ULTS Trust Administrative Committee
Meeting Agenda

April 8, 2004 (Thursday)
10:00 AM
505 Van Ness Avenue, Technical Library ☏
San Francisco, CA 94102
Teleconference: 877-780-7587 / Passcode: 242672#

1. Introduction	**10:00**	
2. January 2004 Meeting Minutes: Committee will review and approve Jan 2004 meeting minutes prepared by TD.	**10:10**	**pp. 2-4**
3. Marketing Programs	**10:15**	**p. 5**
a. 2004-05 Marketing Campaign: TD will update the Committee on the status and development of the Request for Proposal for the 2004-05 marketing campaign.		
4. 2003 Annual Reports: The Committee will review the revised 2003 Annual Report prepared by committee members, Marlene Hebert to be submitted to the Commission in accordance with Charter § 4.b.	**10:30**	**pp. 6-12**
5. Strategic Plan: The Committee will review the Strategic Plan revised by outgoing member, Richard Elbrecht.	**11:00**	**pp. 13-43**
6. Liaison Reports		
a. **Communications and Public Information Division (CPID):** Discuss Mateo Camarillo's letter of resignation and nomination process.	**11:30**	**pp. 44**
b. **Telecommunications Division (TD):** Discuss TD letter responding to Committee's request requesting permission to meet 12 times during 2004.		**pp. 45-46**
c. **Legal Division:**		
i. Update the Committee on the issue of Conflict of Interest		
ii. Remind Committee members that Conflict of Interest Form 700 is due on April 1, 2004. A copy of Form 700 is available at: http://www.fppc.ca.gov/forms/Form700_03-04.pdf		**p. 47**
7. Public Comments	**12:00**	
8. Future Meeting Dates: The Committee will schedule meeting dates for remaining fiscal year.	**12:10**	
9. Adjournment		

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Meeting Minutes [2]
of
Universal Lifeline Telephone Service Trust Administrative Committee

Date: **January 28, 2004**

Location: **California Public Utilities Commission**
505 Van Ness Avenue, Training Room
San Francisco, CA 94102

Members Present:
Ana Montes
Anni Chung
Marlene Hebert
Mike Gipson
Joel Tolbert
Jeffrey Mondon
Linda Burton
Mateo Camarillo (Chairman)
Lyle Millage

Liaisons Present:
Harriett Burt, Communications and Public Information Division (CPID)
Geoffrey Dryvynsyde, Legal Division (LD)
Angela Young, Telecommunications Division (TD)

Others in Attendance:
Bill Ahern, CPUC Executive Director
Jonady Sun, LD (by phone)
Judy Cooper, CPID
LaTanya Linzie, COX
Margo Friedrich, Verizon
Taura O'Lariscy, Richard Heath & Associates
Patrick Rosvall, Counsel for Small and Mid-Sized LECs
Jack Leutza, Director of TD
Helen Mickiewicz, LD
Karen Miller, TD
Bettina Cardona, FONES4All
Peter Hayes, SBC

1. Introduction

Mateo called the meeting to order at 10:05 and a quorum was in attendance. Mateo welcomed Bill, Geoffrey, and Karen.

Bill Ahern, CPUC Executive Director, indicated that the ULTS has always been a cornerstone of the Commission's universal service goals. One of his key roles as Executive Director of the Commission is to ensure that adequate appropriations for various public programs are included in the Annual State Budget. Bill was glad that TD, with advise from this Committee, is operating the ULTS program close to its authorized budget. Thus, the ULTS has not accumulated a sizeable fund balance that would allow the Legislature to borrow funds from during the State budget crisis period as the Legislature borrowed from the California Teleconnet Fund and the California High-Cost Fund B.

[2] An audiotape for this meeting can be made available at 505 Van Ness Avenue, San Francisco. Contact person: Angela Young, 415-703-2837 (phone) or ayy@cpuc.ca.gov (e-mail).

The transfer of telecommunications public programs from private trusts to the State Treasury happened in an unfortunate time. All state agencies and state programs are facing severe budget cuts. Each time the Governor issues a budget cut directive, the Commission has to seek for exemption. So far, the Commission has been able to obtain exemptions from staff reductions and no new contract requirements, since the Commission and the telecommunications public programs are not funded by the General Fund.

Mateo indicated that when Jessie Knight served as Commissioner, he was very involved in and supportive of the ULTS program. In addition to a marketing contract, Jessie approved a consulting contract to study ULTS penetration and customer profiles for the purpose of assisting the now defunct Marketing Board in identifying marketing focal points. This Committee would appreciate a commissioner to defend and fight for the cause of the program as Commissioner Wood support the energy low-income board. Bill indicated that Commissioner Wood serves on the LIOB in order to comply with the legislative mandate. Nevertheless, it is ideal to have a commissioner championing a program. Bill will take Mateo's suggestion into consideration.

Karen Miller informed the Committee that while Fe Lazaro is on leave, she assumes the contract manager role for the two RHA contracts. She will periodically update the Committee on the progress of the Marketing and the Call Center contracts as well as the development of a new Request for Proposal (RFP) for the next marketing campaign.

Geoffrey Dryvynsyde informed the Committee that Stacie Castro has taken on other assignments, and he now undertakes the legal liaison role. He is looking forward to assisting and advising the Committee on legal issues specifically governance type of issues. The Commission has legal experts specializing in complex legal issues. Jonady Sun and Helen Mickiewicz are experts on conflict of interest and would discuss this later with the Committee.

Patrick Rosvall informed the Committee that until the Commission clarifies the conflict of interest issue, he has advised his client, Linda Burton, to recuse herself from participating in any of the agenda items.

2. Election of Vice-Chair

Anna nominated Mike Gipson for Vice-Chair. Hearing no other nomination, Mateo moved to accept Anna's nomination. Joel seconded the motion. The motion was unanimously approved with Linda recused.

3. Review and Approval of October 2003 Meeting Minutes

Mike Gipson moved approval of the October 2003 meeting minutes. Jeff seconded the motion. The motion was approved unanimously with Lyle abstaining, since he was not present at the October 2003 meeting.

Marketing Programs

Karen reported that TD is now current in reviewing and paying RHA invoices. For the marketing campaign, TD has allowed RHA to switch advertising buys from one medium, or one source, to another.

For example, for the African-American market, RHA was authorized to cancel the radio buy from KKWD since it changed its format to contemporary. The money saved from this contract was spent on KNEL, which is the leading African-American radio station in San Francisco. For the Korean market, RHA cancelled the advertisement with Korean Sunday News and reallocated the budget amount to KETV, which airs Korean programs.

Karen also informed the Committee that she has completed a new RFP for the next marketing campaign. Due to the potential conflict of interest, instead of distributing a hard copy to each of the committee members today, she will make this RFP available, upon request. Jack emphasized that this RFP was a joint effort with the CPID and two Commissioner offices. TD would like to receive inputs from the Committee, but also understands the potential conflict of interest for some committee members. Committee members should not put themselves at risk and feel compelled to provide comments to TD.

Jonady informed the Committee that the Legal Division (LD) and the Department of Justice (DOJ) continue to believe Government Code Section 1090 applies to members of this board. Government Code Section 1090 prohibits an official to make or participate in making a contract if the official has a financial interest in the contract. Section 1090 applies to both contracts and grants. The consequence of violating 1090 could be serious. LD and DOJ have developed a proposal to remove this concern for the advisory boards, however this proposal has not been presented to the Commission. Therefore, Jonady cannot disclose or discuss this proposal until approved by the Commission.

Mateo inquired whether the Commission has put board members at risk since the Commission did not purpose Directors & Officers insurance for this Committee. Angela indicated that Department of General Services (DGS) has advised the Commission not to purchase Error & Omission and Director & Officers insurance for the advisory boards since the role of the members is advisory only and the members' exposure to risk is minimal. Helen, Assistant Legal Counsel, emphasized that Committee members are essentially unpaid servants of the State and therefore, would be indemnified by the State as long as committee members act within their chartered responsibilities.

4. 2003 and 2004 Annual Reports

The Committee reviewed draft Annual Reports prepared by Marlene and Mateo, and suggested numerous changes. Judy of CPID volunteered to prepare an opening statement and a brief history of the Committee to be incorporated into the revised report.

5. Adjournment

The Committee has met for almost five hours. Instead of discussing remaining agenda, Lyle moved to adjourn. Ana seconded the motion. The meeting was adjourned at 2:50 pm.

STATE OF CALIFORNIA ARNOLD SCHWARZENEGGER, Governor

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

March 26, 2004

To Whom It May Concern:

Subject: Request for Proposals for the Universal Lifeline Telephone Service Marketing Program

The California Public Utilities Commission has issued a request for proposals for the development and implementation of a statewide marketing and outreach campaign to promote the awareness and availability of Universal Lifeline Telephone Service (ULTS).

Specifically, the Commission is requesting proposals for a contractor to design, develop and implement a competitively neutral public awareness and outreach campaign to heighten awareness and to increase the penetration rate of the ULTS program, among eligible California households and ULTS subscribers.

A copy of the RFP bid package may be obtained by downloading it from the Department of General Services website at http://www.cscr.dgs.ca.gov. The RFP 03PS5427, can be found by selecting "View By Contract Number or Agency", then selecting "Agency" and finding "Public Utilities Commission" in the pulldown menu. The RFQ 03PS-5427 is also listed under the Consulting category (05 Consulting). The RFP may also be obtained electronically by contacting Ivan Jen at ivn@cpuc.ca.gov or 415-355-4994. RFP's must be submitted to the attention of Karen Miller at CPUC Telecommunications Division, 505 Van Ness Avenue 3rd Floor, San Francisco CA 94102 by April 26, at 5:00 P.M.

