

Most parties are in favor of some sort of coordination with other Commission-regulated low-income programs, but several point out that there are various differences between the Commission's low-income programs that make it complicated to achieve synergies. Verizon states that some programs allow for self-certification which is against Federal Communications Commission rules, the Joint Consumers point to the "divergent eligibility guidelines" of the programs, and AT&T adds that the CARE program, unlike the

California LifeLine program, is available to non-residential customers and is administered differently than the LifeLine program.

A number of parties support the need for the Commission to open a separate proceeding and/or conduct workshops with all industries and interested parties on the issue of achieving synergies among all Commission regulated low-income programs.

The Joint Consumers suggest that the Commission should phase-in coordination with other Commission low-income programs in short-term and long-term steps. In the short term, the Commission could develop a brief document that describes each existing low-income utility assistance program, including LIHEAP, along with a very brief description of where the consumer can go for more information on a particular program and the requirements to participate. That brochure could be used as part of outreach materials by the Commission, utilities, and other agencies. The utilities and Commission could also list the information on their websites. Joint Consumers urge that the state's LIHEAP program be included in these efforts, since this is a large federally funded energy assistance program that serves some consumers who probably are not familiar with all the Commission's low-income utility assistance programs.

Another short-term measure Joint Consumers propose is to encourage water and energy utilities to promote the LifeLine program on their applications.¹³ Joint Consumers note that PG&E's CARE/FERA program

¹³ In their Opening Comments, Joint Utilities state that without further Commission direction in R.07-01-042, they could automatically enroll some California LifeLine

Footnote continued on next page

application for single-family customers (rev. 06/01/07) has a section on the form that lists other utility payment assistance programs and services for which the applicant may qualify, including LIHEAP (refers customers to the Department of Community Services and Development and provides a number for more information) and ULTS (now known as LifeLine) (tells customers to call their local phone company for more information). According to Joint Consumers, Sempra and SDG&E have similar references on their applications.

In return, the LifeLine application could be modified to also include a section regarding "Other Programs and Services You May Quality For," that includes CARE, LIEE, LIHEAP, and the low-income water assistance programs. This effort takes the opportunity to promote other low-income utility assistance programs to potentially receptive consumers who already have an interest in one utility assistance program.

As to whether there is some way that a customer could sign up for all low-income programs administered by the Commission at one time, Joint Consumers point to the invaluable role that CBOs can play as front line outreach for these low-income programs. Joint Consumers have been pressing for a larger role for CBOs in the outreach and education of LifeLine and urge the Commission to work with the LifeLine marketing contractor to find ways to further coordinate outreach work with the CBOs.

We find merit in Joint Consumer's suggestion to prepare a document that describes each existing low-income utility assistance program. We see the value of including LIHEAP, even though it is not a Commission-sponsored program.

customers who participate in certain public assistance programs because they are currently being accepted by the utility programs.

As Joint Consumers says, that brochure could be an invaluable outreach tool. Also, we would like to see similar information available on the Commission's website and ask the Commission's Executive Director to coordinate that effort, since it requires the coordination among various divisions.

Also, we see merit in using application forms to make customers aware of other low-income programs. However, as we mentioned earlier, it is very costly to make changes to the LifeLine application form. Therefore, we direct CD to work with the CertA to include information on other programs the customer may qualify for, when they next revise the LifeLine application form.

Given the complexities involved in a major effort to coordinate subscribership of all of the Commission's low-income programs, we believe it will be necessary to open a new proceeding to address that issue and we direct the Executive Director to begin this effort.

Joint Consumers urge greater involvement of CBOs in the outreach and education of LifeLine. The Commission has a new LifeLine marketing contractor and will be working with the contractor to enhance participation by CBOs in the outreach effort.

4.5. Results of the Solix Audit

The Division of Water and Audits completed its audit of the Solix contract. There were no reportable findings or instances of noncompliance with the terms of the contract. The audit did include a recommendation to revise the monthly carrier activity report to better reflect the data we intended to track. Customer count information by carrier was not tracking due to a number of factors not reflected in the reports, such as pending certifications and timing differences. Solix has worked with CD to modify the customer count reporting to be more accurate.

5. 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 Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on August 11, 2008 and reply comments were filed on August 18, 2008 by AT&T, Blue Casa Communications, Cox, DRA, Joint Consumers, Small LECs, and Verizon.

6. Assignment of Proceeding

Dian M. Grueneich is the assigned Commissioner and Karen Jones is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Historically the telephone companies added customers to the LifeLine program when they first contacted the telephone provider.
2. The back-billing issue that has been experienced was not anticipated when the Commission made the decision to continue the first contact model in D.05-04-026.
3. There is no reason to believe back-billing problems are temporary.
4. May 2008 data provided by the Communications Division (CD) shows that 51% of those who applied either did not return the application forms or were determined to be ineligible by the CertA and were then subject to back-billing.
5. When the data Solix provided to AT&T for the period February-April 2008 is annualized, it shows that over half a million customers per year are found ineligible and subject to back-billing.
6. Under pre-qualification, customers have an incentive to move quickly and return their forms by the deadline.

7. According to the information compiled by CD, the responding carriers all have payment plans that would allow a LifeLine applicant to defer payment of part of the non-recurring charges.

8. The program's reputation has suffered over the past two years as customers are found to be ineligible and forced to pay large back-bills.

