



# California Public Utilities Commission

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## News Release

FOR IMMEDIATE RELEASE

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### **CALIFORNIA TO DEVELOP UNIFORM FRAMEWORK FOR TELECOMMUNICATIONS REGULATION**

SAN FRANCISCO, April 7, 2005 - The California Public Utilities Commission (PUC), in an effort to develop a uniform regulatory framework for the telecommunications industry, today opened a proceeding to assess and revise the regulation of all telecommunications utilities in California (except for small incumbent local exchange carriers (ILEC)), to the extent that it is feasible and in the public interest to do so.

Commissioner Susan P. Kennedy, who is the Assigned Commissioner for the proceeding, stated, "I see this Rulemaking as an opportunity for California to establish itself as the national leader in consumer protection in this brave new world of technological change. It is also an opportunity for California to regain its place at the forefront of investment and innovation."

The Commission determined that dramatic changes to the telecommunications landscape in recent years require a comprehensive examination of the way telecommunications services are regulated. With the increasing use of wireless and IP-based technologies, consumers are increasingly communicating in ways that bypass traditional telephone networks.

The Commission concluded that any adopted framework should ensure, to the extent practical, that every person and business in California has access to modern, affordable, and high quality telecommunications services. The adopted framework should be technological-neutral, and encourage technological innovation, economic development, and employment in California.

Currently, the Commission employs different regulatory frameworks for different providers of telecommunications services to the public. The Commission regulates the price, quality, terms, and conditions of most services provided by the large and medium sized ILECs. The Commission does not regulate the price of services provided by competitive local exchange carriers (CLECs) and

interexchange carriers (IECs), and regulates only limited aspects of the quality, terms, and conditions of the services offered by CLECs and IECs.

This proceeding will be conducted in two phases. Phase 1 will focus on the selection and implementation of a uniform regulatory framework. Phase 2 will address factual and implementation issues. Specific issues that will be considered in Phase 1 include:

- Is there a uniform regulatory framework that can be applied to all providers of regulated intrastate telecommunications services?
- What criteria should be used to decide if a uniform framework should replace current regulations? Have these criteria been met?
- What criteria and procedures should be used to: (a) determine which services should remain subject to price regulation; (b) set and revise prices for services that remain subject to price regulation; and (c) remove a particular service from price regulation in the future?
- What existing monitoring auditing requirements should be modified or eliminated? What new reports and audit requirements, if any, should be added?

The full text of Commissioner Kennedy's remarks are below.

For more information on the PUC, please visit [www.cpuc.ca.gov](http://www.cpuc.ca.gov).

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**Statement of  
Commissioner Susan P. Kennedy  
Item 44: OIR on Telecommunications Retail Regulation  
April 7, 2005**

Colleagues:

Item 44 opens a rulemaking to assess and revise the regulation of all telecommunications utilities in California, except for small incumbent local exchange carriers. The goal is to develop a uniform framework of regulation for all telecommunications providers, to the extent that is it feasible and in the public interest to do so.

President Peevey assigned me to the fourth triennial review of the regulatory framework for SBC and Verizon as one of the first and most important cases assigned to me. That proceeding, which was opened in 2001, was divided into three phases. The first phase analyzed the service quality of SBC and Verizon. The second phase concluded a financial audit of SBC. Last year the Commission adopted three two-hundred page orders pertaining to these matters, although issues on rehearing and petitions to modify those decisions remain outstanding.

Phase III of this proceeding envisioned a review of the price-cap regulatory structure governing SBC and Verizon. The initial ruling setting the scope of Phase III was established back in September of 2001.

In the three and a half years since the NRF proceeding was established, the changes we have seen in the telecommunications industry have been dramatic. Wireless telephony has turned the economics of the industry upside down with nationwide calling areas, mobile-to-mobile minutes and free nights and weekends. Internet telephony has turned the regulatory world upside down. There is no more local vs. long distance, there is no more interstate vs. intrastate – all the distinctions we have used for decades to organize our world are irrelevant with VoIP.

Cable companies are offering voice services. Phone companies are offering video, and Internet companies are offering anytime, anywhere, all-you-can-eat calling plans for under \$25.

In light of these changes, unanticipated when the scope of the NRF proceeding was set, ALJ Kenney and I issued a ruling inviting comments and replies on how to revise the scope of the proceeding.

From the comments we received, it became clear that many of the topics posed for investigation were no longer relevant. In addition, it was clear that competition across different technological platforms has emerged to such a degree that a regulatory scheme that treats each industry segment as an independent “silo” with its own rules and regulations no longer makes sense.

Working from the comments received in that proceeding and with my input, ALJ Kenney drafted a revised scoping memo that attempted to address the many changes in the industry, and circulated the draft order within the ALJ division. The reviewing ALJs recommended that we forgo efforts to revise the scope of the 2001 proceeding, and instead begin a new proceeding with a wider service list.

In particular, they argued that the scope had changed too much and that the affected parties now included companies beyond SBC and Verizon. They recommended that the order initiating a new proceeding set a new scope and new service list. They further recommended that the Commission resolve the few outstanding issues left in the old proceeding and close it.

That new proceeding is the order before the Commission today. The order proposes a two-phase case management plan. The first phase would resolve broad policy matters. In addition, at the request of Commissioner Grueneich, I have agreed to hold an *en banc* hearing early in the first phase

to help the Commission as a whole set the direction of this important proceeding. Parties who believe that evidentiary hearings are necessary on any particular matter may request such a hearing through a motion.

A second phase would resolve all matters raising factual issues.

The goal of this two-phase case management plan is to ensure that California's telecommunications regulations continue to serve the public interest and benefit consumers, while making whatever changes are necessary to encourage investment in broadband and other new technologies and create a more level and competitive playing field.

Let me place this OIR within the national context. I know that you are all aware of the *technological* changes sweeping this industry. Less well known, however, are the *regulatory* changes taking place throughout the nation. Thirteen states are moving legislation or regulatory proposals that enact sweeping changes. Four other states are planning to introduce similar reform measures in the near future. Our action today would only add our name to this long list of states considering serious regulatory reform. With this OIR, California is merely catching up to other states leading a reform efforts nationwide.

I see this OIR as an opportunity for California to establish itself as the national leader in consumer protection in this brave new world of technological change. It is also an opportunity for California to regain our place at the forefront of investment and innovation.

This is a \$100 billion industry in California. We cannot afford to delay this proceeding any longer if we want to maintain our leadership role.

I ask your support for this order, and move its consideration.