This website will be updated as additional information is available. It is the responsibility of interested parties to continually check both the CPUC and DGS websites for updates.

If you have questions, please contact Karen Miller at (415) 703-3073, or by e-mail at knr@cpuc.ca.gov.

Sincerely,

Jack Leutza

Jack Leutza, Director
Telecommunications Division

D R A F T

ANNUAL REPORT OF
THE UNIVERSAL LIFELINE TELEPHONE SERVICE TRUST
ADMINISTRATIVE COMMITTEE

FOR THE PERIOD

FEBRUARY 1, 2002 THROUGH JUNE 30, 2003

Submitted by: Mateo Camarillo, Chairman ULTS-AC
Marlene Hebert, ULTS-AC Member

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Executive Summary

Pursuant to Ordering Paragraph 43 of the Commission's Decision (D.) 97-12-105, the Universal Lifeline Telephone Service Administrative Committee (ULTS-AC) hereby submits its Annual Report for the period February 1, 2002 through June 30, 2003.

The Moore Universal Telephone Service Act (AB 1348), adopted in 1983, established the ULTS Program to provide affordable basic local residential telephone service to qualified Californians. In 1987, the legislature repealed AB 1348 and re-enacted it as AB 386. The bill became law in September 1983 and is known as Article 8. The Moore Act is based on the premise that telephone service is basic to civilized life and that everyone should be reachable by telephone.

Under AB 1348, the program was funded by a surcharge on the service suppliers. AB 386 funded the program by a surcharge on the end users' bills for telecommunications services. In January 1988, the CPUC established the ULTS Trust to administer the funds received and disbursed under the Moore Act (AB 1348 and AB 386).

Prior to January 1, 1995, the ULTS surcharge was assessed on intrastate toll billings only. As part of the State's telecommunications restructuring, the Commission changed the manner in which the ULTS surcharge was assessed to support the growing demands on the program. The expanded billing base allowed the Commission to lower the ULTS surcharge rate from 6% to 3% in 1995. The enactment of the federal Lifeline and Link-Up America programs has provided additional support for the California ULTS program. The ULTS surcharge was set for this period at 0.00% in 2003 and supports over 3 million subscribers in California. These subscribers pay half the cost of basic telephone service. The ULTS program is funded by a surcharge, as determined by the CPUC, on the end of residential and business customer's telephone bills for intrastate telecommunications services.

Accomplishments:

- Discussed and reviewed Senate and Assembly Bills associated with ULTS
- Closely track and submitted comments when necessary in proceedings that affect the qualifying ULTS populace such as R.03-04-003 – Deployment of Advanced Telecommunications Technologies
- Advised Commission regarding the development, implementation and administration of the ULTS Trust Program.
- Maintained budget consciousness by reviewing and monitoring the finances
- Focused on achieving the ULTS program goals of providing basic telephone service to all qualifying low-income households.
- Advised the Commission of ways to educate qualified customers of the benefits of this program.

- Advised Commission on how to use existing funding levels.
- Advised on how to narrow the gap between the total number of households with phone service who qualify for the program and the total number of such customers who actually use the program.
-

February 1, 2002-June 30, 2003 - Committee Actions:

- Discussed and assessed definition of ULTS affecting low-income Californians
- Amicable merged the ULTS Marketing Board with the ULTS Administrative Committee
- Ongoing discussions continue on the subject of the Commission's concerns with regards to a potential conflict of interest for telecommunication board members providing advice on budget issues

Committee Recommendations to the Commission:

- Continue use of Community-Based Organizations (CBOs) for community outreach.
- Continue diverse representation on the ULTS-AC
- Affirmed the value for the ULTS-AC to meet six times per year rather than the current restriction of only meeting one time per fiscal year
- Continue open-door policy between the ULTS-AC and Commissioners

Administrative Committee's Mission

In October 1996, the California Public Utilities Commission issued Decision 96-10-066 (as amended by Decision 97-12-105 in December 1997) establishing the ULTS Marketing Board (Marketing Board) as the entity responsible for marketing the ULTS Program in a competitively neutral manner. The Marketing Board, supported by the staff of the Universal Lifeline Telephone Service Trust, began its activities in January 1998.

The Marketing Board was given the responsibility to (1) develop a marketing campaign that would help achieve the ULTS program goal of providing basic phone service to all qualifying low-income households; (2) devise competitively neutral marketing strategies; and, (3) oversee the implementation of ULTS marketing campaigns.

Decision 97-12-105 requires that the Marketing Board prioritize expenditures. 80% of its marketing budget must be used to market the ULTS program and basic telephone service to households that qualify for ULTS but do not have phone service. The remaining 20% of the marketing budget must be used to market the ULTS program to residential customers with phone service who qualify for the ULTS Program but are not currently using the program.

Decision 97-12-105 also ordered the Marketing Board to contract for one or more market studies to gather information necessary for the development of permanent ULTS marketing campaigns. Board members, staff and outside contractors have worked diligently to develop a ULTS marketing program and public outreach campaign that reflects diversity while maintaining program integrity. As funds for the marketing program are limited, the Marketing Board is unable to include all population segments in this Interim Marketing Program campaign. Therefore, marketing is limited to population segments identified in previous telephone penetration studies as being below 95%. The Marketing Board recognizes that not all population segments were included in this campaign due to funding constraints.

Universal Lifeline Telephone Service Administrative Committee Activities:

The annual budget was limited to $5 million and the CPUC directed the ULTSMB to devote 80 percent of its marketing budget to campaigns designed to bring basic telephone service to qualifying households without telephone service. The remaining marketing budget of 20% was to be used to close the gap between the total number of households with telephone service who qualify for the ULTS program and the number of those households that actually use the program.

The ULTSMB contracted with a marketing firm to establish an outreach campaign that would educate customers and promote awareness of the ULTS program to low-income households and increase the number of subscribers in the program. In November 1999 phase one of the campaign started and was known as "Connect California". A public advertisement phase commenced in April 2000 and was completed in October 2000. During that time a ULTS call center was established to help facilitate customer access to a local telephone service provider of the customers choice in order to establish service. The call center was staffed by telephone representatives who assisted customers with any questions relating to the ULTS program. Additionally, representatives were available for the non-English speaking customers identified as part of the target audience.

Senate Bill 669 (SB 669) implemented changes to the ULTSMB relative to the program administration of the ULTS. Under SB 669, the existing ULTSMB was disbanded and the new ULTS-AC board was created. This bill required that the administrative responsibilities for the ULTS program become the responsibility of the CPUC. Oversight of the ULTS program was assigned to the CPUCs Telecommunications Division (TD).

By Commission Decision 02-04-059 the restructuring of the ULTS program was completed and the establishment of the new ULTS-AC commenced effective February 1, 2003. As stated above, the CPUCs TD is the program administrator overseeing the ULTS contract administration and marketing activities with input from the ULTS-AC in its new advisory capacity.

The current Committee is comprised of 9 primary members and 8 alternate members consisting of the following representatives: a large or mid-sized local exchange carrier (LEC; a small LEC; an inter-exchange carrier, competitive local exchange carrier (CLEC) or wireless carrier; two consumer organizations, each of whom represents a different constituency, based on geographic or economic criteria, on language, or on other criteria which reasonably influence lack of access to basic telephone service – or one consumer organization and a state agency with universal service expertise; three community based organizations (CBOs), each of whom represents a different constituency , based upon geographic or economic criteria, on language, or other criteria which reasonably influence lack of access to basic telephone service; the Commission's Office of Ratepayer Advocates.

The alternate member is there to support the primary member in their absence. It is not uncommon for the alternative members to attend the meetings. All members were given the opportunity to attend orientation which consisted of a chronological history of the program and their efforts, the ULTS claims filed by carriers, budget issues, CPUC website, program surcharge, contracting issues, the marketing project, call center project and relevant telecommunications matters.

The Interim Marketing Program Phase II & Call Center presented an overview for the Committee members sharing the Marketing Team, the Project Management, Public Relations and their methods, Community-Based Organization (CBO) outreach methods targeting and Call Center goals successful to the campaign.

The Committee determined that the term “Interim” in the title of the Marketing & Call Center projects gave the sense of being temporary, waiting for something else to come along and replace it’s existence. Thus, it was determined to remove “Interim” from the name.

For the remaining six months the Committee plans to:

- Prepare and present the Request for Proposal (RFP) for the Marketing Contract
- Prepare and present the Request for Proposal (RFP) for the Call Center Contract
- Review and Revise Annual Report for 2002-2003 fiscal year
- Review Finance Report and the impact of the State’s budget cutbacks
- Charter
- Met with Department of General Services to have a better understanding of their role
- Remain alert on the ULTS Program’s with a successful outreach campaign
- Work with CPUC Legal on all issues
- Maintain focus on achieving the ULTS program goals of providing basic phone service to all qualifying low-income households.