9. Back-billing affects only the certification process, not the verification procedure.

10. Pre-qualification simplifies the process for carriers and Commission staff.

11. Allowing LifeLine applicants to defer their charges until the CertA determines whether they are eligible for the program is of no benefit; it would involve almost the same level of back-billing that the program is currently experiencing.

12. It makes sense to establish a credit on the customer's bill as the default, but require carriers to notify customers that they can request a refund check.

13. Implementation of a pre-qualification system requires carriers to revise their methods and procedures, rewrite scripts for the customer representatives, and train them in the revised procedures, as well as make changes to various computer systems.

14. There is no way to flash cut the enrollment process without causing a great deal of confusion on the part of those applying for LifeLine.

15. The switch to pre-qualification will not impact the CertA's procedures to any significant degree.

16. Commission staff, the marketing contractor, call center contractor, CBOs, social service agencies, and other external entities need to engage in an education campaign so that customers are aware of the change in advance of the pre-qualification implementation date.

17. The interactive website will expedite the process for customers who are certifying using program-based eligibility and for customers who are re-certifying through the annual verification process.

18. Currently, about 20% of those who apply for LifeLine utilize the income-based eligibility option.

19. Non-response data should be analyzed by language group to determine if there are differences in responses among language groups.

Conclusions of Law

1. The Moore Universal Telephone Service Act is silent on the issue of when the low-income individual receives the discounted service – either at “first contact” or after being “pre-qualified.”

2. Subjecting 50% of the applicants to back-billing when they are deemed ineligible for the program is unacceptable.

3. The interactive website should decrease the approval time for applicants who apply on the basis of participation in a means-tested program.

4. Carriers should notify LifeLine applicants about their payment plans and make them available to assist in payment of charges.

5. Once a customer successfully completes the LifeLine application process, the customer should be credited the difference between LifeLine rates and charges and regular recurring rates and non-recurring charges, as well as any deposits paid related to basic service, back to the date when the customer contacted his/her carrier requesting to be added to LifeLine.

6. Payment plans are not a part of “rate regulation;” billing practices fall under “terms and conditions.”

7. Carriers should inform customers of any deposits at the time customers request service.

8. GO 153 should be modified as described in this order to implement a system of pre-qualification.

9. The prior version of GO 153 needs to remain in effect to provide a framework for processing the applications of all those customers who applied prior to the implementation date.

10. Once the transition to pre-qualification is complete, CD will notify the service list of this proceeding and all LifeLine carriers that the prior version of GO 153 has been superseded.

11. To be consistent with the Moore Universal Telephone Service Act, it is the Commission's responsibility to ensure that all those Californians entitled to LifeLine service are able to receive that service.

12. Income-based eligibility should not be eliminated unless data from the CertA demonstrates that the number of customers applying based on their income is *de minimus*.

13. Carriers are entitled to recover those expenses specifically related to the implementation of a pre-qualification enrollment process, including, but not limited to, necessary system changes, revision of methods and procedures and rewriting scripts for customer service representatives.

14. There is a need for Commission staff, the marketing contractor, call center contractor, CBOs, social service agencies, and other external entities to engage in an education effort so that customers are aware of the shift to a pre-qualification requirement well in advance of the implementation date.

O R D E R

IT IS ORDERED that:

1. We are adopting a system of pre-qualification for the LifeLine program for all customers that contact their carriers to apply beginning on July 1, 2009.

2. General Order (GO) 153 shall be modified as described in this order. The revised GO shall be applicable to all customers described in Ordering Paragraph 1 above.

3. All LifeLine carriers shall notify customers that, once certified, they will receive a credit on their bill for LifeLine discounts as of the application date and, if they have a credit balance of at least \$10.00, may request a refund check for any net credit balances reflected on their next bill.

4. Once a customer is deemed eligible for LifeLine discounts, the LifeLine carrier shall apply those discounts and any previously collected charges and deposits related to basic service, to the customer's bill. If such credits generate a credit balance on the customer's bill of greater than \$10.00, and the customer's account does not include any amounts past due, the carrier must provide the customer with the option of receiving a refund check.

5. All LifeLine carriers shall inform customers of the following when they request service: (1) specify any deposits required; (2) allow customers to make payment arrangements for deposits, and (3) itemize the deposits on the first bill to distinguish the deposit amount for basic service connection and any other services.

6. All LifeLine carriers shall inform LifeLine applicants that they have the option of utilizing payment plans for charges and any deposits for basic service that the carrier requires.

7. Pursuant to General Order 153 Rule 9.2.1, LifeLine carriers may recover the reasonable costs of implementing the pre-qualification enrollment process described in this decision.

8. All LifeLine carriers shall provide drafts of the revised scripts to be used by their customer service representatives to the Communications Division (CD) by April 1, 2009 for review.

9. CD shall schedule a workshop to discuss pre-qualification implementation issues within 30 days of the issuance of this decision.

10. CD shall notify the service list of this proceeding and all LifeLine carriers when the transition is complete and the prior version of GO 153 is to be superseded by the version adopted in this order.

11. The Executive Director shall coordinate an inter-divisional effort to prepare a document that describes each existing low-income utility assistance program, including the Federal Low-Income Home Energy Assistance Program, along with a brief description of where the consumer can go for more information on a particular program and the requirements to participate. That information shall be available on the Commission's website as well as in brochure form that is distributed as part of the Commission's outreach efforts.

12. The Executive Director shall open a new proceeding to coordinate the application process for the Commission's various low-income programs.

This order is effective today.

Dated August 21, 2008, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners