



STATE OF CALIFORNIA

GAVIN NEWSOM, Governor **FILED**

PUBLIC UTILITIES COMMISSION

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SAN FRANCISCO, CA 94102-3298

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November 1, 2024

Agenda ID #23029
Quasi-Legislative

TO PARTIES OF RECORD IN RULEMAKING 20-02-008:

This is the proposed decision of Commissioner Alice Reynolds. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's 12/5/2024 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

/s/ MICHELLE COOKE
Michelle Cooke
Chief Administrative Law Judge

MLC:smt

Attachment

Decision **PROPOSED DECISION OF COMMISSIONER ALICE REYNOLDS**
(Mailed 11/1/2024)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to
Update the California Universal
Telephone Service (California LifeLine)
Program.

Rulemaking 20-02-008

DECISION FREEZING SPECIFIC SUPPORT AMOUNT

This decision temporarily freezes the specific support amount (SSA) for wireless and wireline providers at \$19.00 per month from January 1, 2025, until the Commission establishes a new methodology for calculating the SSA.

The proceeding remains open.

1. Background

The Moore Universal Telephone Service Act (Moore Act) established the California Universal Lifeline Telephone Service Program (California LifeLine or the Program) to “offer high quality basic telephone service at affordable rates to the greatest number of California residents.”¹ California LifeLine offers wireless and wireline service providers a subsidy reimbursement, or specific support amount (SSA), for their participation in the Program with funds collected

¹ Pub. Util. Code § 871.7(a).

through a surcharge on all access lines in California.² Service providers may also receive a subsidy from the federal Lifeline Program if they are Eligible Telecommunications Carriers and comply with the rules and orders set by the Federal Communications Commission (FCC).

In Decision (D.) 10-11-033, the Commission established a methodology that set the maximum SSA at 55 percent of the highest basic rate of the California Carriers of Last Resort (COLRs).³ The methodology complies with the mandate in Public Utilities (Pub. Util.) Code Section 874 that California LifeLine participants' rates must not exceed 50 percent of the rates for basic flat service.⁴ Under D.10-11-033, a California LifeLine participant's rate is calculated by subtracting the SSA and any federal Lifeline subsidy from the carrier's basic rate, as approved by the Commission's Communications Division (staff).⁵

The Commission adjusts the SSA for eligible wireline and wireless providers annually based on the highest basic COLR rate of those filed with the Commission. The new effective date for the SSA occurs on January 1 of the following year.⁶ AT&T has had the highest basic rate of the COLRs for a decade – steadily increasing from \$23.00 in 2014 to \$34.50 in 2024, without a

² The Commission defines "Access Line" as "a wire or wireless connection that provides a real-time two-way voice telecommunications service or [Voice over Internet Protocol] service to or from any device utilized by an end user, regardless of technology, which is associated with a 10-digit NPA-NXX number or other unique identifier and a service address or Place of Primary Use in California." (D.22-10-021 at 52.)

³ D.10-11-033 at 138, Ordering Paragraph (OP) 6; *see also* General Order (G.O.) 153 § 8.5.1.

⁴ Pub. Util. Code § 874.

⁵ D.10-11-033 at 48.

⁶ CPUC Communications Division Staff, *Staff Proposal on LifeLine Specific Support Amount and Minimum Service Standards* (Oct. 30, 2023) at 4 (Staff Proposal).

corresponding increase in service offerings.⁷ AT&T plans another rate increase to \$37.50 in 2025, again without a corresponding increase in service.

On October 30, 2023, staff finalized a *Staff Proposal on the LifeLine Specific Support Amount and Minimum Service Standards* (Staff Proposal), which recommended updating the methodology used to calculate the SSA so that it aligns with service offerings. On November 6, 2023, the Administrative Law Judge issued a ruling requesting party comments on the Staff Proposal. On January 24, 2024, ten parties filed opening comments on the Staff Proposal: Assurance Wireless (Assurance); Pacific Bell Telephone Company (AT&T); the Public Advocates Office at the Commission (Cal Advocates); Center for Accessible Technology (CforAT); Charter Communications, Inc. (Charter); Cox California Telcom, LLC (Cox); the National LifeLine Association (NaLA);⁸ the Small LECs;⁹ TracFone Wireless and Cellco Partnership (TracFone); and The Utility Reform Network (TURN). On February 16, 2024, ten parties filed reply comments on the Staff Proposal: AT&T; California Broadband & Video Association (CalBroadband); CforAT; Cox; the Greenlining Institute (GLI); NaLA; the Small LECs; TracFone; TruConnect Communications, Inc. (TruConnect); and TURN.