CONNECT CALIFORNIA

Universal Lifeline Telephone Service,
a Program of the California Public Utilities Commission

Strategic Plan for Competitively Neutral Marketing of Universal Lifeline Telephone Service to Qualified Low-Income Households in California

Prepared by
The Universal Lifeline Telephone Service Trust Administrative Committee
2004

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1. Mission Statement

1.1 Statement of Mission

The mission of the Universal Lifeline Telephone Service Trust Administrative Committee (Board or ULTS-AC) is to advice and assist the California Public Utilities Commission (Commission or CPUC) in carrying out its statutory and self-established duty to increase the number and percentage of low-income households who have a telephone by:

- **means of competitively neutral cut-rate telephone service;**
- **informing consumers who are qualified or who may be qualified for cut-rate telephone service about the availability of that service;**
- **helping individual consumers determine their eligibility for that service; and**
- **helping qualified consumers obtain, retain and not inadvertently lose that service.**

The legislative goal that these efforts seek to achieve is universal service, the ability of everyone to have access to affordable, high quality telecommunications service. Universal service means that every person has access to 911 emergency service. Universal telephone service allows us contact physicians, schools, businesses, government and potential employers, and also allows them to contact us. Cut-rate service means low-cost service authorized by the Moore Act for eligible customers.

1.2 Statutory Origin of Mission Statement

An understanding of the ULTS-AC's mission and its proper implementation require an understanding of the board's origin.

The statement of mission closely tracks the Moore Universal Telephone Service Act (Moore Act),[3] and it reflects and comports with the decisions and rules of the CPUC implementing that legislation.[4]

The Moore Act's goal, as expressed by the California Legislature, was and is "[t]he offering of high quality basic telephone service at affordable rates to the greatest number of citizens...."[5] The Moore Act, which became law September 1983 and which

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[3] Public Utilities Code §§ 871-886.

[4] See Appendix A, below.

[5] Public Utilities Code § 871.5(a).

lies at the core of the ULTS-AC's and Commission's marketing analysis and efforts,[6] is based on the premise that "[c]ommunication by telephone is a basic human need in modern society, and must be made available to all Californians at reasonable cost for basic minimum use."[7] The service is funded by surcharges set at 1.10% in 2003-2004.[8] At the end of 2003 it supported approximately 3.7 million people,[9] who pay approximately half the regular price of basic local telephone service.[10]

The marketing program is necessitated by decisions made by Congress and the California Legislature to foster the evolution of advanced telecommunications services by permitting and facilitating the creation of an open, diverse and competitive telecommunications market. In 1994 the California Legislature adopted legislation, which directed the Commission to open all telecommunications markets to competition by January 1, 1997,[11] and it also directed the Commission to ensure that the goals of universal service continue as competition develops.[12]

In order to achieve its goal of universal service -- service at affordable rates to the greatest number of people -- the Legislature charges the Commission and also the carriers it regulates to employ "<u>every means ... to ensure that every person qualified to received lifeline telephone service is informed of and is afforded the opportunity to subscribe to that service</u>."[13] That is both the origin and the essence the mission of the board, which began operations in January 1988 under the title, Universal Lifeline Telephone Service Marketing Board pursuant to implementing decisions issued by the Commission in 1996[14] and 1977.[15]

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[6] Stats. 1983 ch. 1143 (AB 1348, Moore).

[7] Stats. 1983 ch. 1143 § 1(a) (statement of legislative intent); expanded and modified in 1987 by Public Utilities Code §§ 709 and 871.5 (Stats. 1987 ch. 849).

[8] Resolution T-16594, p. 4, fn. 7 (October 11, 2001), reduced to 1.14% effective November 1, 2001.

[9] Resolution T-16594, p. 3, fn. 5 (October 11, 2001).

[10] Cut-rate local service costs about $10 per month for each supported household, at an annual cost to the industry and other customers of about $320 million, of which about $60 million comes from the FCC, and about $282 million comes from surcharges on non-lifeline customers' bills in California. Of the $282 million, about $5.9 million is allocated to marketing.

[11] Stats. 1994 ch. 1260 (Ab 3606, Moore).

[12] Stats. 1994 ch. 278 (AB 3643, Polanco).

[13] Public Utilities Code § 871.5(c).

[14] D.96-10-066 dated October 25, 1996.

[15] D.97-12-105 dated December 16, 1997, as modified by D.98-10-050 dated October 22, 1998. These were further modified by D.01-09-064 dated September 20, 2001, which adopted a new interim charter for the board.

The recommendations of the ULTS-AC seek to be competitively neutral -- not unfairly advantage or disadvantage individual carriers. This flows from the federal Telecommunications Act of 1996, which allows states to impose "requirements necessary to preserve and advance universal service" but only on a "competitively neutral basis."[16] As languages continue to proliferate, it is the board's goal that the Commission's marketing efforts remain competitively neutral. The problem is that only the largest firms have economies of scale needed to interact with customers in multiple languages economically. To respond to that problem, the board endeavors to establish a **common** marketing program that addresses **all** groups of consumers in **all** languages they speak on behalf of **all** licensed carriers.

1.3 Legislative Policies and Expectations

The Legislature has also expressed numerous related policies and principles that explain the Legislature's decisions and provide guidance to the Commission, carriers and others including the ULTS-AC in implementing them:

! The Moore Act helps to achieve universal service "by making basic residential telephone service affordable to low-income citizens ...."[17]

! It is state policy to assure "the continued affordability and widespread availability of high-quality telecommunications service to all Californians."[18]

! "The furnishing of lifeline telephone service is in the public interest and should be supported fairly and equitably by every telephone corporation ...."[19]

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[16] 47 USC §253(b); this requirement was affirmed by the California Legislature in Public Utilities Code § 871.5(d), and by the Commission in D.96-10-066 dated October 25, 1996 (Opinion, 68 CPUC2d 524, 639-640) and D.98-10-050 dated October 22, 1998 (Opinion, p. 2). In its 1996 opinion, the Commission stated: "We believe that in a competitive environment, a single entity should be responsible for the marketing of ULTS services. The advantage of this approach is that no particular carrier is directly benefitted by ULTS marketing activities. Instead, potential customers are free to choose which carrier they want to call. A single entity also limits the size of the ULTS marketing expenses. Instead of ratepayers having to subsidize multiple ad campaigns, there could be a single budget for marketing expenses. A third advantage is that the entity can specifically target the ULTS marketing to customer groups which have lower subscribership rates."

[17] Public Utilities Code § 871.5(b).

[18] Public Utilities Code §709(a).

[19] Public Utilities Code § 871.5(d).

! The Commission "should implement the program in a way that is equitable, nondiscriminatory, and without competitive consequences for the ... industry ...."[20]

! The service must "meet minimum residential communications needs [including] the ability to originate and receive calls and the ability to access electronic information services."[21]

! "The Commission must annually ... [a]ssess the degree of achievement of universal service, including telephone penetration rates by income, ethnicity, and geography."[22]

! "Every telephone corporation ... shall inform all eligible subscribers of the availability of lifeline telephone service, and how they may qualify for and obtain service ...."[23]

! "Every telephone corporation ... shall accept applications for lifeline telephone service according to procedures specified by the commission.[24]

! "The commission shall ... investigate the feasibility of redefining universal service ... with an emphasis on the role of ... Internet services in the workplace, in education and workforce training, access to health care, and ... public safety."[25]

! It is state policy to "encourage ... the equitable provision of services ... which [meet] consumer needs."[26]

! It is state policy to encourage "the ubiquitous availability of a wide choice of state-of-the-art services.[27]

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[20] Public Utilities Code § 871.5(d).

[21] Public Utilities Code § 873(a)(1),(b).

[22] Public Utilities Code § 873(a)(4).

[23] Public Utilities Code § 876.

[24] Public Utilities Code § 876.

[25] Public Utilities Code § 883(b)(1); see also § 882..

[26] Public Utilities Code §709(b).

[27] Public Utilities Code §709(b).

1.4 Commission Decisions and Rules

In 1985, the Commission created the ULTS-AC charging it with the responsibilities of overseeing the day-to-day operations of the ULTS program. In its 1994 legislation that directed the Commission to open California's local telecommunications market to competition, the Legislature directed the Commission to ensure that the goals of universal service continue as competition develops, and it also directed the Commission to investigate and report on steps needed to ensure that "[e]essential telecommunications services ... be provided at affordable prices to all Californians regardless of linguistic, cultural, ethnic, physical, geographic, or income considerations."[28] The Commission responded by proposing universal service rules[29] and issuing a *Universal Service Report to the Legislature* (December 1995).

In its December 1995 report to the Legislature, the Commission noted that "[b]asic service is the gateway, or the connection, to the telephone network" and that "[w]ithout that connection, a person's ability to participate in society is limited.[30] In its report, the Commission affirmed that eligible low-income consumers should continue to receive cut-rate service funded by a small charge on all telephone bills, and it also noted that it "must revise and adjust its existing universal service programs" by "establishing new mechanisms to preserve access and affordability for customers and ensure competitive fairness to all telephone carriers."[31]

The Commission has: (a) issued three decisions that implement the marketing program required by the Moore Act; (b) revised General Order 153, which defines the lifeline program, specifies its sources of funding, and addresses related issues; and (c) adopted an interim charter of the Universal Lifeline Telephone Service Marketing Board.[32]

In 2002, the Commission consolidated the ULTS-AC and the Universal Lifeline Telephone Service Marketing Board, and also revised the Charter of the ULTS-AC clarifying that the ULTS-AC is an advisory committee only and has no independent powers.

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[28] Stats. 1994 ch. 278 (AB 3643, Polanco).

[29] D.95-07-050 (July 1995).

[30] Universal Service Report to the Legislature (December 1995), p 9.

