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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Consumer Programs Branch**

**RESOLUTION T-17337
September 22, 2011**

RESOLUTION

RESOLUTION T-17337 UPDATES THE SPECIFIC SUPPORT SUBSIDY AMOUNT PAID TO CALIFORNIA LIFELINE SERVICE PROVIDERS EFFECTIVE JANUARY 1, 2012, AND PROVIDES A MECHANISM TO CALCULATE THE AMOUNT ON A GOING-FORWARD BASIS AS ADOPTED IN DECISION 10-11-033.

SUMMARY

In accordance with Decision (D.) 10-11-033, Ordering Paragraph 11, this Resolution calculates the Specific Support Amount (SSA) effective January 1, 2012 based on the basic rates reported to the Commission effective July 31, 2011. In addition, this Resolution clarifies the means by which the SSA will be computed and how that information will be distributed to the California LifeLine Service Providers in future years. This Resolution also makes minor corrections to General Order 153.

BACKGROUND

In compliance with Ordering Paragraph (OP) 32 of D. 10-11-033, the Communications Division (CD) conducted workshops on February 17-18th, and April 7th to develop: (i) an understanding of the steps needed to implement the SSA process by July 1, 2011; and (ii) to identify the measures that need to be undertaken by stakeholders to implement the new SSA requirements. Over forty participants representing various local service providers, consumer advocates and community based organizations attended the workshops.

In D. 06-08-030, the Commission granted pricing flexibility for the Uniform Regulatory Framework (URF) carriers. However, in D. 08-09-042 (OPs 1-4), the Commission held that the pricing flexibility should be phased-in over a three year period. In 2009, the URF carriers (the four largest Incumbent Local Exchange Carriers (ILECs))¹ were allowed to increase their basic rates by no more than \$3.50, with one quarter (1/4) of the increase they made to be applied to their California LifeLine rate. The same incremental increase was allowed in 2010. On January 1, 2011, the URF carriers were granted full pricing flexibility for both basic and California LifeLine rates and were authorized to change their rates based on the market.

¹ ILECs consist of AT&T, Verizon, SureWest and Frontier and they collectively represent 1,626,852, or about 91% of the total California LifeLine subscribers as of October, 2010.

In 2010, the Commission adopted D. 10-11-033 and established a new California LifeLine subsidy methodology and claim system for California LifeLine Service Providers. Under the Decision, California LifeLine Service Providers receive up to an SSA for every subscriber reported by the California LifeLine Administrator. In addition, California LifeLine Service Providers continue to receive lost revenues and expenses for the following items:

- Non-Recurring Charges (connection and conversion of customer services as they relate to California LifeLine);
- One-Time Implementation Costs (if ordered by the Commission);
- Untimed Calls (for California LifeLine Measured Rate Service);
- Non-ETC Makeup (until December 31, 2012);
- Administrative Costs (limited to a set per-subscriber rate);
- Pass-Through Taxes/Surcharges;
- Toll Limitation Charges (until December 31, 2012);
- Bad Debt Costs (until November 30, 2011); and
- Additional subsidy for Extended Area Service (EAS) (until December 31, 2012).

D. 10-11-033, Finding of Fact 15, established the means by which the SSA would be calculated. The SSA would be calculated by taking 55% of the highest basic flat rate of the four largest incumbent local exchange carriers (AT&T, Verizon, SureWest and Frontier) as of July 31st of each year (Ordering Paragraph 7). The initial SSA amount to be effective from the implementation date of the Decision until December 31, 2011 would be \$11.50. The SSA amounts calculated based on the rates as of each July 31st would be effective the subsequent January 1st.

NOTICE

Notice of Resolution T-17337 revising the SSA amount was published in the Commission Daily calendar on August 23, 2011 and mailed to the service list of Rulemaking (R.) 06-05-028 and R. 11-03-013, the California LifeLine Administrative Committee, the California LifeLine Working Group, and all telecommunications carriers in California.

DISCUSSION

The four largest ILECs reported their highest basic flat service rates effective July 31, 2011 as follows:

- AT&T – \$19.95
- Verizon – \$20.91
- SureWest – \$19.99
- Frontier – \$19.50

Of the four, Verizon's rate of \$20.91 represented the highest basic flat rate service amount. Using the formula given in D. 10-11-033:

$$\$20.91 \times 55\% = \$11.5005, \text{ rounded to } \underline{\$11.50}.$$

As a result, there will be no change in the SSA effective January 1, 2012. The SSA will remain \$11.50 at least until January 1, 2013.

Notification of subsequent changes to the SSA will be provided to the California LifeLine Service Providers by administrative letter.

Changes to General Order (GO) 153

Based on suggestions subsequently received from members of the California LifeLine Working Group after the publication of Resolution T-17321, we propose to make the following corrections (in **bold**):

4.2.1.2.2.1 If the customer verbally indicates that he/she is eligible under the income guidelines, immediately contact the California LifeLine Administrator to begin the California LifeLine Application Process for the customer. The California LifeLine Service Provider 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 an Application Form in the **mail**;

4.7.2 ~~Price increases or~~ Service restrictions to its California LifeLine service

These changes correct errors made during the Resolution T-17321 process, and do not affect the substance of any rule in GO 153. Rate increases are previously addressed in Section 4.7.1, and are redundant in Section 4.7.2.

COMMENTS ON DRAFT RESOLUTION

In compliance with PU Code §311(g), copies of the draft resolution were mailed on August 23, 2011 to the parties of record in R. 06-05-0218, R. 11-03-013, the California LifeLine Administrative Committee, the California LifeLine Working Group, and all carriers providing telephone service in California. Parties were asked to submit opening comments on September 6, 2011, and reply comments on September 13, 2011, in accordance with the Notice of Availability dated August 23, 2011. No comments were filed.