⁷ *Id.* at 3, Tables 1 and 2.

⁸ The National LifeLine Association (NaLA) includes Boomerang Wireless, LLC; AmeriMex Communications Corp. DBA SafetyNet Wireless; American Broadband & Telecommunications Company; Global Connection Inc. of America d/b/a StandUp Wireless, i-wireless, LLC; and TruConnect Communications, Inc.

⁹ The Small LECs include Calaveras Telephone Company; Cal-Ore Telephone Company; Ducor Telephone Company; Foresthill Telephone Co.; Happy Valley Telephone Company; Hornitos Telephone Company; Kerman Telephone Co.; Pinnacles Telephone Co.; The Ponderosa Telephone Co.; Sierra Telephone Company, Inc.; The Siskiyou Telephone Company; Volcano Telephone Company; and Winterhaven Telephone Company.

Generally, the comments did not oppose replacing the COLR methodology for calculating the SSA for wireline and wireless providers.¹⁰ However, service providers raised concerns with the approach described in the Staff Proposal. They recommended that the Commission further consider market conditions, LifeLine participant impacts, current pilot programs, and regulatory changes at both the state and federal levels.¹¹ NaLA, TracFone, and TURN recommended freezing the current SSA at \$19.00 per month for wireless providers to give the Commission time to address stakeholder concerns.¹²

On May 6, 2024, the Administrative Law Judge issued a second ruling (SSA Ruling) requesting party comments on whether the Commission should freeze the SSA for California LifeLine wireless and wireline providers at \$19.00 until the Commission adopts a new methodology. In the SSA Ruling, the Administrative Law Judge agreed with the parties' recommendations to further analyze a new SSA methodology but also noted an immediate need to de-link the SSA from the D.10-11-033 methodology. On June 3, 2024, six parties filed

¹⁰ See, e.g., AT&T Opening Comments on Staff Proposal at 2 (stating "AT&T does not object to Staff's proposal of separating the calculation of support available for wireline voice only LifeLine customers"); Cal Advocates Opening Comments on Staff Proposal at 2, 4 (supporting wireless SSA method, as well as wireline SSA method as it applies to a bundled wireline plan that includes broadband service); CforAT Opening Comments on Staff Proposal at 2, 6; Small LECs Opening Comments on Staff Proposal at 1-2; TracFone Opening Comments on Staff Proposal at 1; TURN Opening Comments on Staff Proposal at 1-2; see also GLI Reply Comments on Staff Proposal at 2-3; NaLA Reply Comments on Staff Proposal at 2. *But see* Cox Opening Comments on Staff Proposal at 9 (recommending Commission keep D.10-11-033 methodology for wireline providers).

¹¹ See, e.g., Charter Opening Comments on Staff Proposal at 2-3; NaLA Opening Comments on Staff Proposal at 20-22; Small LECs Opening Comments on Staff Proposal at 3-4; TracFone Opening Comments on Staff Proposal at 3-4.

¹² NaLA Reply Comments on Staff Proposal at 5; TracFone Reply Comments on Staff Proposal at 5; TURN Reply Comments on Staff Proposal at 5.

opening comments on the SSA Ruling: AT&T; CforAT; Cox; NaLA; the Small LECs; and TracFone. On June 14, 2024, five parties filed reply comments on the SSA Ruling: AT&T; Cox; the Small LECs; TracFone; and TURN.

1.1. Submission Date

This matter was submitted on June 14, 2024, upon the filing of reply comments addressing the SSA freeze.

2. Issues Before the Commission

This decision addresses the following issues:

1. Whether to freeze the SSA for wireless providers at \$19.00 until the Commission adopts a new methodology; and
2. Whether to freeze the SSA for wireline providers at \$19.00 until the Commission adopts a new methodology.

3. Discussion of Freezing the Specific Support Amount

This decision determines the issues based on the Staff Proposal, party comments on the Staff Proposal, party comments on the SSA Ruling requesting comments on a freeze, and Commission precedent.

3.1. SSA Staff Proposal

Based on the staff's review of market data, California LifeLine Program data, and other state data, the Staff Proposal recommends updating the D.10-11-033 methodology to a fixed SSA or "Set Price" SSA.¹³ According to the Staff Proposal, California's LifeLine subsidy is the highest in the United States even though providers do not offer substantially different services in California than in other states.¹⁴ The Staff Proposal recommends connecting the Set Price

¹³ Staff Proposal at 13.

¹⁴ *Id.* at 9.

SSA to minimum service standards (MSS) so California LifeLine better subsidizes service plans that meet California LifeLine participants' needs.