[31] Universal Service Report to the Legislature (December 1994), pp. 4, 9, 18.

[32] The three decisions are: D.96-10-066 dated October 25, 1996; D.97-12-105 dated December 16, 1997, and D.98-10-050 dated October 22, 1998, issued in R.95-01-020 filed January 24, 1995, and I.95-01-021 filed January 24, 1995. The interim charter was adopted by D.01-09-064 dated September 20, 2001.

Since neither the underlying legislation nor the Commission's decisions on the need for or character of the marketing program have changed, it is important to reiew the pertinent law and keep in mind that (a) the Commission remains subject to the same legislative mandates, and (b) the Commission's own past decisions on the design of a marketing program continue to define the Commission's obligations to reach low-income households.

Since the now-disbanded ULTS Marketing Board channeled its decisions related to the marketing program to the Commission in the form of recommendations for Commission action, there is little substantive difference between the role of the ULTS Marketing Board and the role of the ULTS-AC, in that both are, in substance, advisory boards to the Commission.

It is therefore helpful to review the previous Commission decisions:

! In D.96-10-066 dated October 25, 1996, Commission established the Universal Lifeline Telephone Service Marketing Board as the entity responsible for marketing lifeline service, and directed the Commission's staff to convene a workshop and develop the marketing program's goals, purpose and organizational framework.

! In D.97-12-105 dated December 16, 1997, the Commission elaborated on the role and purpose of the Universal Lifeline Telephone Service Marketing Board and defined the board's makeup.

! In D.98-10-050 dated October 22, 1998, the Commission modified the previous decisions by ordering that a permanent marketing program be delayed until the completion of a marketing study.

! In D.01-09-064 dated September 20, 2001, the Commission adopted interim charters for the Marketing Board and several other Commission advisory boards.[33] It focuses on administrative issues. In case of conflict it supercedes the other decisions cited above.

[33] These implement legislative mandates in SB 669 and related bills, codified at Public Utilities Code § 270 et seq, which transferred the source of funding of the cut-rate services and their administration from a trust to the State Treasury effective October 1,2001, resulting in a realignment of relationships.

The four decisions together express the principles and establish the rules that guide the design and implementation of the marketing program. These principles and rules are summarized in Appendix A. Chief among them are the following:

! "The ULTSMB should implement a mass-marketing campaign for the ULTS program ...."[34]

! "[M]arketing [is] an important part of the ULTS program since marketing is one of the primary means by which low-income households are informed about the existence of the ULTS program and how to participate in the program."[35]

! "[T]he ULTSMB [shall] focus on achieving the ULTS program goal of providing basic phone service to all qualifying low-income households."[36]

! The ULTSMB shall "(1) develop annual ULTS marketing budgets, (2) devise competitively neutral marketing strategies, and (3) oversee the implementation of ULTS marketing campaigns."[37]

! "[T]he ULTSMB [shall] achieve ... the greatest reduction possible in ... households ... without ... service and [the] greatest increase possible in the use of the ULTS program among those ... who currently have ... service."[38]

Other important policies and principles are expressed in Appendix A.

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[34] D.98-10-050 dated October 22, 1998, p. 7 (Opinion, ____ CPUC2d ____, ____).

[35] D.98-10-050 dated October 22, 1998, p. 1 (Opinion, ____ CPUC2d ____, ____).

[36] D.97-12-105 dated December 16, 1997, p.4 (Opinion, ____ CPUC2d ____, ____).

[37] D.98-10-050 dated October 22, 1998, p. 2 (Opinion, ____ CPUC2d ____, ____).

[38] D.97-12-105 dated December 16, 1997, p. 7 (Opinion, ____ CPUC2d ____, ____).

2. Vision Statement

2.1 Statement of Vision

The vision that underlies and informs the analyses and recommendations of the ULTS-AC is envision a thoughtfully-designed, public-spirited, multi-faceted, vigorously-administered, effective, efficient, continually-assessed and constantly-improving process that informs consumers who are qualified or who may be qualified for cut-rate telephone service about the availability of that service, that helps individual consumers to determine whether or not they are eligible for the service, and that helps eligible consumers to obtain, retain, and not inadvertently lose that service.

It is the vision of the ULTS-AC that the thought, resources and energy of the Commission, its contractors, sub-contractors, community organizations and staff focus on informing and assisting individual consumers in the most efficient and effective ways. The key criterion in assessing the effectiveness and efficiency of any contractor, sub-contractor or community organization is the number of eligible customers who are newly enrolled or who are properly re-certified as a result of its efforts, and all progress reports include that and related data, including cost relationships.

Recognizing that most eligible customers cannot be reached by the regular media, information dissemination is carried out by a thoughtful mix of both narrowly-focused broadcast media and one-on-one communications. Major reliance is placed on community organizations, which are highly effective and efficient in both information dissemination and providing practical guidance and assistance to consumers.

It is also the vision of the ULTS-AC that it and the Commission rely on a telephone call center to provide information and connect eligible or potentially eligible customers (or those assisting them) with appropriate carriers. To enhance efficiency and assure accurate accounting, provision of information, and other program goals, all contractors, sub-contractors and community organizations refer eligible customers or potentially eligible customers to the call center.

Recognizing that gathering and reporting relevant information and continuous improvement are among the attributes of almost any effective program, all contractors, sub-contractors and community organizations gather and report relevant data; routinely conduct internal self-assessments; seek and obtain

assessments of their own activities and of those for which they are responsible; and continuously improve.

2.2 Guiding Principles

2.21 Composition of the ULTS-AC. ULTS-AC members are sophisticated in telecommunications issues. They are knowledgeable about both traditional voice telephone service as well as new and emerging telecommunications services and technologies and how these meet consumer needs. They are especially sensitive to the needs and interests of low-income consumers and households, to the marketplace challenges that low-income consumers confront, and to the related social and policy issues.

2.22 Reliance on private sector organizations. The ULTS-AC envisages a multi-faceted marketing program that is carried out almost exclusively by organizations in the private sector, including both for-profit and nonprofit organizations. These organizations are highly capable and highly motivated, and they work competently and diligently to achieve the goals and objectives and perform the contract terms expressed in formal written contracts designed by the board and Commission staff and entered into between the organizations and the Commission.

2.23 Delegation of functions. The contractors achieve the goals and objectives to which they have agreed both through their own staff and through the efforts of sub-contractors and community organizations. They delegate some of their responsibilities to other private-sector organizations, who carry out the terms of formal written contracts that they in turn enter into; and they delegate some of their responsibilities to community organizations, whose functions are defined by the terms of grants made to them by the contractors.

2.24 Marketplace-driven marketing. The ULTS-AC envisages an array of effective and cost-efficient marketing efforts driven by facts, statistics and values identified in and derived from board-directed marketing surveys, from the annual surveys conducted by the Commission under Public Utilities Code section 8973(a)(4), and from reports and feedback from the board's contractors, sub-contractors, community organizations, and members of the communities served. Decisions are influenced at every point by the common sense of its members, the staff of the Commission, Commissioners, consultants, members of the public, and those who carry on the day-to-day work.

2.25 Marketing focuses on eligible groups. In the same way that eligibility for cut-rate service is highly focused on eligible households with low-income, the marketing of that service is highly focused on eligible households with low-income. In general, marketing efforts can be significantly more focused and effective when coordinated though community groups and ethnic organizations. To accomplish highly focused and effective marketing, detailed marketing information is obtained and used.

2.26 Reliance on community organizations. The ULTS-AC reaches the members of its target populations, many of whom are not proficient in English, by relying extensively on community organizations to communicate with and assist individual consumers. By virtue of their close connection with target populations, community organizations have superior ability to interact successfully and productively with members of the target populations.

2.27 Broadcast dissemination of information. The ULTS-AC broadcasts information to and makes information available for access by target populations by all available means, including “800" services, radio, TV and printed material; since this method of dissemination generally requires affirmative action by the recipient and does not typically begin with one-on-one contact, it is referred to here as “broadcast dissemination,” although the selection of the medium ordinarily targets a particular group.

2.28 Individually targeted outreach. The ULTS-AC also disseminates information to individual members of target populations on a one-to-one basis through its call center, outreach by community organizations, and other forms of direct contact. This activity reaches out to individual persons who are or may be eligible. It is proactive, and does not typically begin with affirmative action on their part.

2.29 Diverse recipients of information. Both methods of information dissemination -- broadcast and individually targeted outreach -- provide information to and address the needs of two distinct groups of people: (a) individual persons who are qualified or may be qualified for lifeline telephone service, and (b) individual persons and organizations who advise and/or assist persons who are or may be qualified for lifeline service. While advanced media (such as the Internet) may be unsuitable for communicating with the first group, it can be well suited for communicating complex and changing information, such as the services and policies of carriers

2.29a Marketplace data and intelligence. The ULTS-AC envisages a variety of data-gathering and feedback mechanisms to assure that its marketing efforts are effective and cost-efficient. These also assist the Commission in both refining existing

programs and planning future marketing efforts. The mechanisms include formal marketing surveys by the board and Commission, periodic reports by participants in the program, meetings with participating organizations and individuals, and reports from consultants retained to evaluate the programs.

2.29b The call center. The Commission's marketing contracts include the provision of a process and mechanism -- a call center -- by which individual consumers and persons who assist them, including relatives, neighbors, and friends, as well as the contractors and community organizations funded by the board, can help verify the eligibility of a consumer or household, identify and put the individual in touch with a suitable carrier, actively assist an individual or household in obtaining and re-certifying (and not inadvertently losing) the cut-rate service, and learn about other related services (such as toll blocking) that they may need.

