STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: June 4, 2002

To: The Commission
(Meeting of June 6, 2002)

From: Bill Julian
Office of Governmental Affairs (OGA) — Sacramento

Subject: **SB 1553, (Battin)** – Telephone services: extended area service.

As Amended May 1, 2002

Recommendation: Oppose

Summary: This bill would require the California Public Utilities Commission (CPUC) to do the following:

1. Examine the impact of toll call pricing in the Coachella Valley, to consider whether additional options are needed to serve that area.

2. Consider whether any additional steps are necessary to encourage innovative pricing plans by incumbent and competitive carriers.

3. Consider whether customer education efforts or other measures that are in the public interest are necessary.

4. Provide a report to the Legislature no later than July 1, 2004, regarding these issues.

Analysis: This bill directs the Commission to do the following:

Investigate the effectiveness of the competitive marketplace and consumer awareness in the Coachella Valley.

Consider options to address concerns in the Coachella Valley about the impact of toll call pricing upon the greater community of interest and commerce in the valley.

Consider additional steps to encourage the availability of innovative pricing options by incumbent and competitive carriers for customers concerned about toll call pricing in the Coachella Valley.

The bill also authorizes the Commission to consider whether customer education or other measures that are in the public interest are necessary.

The bill is unnecessary to the extent that, today, anyone may file a petition or motion requesting that the Commission investigate the issues specified in the bill. In such a case, the Commission would have discretion in deciding whether and when to open and complete an investigation, and the scope of issues to consider in any such investigation.

However, enacting a statute directing the Commission to investigate the specific issues enumerated in the bill and reporting to the Legislature by a date certain ensures the Commission will undertake the proceeding according to the scope and schedule specified in the bill. The schedule and scope imposed on the Commission would likely require re-prioritizing its current activities to meet the new obligation and schedule.

The bill confines the Commission's investigation to examining the impact of toll call pricing in the *Coachella Valley*, and thereby may establish an unusual and undesirable precedent. From time to time, the Commission considers *complaints* concerning specific rates or services in discrete locales. However, a *statute* requiring the Commission to do so may encourage future bills requiring the Commission to investigate similar issues affecting any number of communities around the state. Such a development could drain the Commission's limited resources, and would likely require augmenting the Commission's budget to accommodate the additional demands.

The bill would have the Commission address (and re-address) toll rate and toll competition issues in a piecemeal fashion. Importantly, the issues facing the Coachella Valley may not be unique to that community because population and economic changes affect many parts of the state and because competition has not necessarily progressed uniformly across urban, suburban and rural areas. Because many communities may be facing situations like that in the Coachella Valley, it may be more efficient to consider the issues identified in the bill, and perhaps others, on a statewide basis. While a statewide approach would potentially involve a larger, more complex proceeding, it would avoid potentially numerous separate proceedings addressing the same or similar issues in a piecemeal fashion.

FISCAL IMPACT:

The bill would require the Commission to incur costs in staff time and other expense to undertake the required proceeding. The specific costs have yet to be determined. The schedule imposed on the Commission would require the Commission to re-prioritize its current activities to meet its new obligations.

Required resources would include (at a minimum):

At least one Administrative Law Judge, who would work full-time for some portion of the proceeding, and associated clerical, technical, and legal support, as well as management/supervision.

At least one Staff Representative from the Office of Ratepayer Advocates (ORA) (PURA IV/V), who would work full-time for some portion of the proceeding, and associated clerical, technical, legal support, and management/supervision.

At least one Telecommunications Division staff person (PURA IV/V, who would work full-time for some portion of the proceeding and after the close of the proceeding, to coordinate, draft, review, and distribute the required report, as well as associated clerical, technical, legal support, and management/supervision.

Hearing room, reprographic services, court reporting services, mailroom, file room support (intermittent throughout the proceeding), and travel expense.

Comments: The Commission should oppose this bill because the bill limits the Commission's discretion in deciding the scope of the issues to be considered and the schedule for considering them. The bill also sets a precedent for other communities around the state to seek laws requiring the Commission to investigate their particular toll competition issues, resulting in a costly piecemeal approach to problem solving.

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Date: May 30, 2002

BJ:cdl

BILL LANGUAGE:

BILL NUMBER: SB 1553 AMENDED
BILL TEXT

AMENDED IN SENATE MAY 1, 2002

INTRODUCED BY Senator Battin

FEBRUARY 20, 2002

An act to add Section 2888.1 to the Public Utilities Code, relating to telecommunications.

LEGISLATIVE COUNSEL'S DIGEST

SB 1553, as amended, Battin. Telephone services: extended area service.

Existing law authorizes the Public Utilities Commission to regulate telephone corporations. ~~An existing decision of the commission prohibits the filing of new complaints to establish new extended area service routes in the state that allow the extension of the geographic reach of local toll-free telephone calls.~~

~~This bill would, notwithstanding that decision of the commission, require the commission to allow the filing of complaint cases seeking to establish new extended area service routes within the state.~~

This bill would require the commission to examine the impact of toll call pricing in the Coachella Valley and to consider whether additional options are needed to serve that area. The bill would require the commission to consider whether any additional steps are necessary to encourage innovative pricing plans by incumbent and competitive carriers and would authorize the commission to consider whether customer education efforts or other measures that are in the public's interest are necessary. The bill would require the commission to provide a report to the Legislature no later than July 1, 2004, regarding these issues.

This bill would provide that its provisions would be repealed on January 1, 2005.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

~~SECTION 1. Section 2888.1 is added to the Public Utilities~~

SECTION 1. The Legislature finds and declares all of the following:

(a) Population and economic growth in the Coachella Valley have

outpaced many other areas of the state as residents and businesses have migrated to the area to establish homes, employment, and other community infrastructure.

(b) The local interests of residents and businesses in the early communities in the Coachella Valley have expanded beyond those early communities to include community links throughout the valley.

(c) Historically, extended area service (EAS) plans were available, prior to the enactment of the federal Telecommunications Act of 1996, for customers located in some established communities of interest to mitigate toll call pricing. However, in Public Utilities Commission Decision 98-06-075, the commission determined that with the advent of competition for toll service, the public's interest would be served by allowing the market to offer customers choices for toll call pricing.

(d) There have been concerns in the Coachella Valley about the impact of toll call pricing upon the greater community of interest and commerce in the valley.

(e) The commission should investigate the effectiveness of the competitive marketplace and consumer awareness in the Coachella Valley and consider options to address these concerns. The commission should consider what additional steps might be necessary to encourage the availability of innovative pricing options by incumbent and competitive carriers for customers concerned about toll call pricing in the Coachella Valley.

SEC. 2. The Public Utilities Commission shall examine the impact of toll call pricing in the Coachella Valley and shall consider whether additional options are needed to serve that area. The commission shall consider whether any additional steps are necessary to encourage innovative pricing plans by incumbent and competitive carriers. The commission may also consider whether customer education efforts or other measures that are in the public's interest are necessary. The commission shall provide a report to the Legislature no later than July 1, 2004, regarding these issues.

SEC. 3. The Legislature finds and declares that due to unique circumstances relating to the Coachella Valley, a general statute cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution.

SEC. 4. This act shall remain in effect only until January 1, 2005, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2005, deletes or extends that date. ~~Code, to read:~~

~~2888.1. (a) Notwithstanding the commission's Decision Number 98-06-075, the commission shall allow the filing of complaint cases seeking to establish new extended area service routes within the state.~~

~~(b) For the purposes of this section,"extended area service" means telephone service authorized in certain designated communities that extends the geographic reach of a local toll-free calling area.~~