2.29c Competitive neutrality. Given the requirement that activities be carried out in ways that are competitively neutral -- not unfairly advantageous or disadvantageous to individual carriers -- the ULTS-AC is mindful of the challenges resulting from the proliferation of languages used by eligible groups. Since only the largest firms enjoy the economies of scale needed to be able to economically interact with customers in multiple languages, the Commission and the board (through its contractors) must gain the capacity (and resources) to be able to interact with eligible customers in all of the languages that are spoken in California, so that non-English speaking customers can receive service from non-dominant carriers without the carrier becoming obligated to interact in the consumer's foreign language, and so that non-English speaking customers will not lose their service for failure to understand a carrier's re-certification notice.

2.29d Assessment and evolution of marketing efforts. While the full extent of the ULTS-AC's vision is not achievable in the near term and will not be achieved without continuing effort, experiment, assessment, feedback and improvement, and without adequate resources, the Board envisages that the Commission will use the resources that are available to it to design, oversee, assess, and constantly refine a broad array of programs and activities that operate to help achieve the board's vision in the most effective and efficient ways possible.

2.29e Assessment criteria. The ULTS-AC envisages that the Commission will assess the effectiveness of the overall program and its components by applying the following and similar criteria: changes in the level of subscribership over a reporting period; changes in awareness measured by tracking inquiries; effectiveness of mass media measured by reach and frequency of contact with target populations; [etc.] ....

2.3 Methods and Style of Broadcast Dissemination of Information

The ULTS-AC envisions programs for the broadcast dissemination of information that reflects the following qualities:

! Information is available to members of the public, including but not limited to persons eligible for lifeline telephone service, 24 hours a day.

! Information is available to those who desire it by one or more “800" numbers which provide pre-recorded information 24 hours a day, and a live operator from at least 8:00 a.m. to 6:00 p.m. daily.

! Information is provided principally to those segments of the population that have the lowest telephone penetration rates. Initially, these consist of the African American, Cambodian, Chinese, Filipino, Hispanic, Hmong, Korean, Laotian and Vietnamese population groups.

! Information is provided in an appropriate number of languages as determined by both need and available funding. Initially, information is provided in English and Spanish only; other languages will include Cantonese, Korean, Japanese, Mandarin, Spanish, Tagalog and Vietnamese, Parsi, Russian, and Armenian, among others.

! Media outreach may include radio (interviews, talk shows, public service announcements, commercials); television (interviews, talk shows, public service announcements, commercials); mass mailings (letters and brochures; door hangers; flyers); print (newspaper articles; newspaper ads); alternative media (theaters, buses, bus stops, bus benches, outdoor displays).

! Information is available anytime on demand by Internet web sites provided and maintained by (a) the staff of the marketing program, (b) the Commission, and (c) licensed carriers.

! The Commission’s website includes a matrix in which call licensed carriers and the carriers’ Internet websites are identified; these are uniform in appearance, and permit and facilitate comparison shopping by consumers.

! The kinds of information available on carriers' Internet websites include name of carriers; telephone and Internet address; how to sign up; hours of business; geographical areas served; services provided; how charges are calculated and billed; languages in which the carrier interacts with its customers; languages in which self-certification and re-certification notices are provided; and how customer disputes are resolved.

! Information is written, organized and presented in plain language and standardized format and in ways that are most likely to communicate effectively in order to enhance communications to and promote ease of use by unsophisticated consumers.

2.4 Individually Targeted Dissemination and Outreach

The majority of the marketing efforts that the ULTS-AC recommends are devoted to proactive marketing and assistance of the following kinds:

! Information is disseminated to individual consumers by contractors, subcontractors and community organizations, on an interactive basis, to persons who are qualified or who may be qualified to receive cut-rate telephone service, as well as to persons who inform, advise or assist qualified or potentially qualified persons.

! Outreach is conducted and information is disseminated in a wide variety of ways, and in the languages and styles in which people interact, with an emphasis on personal exchange.

! Most of the outreach is carried out by community organizations pursuant to the terms of grants made by the board's contractors and sub-contractors, employing one-on-one contact at cultural and community events of all kinds.

! Illustrative kinds of information that is disseminated by these means include the reasons that households should have a telephone; the availability and benefits of cut-rate service; names of carriers; telephone and Internet address; how to sign up; hours of business; geographical areas served; services provided; how charges are calculated and billed; languages in which the carrier interacts with its customers; languages in which self-certification and re-certification notices are provided; and how customer disputes are resolved.

2.5 Personal Counseling and Enrollment Services

The ULTS-AC envisions a process that actively helps persons who are eligible for cut-rate telephone service to obtain that service and related telecommunications products in the following ways:

! Active assistance is provided by the call center and the board's contractors, sub-contractors, community organizations and others who contact the call center.

! Active assistance is provided by the contractors, sub-contractors, community organizations, call center and others to individual consumers and households, including assistance in identifying and communicating with a suitable carrier, and in obtaining the cut-rate service (including completion and submission of the self-certification questionnaire).

! Active assistance is provided by the contractors, sub-contractors, community organizations, call center and others to individual consumers and households in selecting toll and long-distance carriers.

! Active assistance is provided by the contractors, community organizations, call center and others to individual consumers and households in identifying related services (such as toll blocking) of kinds that lifeline customers typically need and purchase.

! Service is provided by trained personnel of the contractor, sub-contractors, community organizations and call center, who interact with the customer in the language of the customer.

! Service is provided by trained personnel who function competently and with complete integrity in the best interests of the particular consumer.

! Personal assistance is provided where needed and desired by the customer on the selection of a local carrier, toll carrier, or long-distance carrier; purchasing of related services (including toll blocking); how to deal with fraud and other consumer abuse; how to use, manage or avoid "900" and other advanced services; and how to

act wisely in the market.

2.6 Independent Call Center

As a means to accomplish the other goals described in this plan, the ULTS-AC envisions the existence of an independent call center whose qualifications, qualities and operating style include the following:

! The call center interacts with members of the public who are or may be qualified to receive lifeline telephone service, as well as with persons who assist them, including relatives, neighbors, friends, and the contractors, sub-contractors, and community based organizations that are involved in helping them.

! The call center has all of the personnel and equipment needed to successfully and productively interact with the diverse members of this group.

! The call center maintains the Commission's "800" number "information" lines 24 hours a day, and creates pre-recorded messages in an appropriate number of languages determined by both need and available funding.

! The call center responds to calls made to the Marketing Board's regular "800" number during regular business hours – at least from 8:00 a.m. to 6:00 p.m. Monday through Friday with the exception of state holidays -- by live persons.

! The call center responds to calls made to the Marketing Board's regular "800" number after regular business hours by recording the message and responding to it during the next working day.

! The call center interacts with callers in an appropriate number of languages as determine by both need and available funding.

2.7 Relation Between Marketing Contractor and Call Center

The marketing contractor works cooperatively with the call center, and the call center works cooperatively with the marketing contractor. The core function of the marketing contractor is to identify and interact with individuals who are eligible or who may be eligible, and connect them to the call center. The core function of the call center,

in turn, is to verify eligibility and connect the individual with a carrier who will provide service. Both the marketing contractor and the call center perform a wide range of related and supportive functions.

3. Strategic Plan

3.1 Overview

The Commission originally requested the predecessor to the presenting ULTS-AC to design and conduct a marketing survey to guide the design of the marketing program, and to await the results of that survey before engaging in any marketing efforts. Soon after the Marketing Board was created, the Commission reversed that approach, and requested the board to first design and launch an interim marketing program, and then focus on the design and conduct of a marketing survey. While this strategy delayed the design and conduct of the marketing survey, the conduct of the interim marketing programs will have generated a vast amount of information and insight that will be useful (along with other inputs) in designing a permanent marketing program.

3.2 Market Research Study

In D.97-12-105, the Commission ordered that market studies be conducted prior to any expenditures for marketing purposes. The task of developing a Request for Proposal for marketing studies began at the board's meeting on February 18, 1998. After developing the RFP, the approval of the RFP was delayed pending resolution of a lawsuit involving outsourcing issues. In light of the pendency of that lawsuit and the Commission's assessment of the length of time that the RFP approval and contracting process would consume, and the negative effects of the absence of a marketing program on the low-income community, the Commission reversed its decision and ordered the board to conduct an interim marketing program as its first priority.

While the commencement of the market research study was also the subject of numerous delays beyond the board's control, the Commission approved a proposed contract with a market research firm, Valdez & Associates, on February 8, 2001, calling on the firm to "develop, design, and conduct a baseline study that identifies the number and demographics of households that qualify" for cut-rate telephone service.[39] The firm's report was submitted to the board on November 13, 2001.

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[39] Resolution T-16496 dated February 8, 2001, approving proposed contract with Valdez & Associates for the amount of $884,771.

The report's key findings include the facts that of the 9.8% of eligible households that do not have telephone service, most had telephone service that was disconnected, and that a substantial percentage of eligible customers are transients. While the report and its findings and recommendations need to be thoroughly digested, these data suggest the need to focus on the re-certification process, and to include local number portability as an element of cut-rate service.

The market research survey and report will form a key element in the design of a permanent marketing program. Other inputs into the design of a permanent marketing program will include: (a) an assessment of the interim programs conducted by Sjoberg Evashenk Consulting now underway, (b) the recommendations of the first interim marketing program contractor, Deen + Black Public Relations; (c) the recommendations of the second interim marketing program contractor, Richard Heath & Associates; (d) the recommendations of the first call center operator, C&K Teleservices (a sub-contractor of Deen + Black Public Relations); (e) the recommendations of the second call center operator, Richard Heath & Associates; (f) the insights gained by the board and its staff in the course of designing and overseeing the marketing programs; and (g) input from contractors, sub-contractors, community organizations, the industry, Commission staff, Commissioners, and consumer representatives.

Appendix A -Commission Decisions

The California Public Utilities Commission (Commission) has implemented the Legislative mandates in three decisions in 1996, 1997 and 1998 – D.96-10-066 dated October 25, 1996; D.97-12-105 dated December 16, 1997, and D.98-10-050 dated October 22, 1998. These decisions have explained the rationale for marketing by a single entity, have created and funded the Marketing Board, and have defined the Marketing Board's authority and responsibilities and articulated guidelines for program implementation:[40]

A-1. ULTS program

! "The ULTS program is designed to promote the use of affordable, statewide, basic telephone service among low income households."[41]

! "[T]he ULTS program is intended to provide affordable basic telephone service to all low-income households ...."[42]

! "The ULTS program serves a vital public purpose by providing low-income households with access to affordable basic telephone service."[43]

A-2. Rationale for Marketing by a Single Entity

! "With the advent of local exchange competition, the Commission became increasingly concerned that LECs might use their ULTS marketing activities as a means to gain a competitive advantage. As a result, ... the Commission relieved LECs of their responsibility to market the ULTS program and created the ULTSMB to serve as a Commission advisory body responsible for ULTS marketing."[44]

! "[W]ith the introduction of local exchange competition, the Commission needs to ... revise the ULTS program [to] permit all carriers who provide

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[40] See D.96-10-066 dated October 25, 1996; and D.97-12-105 dated December 16, l997; and D.98-10-050 dated October 22, 1998, modifying portions of D.97-12-105.

[41] D.96-10-066 dated October 25, 1996 (Opinion, 68 CPUC2d 524, 633).

[42] D.97-12-105 dated December 16, 1997, p.3 (Opinion, ____ CPUC2d ____, ____).

[43] D.98-10-050 dated October 22, 1998, p. 4 (Opinion, ____ CPUC2d ____, ____).

[44] D.98-10-050 dated October 22, 1998, p. 2 (Opinion, ____ CPUC2d ____, ____).

residential service to ULTS customers to avail themselves of the ULTS funds."[45]

! "A ULTS customer would be free to select any carrier from those who provide residential local exchange service, [which carrier] would then be permitted to submit a claim to the ULTS program for reimbursement."[46]

! "[T]he ULTS program should not subsidize the marketing efforts of each carrier who offers basic service to low income customers. ... It makes no sense to have multiple marketing campaigns conducted by each carrier who is trying to sign up the same customers, especially when the marketing expense of each carrier is subsidized by the ULTS program. ... In addition, multiple marketing efforts tend to indirectly subsidize the carrier's overall marketing strategy. ... Such advertising also promotes the name of a particular carrier at the expense of ratepayers. It also indirectly subsidizes the marketing of other services, such as lucrative toll and enhanced services .... Having individual carriers continue to market the ULTS program may lead to abuses of a subsidized marketing system."[47]

! "We believe that in a competitive environment, a single entity should be responsible for the marketing of ULTS services. The advantage of this approach is that no particular carrier is directly benefitted by ULTS marketing activities. Instead, potential customers are free to choose which carrier they want to call. A single entity also limits the size of the ULTS marketing expenses. Instead of ratepayers having to subsidize multiple ad campaigns, there could be a single budget for marketing expenses. A third advantage is that the entity can specifically target the ULTS marketing to customer groups which have lower subscribership rates."[48]

! "We favor the establishment of a ULTS Marketing Working Group ... to assist the Commission in developing a budget for statewide marketing strategies for the ULTS program, to develop competitively neutral marketing strategies, and to oversee the development and implementation of ULTS marketing campaigns."[49]

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[45] D.96-10-066 dated October 25, 1996 (Opinion, 68 CPUC2d 524, 636-637).

[46] D.96-10-066 dated October 25, 1996 (Opinion, 68 CPUC2d 524, 633).

[47] D.96-10-066 dated October 25, 1996 (Opinion, 68 CPUC2d 524, 639).

[48] D.96-10-066 dated October 25, 1996 (Opinion, 68 CPUC2d 524, 639).

[49] D.96-10-066 dated October 25, 1996 (Opinion, 68 CPUC2d 524, 640).

A-3. Process for Marketing Strategy Design

! "The working group should consist of twelve members ... from the large and medium size LECs ... the IECs or the CLCs ... consumer groups or public interest groups ... small LEC ... wireless carriers ... Consumer Services Division."[50]

! "The advantage of such a working group is that all of the members have an interest in making sure that marketing of ULTS services reach as wide an audience as possible."[51]

! "Preferably, the representatives of the carriers should have marketing and sales backgrounds."[52]

A-4. Objectives of Marketing Campaigns

! "The ULTSMB should implement a mass-marketing campaign for the ULTS program ...."[53]

! "[T]he ULTSMB [shall] focus on achieving the ULTS program goal of providing basic phone service to all qualifying low-income households."[54]

! The ULTSMB shall: "(1) develop annual ULTS marketing budgets, (2) devise competitively neutral marketing strategies, and (3) oversee the implementation of ULTS marketing campaigns."[55]

! "The Commission has long considered marketing to be an important part of the ULTS program since marketing is one of the primary means by which low-income households are informed about the existence of the ULTS program and how to participate in the program."[56]

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[50] D.96-10-066 dated October 25, 1996 (Opinion, 68 CPUC2d 524, 640).

[51] D.96-10-066 dated October 25, 1996 (Opinion, 68 CPUC2d 524, 640).

[52] D.96-10-066 dated October 25, 1996 (Opinion, 68 CPUC2d 524, 640).

[53] D.98-10-050 dated October 22, 1998, p. 7 (Opinion, ____ CPUC2d ____, ____).

[54] D.97-12-105 dated December 16, 1997, p.4 (Opinion, ____ CPUC2d ____, ____)..

[55] D.98-10-050 dated October 22, 1998, p. 2 (Opinion, ____ CPUC2d ____, ____).

[56] D.98-10-050 dated October 22, 1998, p. 1 (Opinion, ____ CPUC2d ____, ____).

! "[T]he ULTSMB [shall] achieve ... the greatest reduction possible in ... households ... without ... service and [the] greatest increase possible in the use of the ULTS program among those ... who currently have ... service."[57]

A-5. Utilization of Outside Contractors

! "The ... Group will recruit a qualified advertising agency to develop print, billboard, and radio advertising for the ULTS program, as well as qualified nonprofit CBOs to engage in community outreach to promote the ULTS program."[58]

! "The ... Group should develop competitively neutral ways in which consumers can be informed about which carriers offer ULTS service, and how ULTS service may vary from carrier to carrier."[59]

! "The ad campaign should not result in an advantage or disadvantage for any carrier."[60]

! "[T]he ULTSMB shall only contract with those entities which the ULTSMB determines will provide the most cost-efficient means for conducting the interim mass-marketing campaign."[61]

! "The ULTSMB should comply with State procurement rules as it implements the mass-marketing campaign."[62]

A-6. Marketing to Low Subscribership Rate Groups

! "[T]he purpose of the ULTS program is to help achieve the Commission's goal of a 95% subscribership rate among all customer groups."[63]

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[57] D.97-12-105 dated December 16, 1997, p. 7 (Opinion, ____ CPUC2d ____, ____).

[58] D.96-10-066 dated October 25, 1996 (Opinion, 68 CPUC2d 524, 640).

[59] D.96-10-066 dated October 25, 1996 (Opinion, 68 CPUC2d 524, 640).

[60] D.96-10-066 dated October 25, 1996 (Opinion, 68 CPUC2d 524, 640).

[61] D.98-10-050 dated October 22, 1998, p. 5 (Opinion, ____ CPUC2d ____, ____).

[62] D.98-10-050 dated October 22, 1998, p. 7 (Opinion, ____ CPUC2d ____, ____).

[63] D.97-12-105 dated December 16, 1997, p. 4 (Opinion, ____ CPUC2d ____, ____).

! “T]he program is intended to serve low-income households regardless of whether or not a particular low-income household belongs to customer groups with a 95% subscribership rate..”[64]

A-7. Marketing to Eligible Households With and Without Phone Service

! “[T]he ULTSMB [shall] reflect the most pressing needs [by] devoting 80% of its marketing budget to campaigns ... to bring basic telephone service to qualifying households currently without telephone service.”[65]

! “[T]he ULTSMB should devote the remaining 20% of its marketing budget to ... households with phone service who qualify for the ULTS program [but do not] actually use the program.”[66]

! “The ... 80-20 ratio ... should reverse over time as the ULTSMB achieves success in bringing the ULTS program to qualifying households lacking telephone service.”[67]

A-8. Sources of Information for Designing Marketing Campaigns

! “To ensure that ULTS marketing campaigns are based on sound information, the Commission in D.97-12-105 (1997) directed the ULTSMB to refrain from marketing the ULTS program until after the Board had completed a market study of low-income households.”[68]

! “[T]o accelerate the start of ULTS marketing campaigns by the ULTSMB, [D.97-12-105 is modified] so as to allow the ULTSMB to conduct an interim mass-marketing campaign pending the completion of the market study.”[69]

! “By using targeted marketing, the ... Group should be able to increase subscribership rates by having access to data concerning income, ethnicity,

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[64] D.97-12-105 dated December 16, 1997, p. 3 (Opinion, ____ CPUC2d ____, ____).

[65] D.97-12-105 dated December 16, 1997, p. 4 (Opinion, ____ CPUC2d ____, ____)..

[66] D.97-12-105 dated December 16, 1997, p. 4 (Opinion, ____ CPUC2d ____, ____).

[67] D.97-12-105 dated December 16, 1997, p. 4 (Opinion, ____ CPUC2d ____, ____).

[68] D.98-10-050 dated October 22, 1998, p. 2 (Opinion, ____ CPUC2d ____, ____).

[69] D.98-10-050 dated October 22, 1998, p. 3 (Opinion, ____ CPUC2d ____, ____).

and geography, as well as other marketing guidelines."[70]

! "The ULTSMB should contract for one or more market studies to gather the information necessary for the development of ULTS marketing campaigns that will achieve the ... priorities for the ULTS program."[71]

! "[T]he ULTSMB should work with community groups in assessing the needs for ULTS marketing, identifying barriers to the use of the ULTS program, and in developing the most effective marketing campaigns."[72]

A-9. Marketing Campaign Design and Improvement

! "[T]he ULTSMB [shall] formulate a coherent plan to achieve [the Commission's] stated objectives for the ULTS marketing campaigns."[73]

! "[T]he ULTSMB should contract with one or more qualified advertising agencies, community-based organizations (CBOs), and other entities to implement the plan."[74]

! "[T]he ULTSMB [shall] determine whether the ... campaigns should use a mass market approach, a customer segment-by-customer-segment approach, or some combination of the two."[75]

! "The ULTSMB should oversee and monitor ... the entities contracted to implement the ... campaigns [and] should continually assess [whether] they are accomplishing the goals of the ULTS program."[76]

! "[T]he ULTSMB's contracts ... should contain clear numerical goals for: (1) reducing the number of households ... without phone service," and (2) reducing the number of qualified households not using the program.[77]

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[70] D.96-10-066 dated October 25, 1996 (Opinion, 68 CPUC2d 524, 640).

[71] D.97-12-105 dated December 16, 1997, p. 7 (Opinion, ____ CPUC2d ____, ____)..

[72] D.97-12-105 dated December 16, 1997, p. 7 (Opinion, ____ CPUC2d ____, ____)..

[73] D.97-12-105 dated December 16, 1997, p. 7 (Opinion, ____ CPUC2d ____, ____)..

[74] D.97-12-105 dated December 16, 1997, pp. 7-8 (Opinion, ____ CPUC2d ____, ____)..

[75] D.97-12-105 dated December 16, 1997, p. 7 (Opinion, ____ CPUC2d ____, ____)..

[76] D.97-12-105 dated December 16, 1997, pp. 8-9 (Opinion, ____ CPUC2d ____, ____)..

[77] D.97-12-105 dated December 16, 1997, p. 8 (Opinion, ____ CPUC2d ____, ____).

! "The ULTSMB's annual report shall include "(i) the identity of [each] contractor; ... (v) numerical goals associated with the contract; (vi) the contractor's success in achieving the numerical goals; (vii) a description of the rewards and penalties; (viii) the dollar amount of any award or penalty; and (ix) the cost effectiveness of the contractor, e.g., dollars spent to provide ULTS to a household that was without phone service."[78]

! "Starting in ... 2000 the ULTSMB should only contract with entities that have proven to be the most cost-effective [or] new entities that promise to be more cost-effective ...."[79]

! "[T]he ULTSMB should alter its marketing campaigns, as necessary, to achieve the goals of the ULTS program."[80]

A-10. Program and Contract Administration

! The ULTSMB is "an advisory body to the Commission."[81]

! "[M]any of [the ULTSMB's] functions [are] contracted out to third parties."[82]

! "[T]he ULTSMB must comply with the State's contracting and procurement rules."[83]

! "The ULTSMB should "not hire any staff" but should "rely upon its own resources or the support staff ... for the ULTS Trust Committee" and, if these prove inadequate, to [the Commission's] own staff."[84]

! While "workshop participants suggested ... interim marketing activities, we shall not provide funds for marketing activities while the ULTSMB is in

[78] D.97-12-10 dated December 16, 1997, p. 24 (Opinion, ____ CPUC2d ____, ____).

[79] D.97-12-10 dated December 16, 1997, p. 8 (Opinion, ____ CPUC2d ____, ____).

[80] D.97-12-105 dated December 16, 1997, p. 9 (Opinion, ____ CPUC2d ____, ____).

[81] D.97-12-105 dated December 16, 1997, p. 5 (Opinion, ____ CPUC2d ____, ____).

[82] D.97-12-10 dated December 16, 1997, p. 5 (Opinion, ____ CPUC2d ____, ____).

[83] D.97-12-105 dated December 16, 1997, p. 5 (Opinion, ____ CPUC2d ____, ____).

[84] D.97-12-10 dated December 16, 1997, p.9 (Opinion, ____ CPUC2d ____, ____)..

the process of developing its marketing programs."[85]

! The ULTSMB shall "submit an annual report to the Commission [which shall] detail activities during the past year, the increase or decrease in ULTS customers, ... subscribership rates by income, ethnicity, and geography, and expectations and objectives during the coming year," and other data.[86]

A-11. Marketing Board Recommendations

! The Commission "welcome[s] recommendations from the ULTSMB ... in its annual report to the Commission."[87]

! The Commission "welcome[s] recommendations... on how to use existing funding levels for the ULTS marketing program to reduce the total number of households that qualify for ULTS that are without phone service."[88]

! The Commission "welcome[s] recommendations... on how to use existing funding levels for the ULTS marketing program to" reduce the number of households with phone service who qualify for the ULTS program but do not actually use it.[89]

[85] D.97-12-105 dated December 16, 1997, p. 11 (Opinion, ____ CPUC2d ____, ____).

[86] D.97-12-105 dated December 16, 1997, p. 24 (Opinion, ____ CPUC2d ____, ____).

[87] D.97-12-105 dated December 16, 1997, p. 5 (Opinion, ____ CPUC2d ____, ____).

[88] D.97-12-105 dated December 16, 1997, p.5 (Opinion, ____ CPUC2d ____, ____).

[89] D.97-12-105 dated December 16, 1997, p. 5 (Opinion, ____ CPUC2d ____, ____).

Appendix B -Non-English Languages

The problem that the board has been unable to resolve -- and that probably invites Commission analysis and action -- relates to the facts that (a) a large number of consumers who qualify for lifeline service but are not receiving the service speak languages other than English; (b) the profitability of residential service is marginal and declining, and the profitability of serving lifeline customers (and especially foreign-language speaking customers) is below average. While profitability to carriers is not directly relevant to the ULTS program, it can negatively affect carrier incentives to serve sub-markets (especially non-English-speaking customers) that generate less profit.

The board's desire is to establish a call center that is staffed by persons who are bilingual or multilingual in all of the most frequently spoken languages <u>and</u> who will apply their talents to help low-income consumers select and connect with a local carrier. It is also the board's desire that the call center serve people in all of the major languages that are spoken in California. There is no doubt that non-English-speaking persons are in special need of advice and assistance is selecting a suitable carrier and obtaining the discounted service.

The problem is that if the call center is successful -- if it uses its foreign-language-speaking staff to obtain service for a non-English-speaking consumer -- the carrier who acquires that person as a customer might incur additional burdens that it would not incur if the customer were an English-speaking customer who obtained service without the program's help. The problem, specifically, is that a carrier who sells service to a non-English-speaking customer may incur a continuing obligation to interact with that customer in the language spoken by that customer, and that carriers apparently are not generally staffed or financially able to do that. The result is that there will be a disincentive to serve foreign-language-speaking consumers who are sought to be enrolled by the call center's non-English-speaking staff.

The Commission rules that give rise to this problem are part of General Order 153. The rules that are most relevant to this letter include:

> Section 2.1.51, which states that "All telephone carriers that offer residential local exchange service are required to offer ULTS."
>
> Sections 4.1.1-4.4.1, requiring carriers to give notices to all newly-enrolled customers of the availability of the low-cost service.
>
> Section 4.2.2 and 4.4.3, requiring customers to complete a self-

certification form and return it within 30 days.

Section 4.3.1 and 4.5.4, requiring carriers to provide and consumers to complete and return an annual re-certification form.

Section 4.6.1, stating that any carrier that "sells ULTS in a language other than English shall provide to its ULTS customers to whom ULTS was sold in a language other than English with ... Commission-mandated notices that are in the same language in which ULTS was originally sold, ...customer certification forms and re-certification forms that are in the same language ..., [and] toll-free access to customer service reps who are fluent in the language in which ULTS was originally sold."

Under these rules, a carrier who signs up a foreign-language-speaking customer is required to create and send the required self-certification and annual re-certification forms in the customer's language, and to interact with that customer in the customer's own language with respect to billing disputes, requests for additional services, and other matters. Since the language spoken by the consumer might be any one of a hundred or more languages spoken in California, few carriers are likely to be able to afford to equip themselves to provide service to everyone. It is anticipated too that they will tend to be reluctant to process applications for service from customers who speak a language other than English or perhaps Spanish.

In view of the many foreign languages spoken in California, it is not surprising that few companies may choose to hire and train bilingual or multilingual people to function as sales agents in a language other than English and Spanish. In fact, we understand that a large firm, Verizon, has requested the Commission to waive a requirement (entered into in D.96-10-076, discussed in item 25, Decision 00-10-028 dated October 5, 2000) that the company give Commission-mandated notices and provide customer service in Cantonese, Korean, Japanese, Mandarin, Spanish, Tagalog and Vietnamese. Smaller firms will be especially reluctant to incur the expense of equipping themselves to interact with customers in more than one, two or three languages at most.

While one can view a reluctance to serve foreign-language-speaking consumers as morally reprehensible, the Legislature and the Commission do not presently require carriers to conduct business in foreign languages. As noted above, the Commission only requires that carriers offer ULTS in English. The practical result, under the present law, may be that carriers (other than the incumbent carriers, insofar as they are subject to special rules) may increasingly refuse to interact with prospective or existing ULTS consumers in any language

other than English and perhaps Spanish. The use of the word "increasingly" is based on published statistics on the telephone industry's decline in overall profitability, which will incent industry members to reduce costs. (This prognostication may be in error.)

The direction toward which the board desires to move, however, is reflected in the discussion of "Personal Counseling and Enrollment Services" in part 2.5 above.

The impasse, as noted above, is that if the call center is successful, the carrier that enrolls the customer may incur obligations, which the carrier will be required to perform, to give notices to and interact with a non-English-speaking customer in the customer's own language, and that all except the largest carriers are not likely to be equipped or financially able to do so.

The board has considered approaches that might address this problem. One is to view the call center as the non-English-speaking customer's agent rather than the carrier's agent. On that theory, the carrier will have "sold" the service in English, and will not incur an obligation to interact with the customer in the customer's own language. One problem with this approach is that the Commission (and perhaps the courts) may not concur in this characterization. But if the call center were structured and its functions defined by a Commission rule that stated that the call center was the customer's and not the carrier's agent, the risk of that might be reduced.

Another problem is that a carrier that enrolls that customer is required to promptly send the customer a self-certification form which must be returned within 31 days, and that that form would be in English, and therefore possibly unreadable and possibly ignored by the prospective non-English-speaking customer when he or she received it in the mail, if the call center were considered to be the customer's agent and the carrier is considered to have "sold" the service in English. On the other hand, if the Commission were to view the call center as the customer's agent, and not the carrier's agent, the carrier would not be obligated to send the self-certification forms in the customer's language. The annual re-certification notice would also be in English, rather than the language spoken by the customer, and a large number of these would be ignored. The result, again, would be that the eligible customer would not obtain the low-cost service.

The board has also considered liability issues. If the call center performs the function envisaged by the board -- that is, interacts with the non-English-speaking customer as fully as necessary to meet the customer's needs -- the call center will occasionally be charged with misrepresentation, or with acts or

omissions that give rise to breach of contract claims by either the carrier or the consumer. Carriers typically provide their own sales staff with a great deal of training in the intricacies of the services being marketed and provided. To the extent that a call center acts as an intermediary on substantive matters for several carriers, the call center staff will face even greater challenges and risks of error than the sales personnel who work for a single carrier. Hence, if the call center were assigned that role, it would be important to fund and require a lot of training of staff, and to also establish immunity by statute from liability, similar to the immunity accorded public employees and non-government personnel who serve as small claims advisors.

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March 18, 2004

RECEIVED
CALIF PUBLIC UTILITIES COMM
TELECOMMUNICATIONS DIVISION
DIRECTOR'S OFFICE

04 MAR 23 AM 10: 45

Mr. William Ahern,
Executive Director
California Public Utilities Commission
505 Van Ness
San Francisco, California 94102

Dear Mr. Ahern:

This letter is to inform you tha6 I am hereby submitting my resignation from the Universal Lifeline Telephone Service Administrative Committee.

I was appointed and represented community based organizations as a Board member of the Chicano Federation of San Diego County. After 17 years of continues service as a member of the Board of Directors, I have termed out and I'm not eligible for re-election or reappointment. I do continue to serve the community on community-based organization's board of directors, as I have done for the past 35 years but not the Chicano Federation.

I enjoyed my service to the public and the PUC since December, 1997.

Sincerely Yours,

Mateo R Camarillo

Mateo R. Camarillo

Cc: Jack Leutza, Director, Telecom Division

February 6, 2004

Mr. John M. Leutza, Director
Telecommunications Division
California Public Utilities Commission
505 Van Ness Avenue, Third Floor
San Francisco, California 94102

Dear Mr. Leutza:

The Universal Lifeline Telephone Service Trust Administrative Committee (ULTS-AC or Committee) last met in January 2004. Discussions of goals for the coming year encompassed the need for a new Request for Proposal (RFP) for the next marketing campaign since the current marketing contract with Richard Health & Associates (RHA) expires in May 2004.

The Marketing and the Call Center contracts with RHA provide for the implementation of a competitively neutral, multi-lingual Marketing Program and Call Center projects. Past experience of working with regulatory and procurement entities with stringent guidelines dictate the requirement to meet more than six times a year. In order not to lose sight of the goals and the purpose of this valued program and the ability to advise on the RFP requirements, as Chairman and representative of the Committee, I am requesting the Telecommunications Division (TD) to approve 12 committee meetings for 2004. The Committee is committed to meeting its responsibilities outlined in the Charter. Ultimately, the Committee advises TD in this intricate and complex RFP process and the other issues it will face with these projects.

The Committee is sensitive to the meeting limitation of advisory boards set forth by the Department of Finance. However, it is also the Committee's primary responsibility to ascertain the ongoing success of the ULTS program. The ULTS program fund was established specifically for this purpose and meeting 12 times a year would use only a fraction of the program's fund and fulfill the intent of legislation and its Charter to provide advice and council with diverse experiences, talents and perspectives reflecting geographical, ethnic, language and urban/rural elements that is California.

Sincerely,

/s/ Mateo Camarillo
ULTS-AC Chairman

STATE OF CALIFORNIA ARNOLD SCHWARZENEGGER, *Governor*

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

March 25, 2004

Mateo Camarillo
4177 Kensington Drive
San Diego, CA 94117

Re: Universal Lifeline Telephone Service Trust Administrative Committee

Dear Mr. Camarillo:

I have received your letter dated February 6, 2004 requesting permission for the Universal Lifeline Telephone Service (ULTS) Trust Administrative Committee (Committee) to meet 12 times during calendar year 2004. This request would allow the Committee to achieve its goal for 2004 for advising and assisting Commission on the development of a new Request for Proposal (RFP) for a competitively neutral, multi-lingual Marketing Program and not to lose sight of the goals and the purposes of this valued marketing program created by the Commission.

I thank you and your colleagues for the commitment and devotion in serving on this Committee. However, for fiscal year (FY) 2004-05, the Commission has been directed to revise the budgets of various telecommunications public programs to comport with directives set forth in budget letters issued by the Department Finance. One of these budget letters is Budget Letter 03-02, which limits all State advisory bodies' meeting to one annually. Unfortunately, I, not only cannot grant your request, but have to inform you that the ULTS Committee may only meet once during FY 2004-05. Should this condition be changed in the final State Budget, I will promptly inform you and your colleagues.

Sincerely,

/s/ John M. Leutza, Director
Telecommunications Division

From: Mateo Camarillo

The San Diego Union-Tribune • Thursday, February 19, 2004

Sports Arena panel member is penalized

Fine over delay in filing fiscal reports

By Caitlin Rother
STAFF WRITER

A member of the redevelopment committee for the Sports Arena area has agreed to pay a $300 fine to the San Diego Ethics Commission for failing to file two years' worth of economic disclosure reports on time.

When Leslie Sanguinetti filed the forms last week, they were 316 days late.

Sanguinetti, who was elected to the North Bay Project Area Committee in October 2001, didn't respond to repeated efforts by city officials to discuss her failure to file required annual reports for 2001 and 2002, according to a settlement agreement the commission released last Thursday.

The City Clerk's Office sent her a letter last February, asking her to file the required report by the April 1 deadline. When she didn't, the clerk's office sent her another letter, requesting she file it immediately.

In October, the commission began an investigation into why Sanguinetti still had not filed her report. According to the settlement, the commission sent her certified letters in October and December, asking her to file a report for 2002 and an amendment to her 2001 report. Commission staff also left four phone messages at her office.

City records show Sanguinetti filed a report for 2001 on Dec. 12, 2003. It was not labeled as an amendment.

On Feb. 10, she filed the correct forms after the commission published her name on the agenda for its meeting last Thursday and scheduled a hearing on the matter for April 16.

The forms list her as "owner-partner" of Seacoast Video Productions in Point Loma, which she describes as a sole proprietorship worth between $100,001 and $1 million.

Sanguinetti said she didn't want to discuss the investigation.

"It's nobody's business," she said. "I have no comment."

She is the only person other than former Councilman Byron Wear whose investigation reached the hearing stage before ending with a settlement agreement.

This is the fifth fine the commission has issued since it began investigating complaints in spring 2002. The heaviest penalty was a $5,000 fine against Clear Channel Outdoor Inc. for reporting failures related to a campaign billboard.

Each violation of the municipal code carries a fine of up to $5,000.

Caitlin Rother: (619) 542-4567; caitlin.rother@uniontrib.com