For wireless service, providers would receive a default Tier 1 Set Price SSA of \$10.75 for participants who receive an MSS of 6 gigabytes (GB) or less per month under the Staff Proposal.¹⁵ However, providers could receive a Tier 2 Set Price SSA of \$20.75 if the MSS is over 6 GB (but less than 25 GB) with a 10 GB hotspot. The Staff Proposal explains that switching from Tier 1 to Tier 2 would be automatic if a participant uses over the 6 GB allotment.¹⁶

For wireline service, the Staff Proposal states that the existing D.10-11-033 methodology "does not pose significant issues" because most service providers maintain stable basic residential rates and California Lifeline does not reimburse service providers above their established rate.¹⁷ For these reasons, the Staff Proposal recommends an update that closely resembles the current methodology but provides more transparency by aligning the Set Price SSA with each provider.¹⁸ Specifically, wireline providers that offer MSS with voice would receive a Tier A Set Price SSA of 55% of either (1) their combined rate and end user common line (EUCL) charge or (2) \$20.75, whichever is lower.¹⁹ Wireline providers that offer MSS with voice and broadband would receive a Tier B Set Price SSA of \$20.75.²⁰

¹⁵ *Id.* at 14.

¹⁶ *Ibid.*

¹⁷ *Id.* at 7.

¹⁸ *Id.* at 15.

¹⁹ *Ibid.*

²⁰ *Id.* at 16.

3.2. Party Comments on SSA Staff Proposal

For wireless services, the parties generally support de-linking the SSA from the D.10-11-033 methodology.²¹ CforAT notes that “there does not appear to be any nexus between the wireless LifeLine subsidy and providers’ actual costs of offering LifeLine.”²² However, Assurance, TracFone, and TruConnect raise concerns with moving participants between different tiers.²³ Before adopting a new SSA methodology, NaLA, TURN, TracFone, and the Small LECs recommend that the Commission conduct more analysis and receive additional stakeholder input.²⁴ TURN, NaLA, and TracFone also recommend freezing the SSA to give the Commission time to deliberate further.²⁵

For wireline services, CforAT supports the Staff Proposal.²⁶ However, CforAT recommends that the Commission regularly review and update the SSA “either because of AT&T’s drastic rate increases or its potential abandonment of its COLR obligations.”²⁷ AT&T, Charter, Cox, the Small LECs, and TruConnect

²¹ Cal Advocates Opening Comments on Staff Proposal at 2; CforAT Opening Comments on Staff Proposal at 2; NaLA Opening Comments at 12 (labeling current methodology “out-of-date”); TracFone Opening Comments on Staff Proposal at 2; TURN Opening Comments on Staff Proposal at 6-7; *see also* GLI Reply Comments on Staff Proposal at 2-3 (supporting tiered approach); NaLA Reply Comments on Staff Proposal at 3.

²² CforAT Opening Comments on Staff Proposal at 2.

²³ Assurance Opening Comments on Staff Proposal at 2; TracFone Opening Comments on Staff Proposal at 7; TruConnect Reply Comments on Staff Proposal at 4.

²⁴ NaLA Opening Comments on Staff Proposal at 20-22; Small LECs Opening Comments on Staff Proposal at 2 (recommending workshop to address wireline proposal); TracFone Opening Comments on Staff Proposal at 14-15; TURN Reply Comments on Staff Proposal at 3.

²⁵ NaLA Reply Comments on Staff Proposal at 5; TracFone Reply Comments on Staff Proposal at 5; TURN Reply Comments on Staff Proposal at 5.

²⁶ CforAT Opening Comments on Staff Proposal at 6.

²⁷ *Id.* at 6-7.

express concerns that a Set Price SSA could negatively impact California LifeLine participants if federal support decreases or a wireline LifeLine provider increases its basic rate.²⁸ To address this concern, Cox recommends maintaining the current SSA methodology.²⁹ Cal Advocates, Charter, and the Small LECs recommend one Set Price SSA of \$20.75.³⁰ AT&T opposes a Set Price SSA of \$20.75 but recommends that the Commission commit to a regular SSA review and update if it sets the SSA at \$20.75.³¹

3.3. Party Comments on Ruling Addressing SSA Freeze

CforAT, NaLA, and TracFone support freezing the SSA at \$19.00 per month for wireless and wireline service.³² CforAT supports a freeze as “reasonable and demonstrates responsible stewardship of ratepayer funds.”³⁵ NaLA also supports the freeze because the Commission needs more time to deliberate and collaborate on this issue.³³ TracFone agrees that a freeze is appropriate to prevent further disruption and inject stability while the Commission undertakes a more thorough rulemaking process.³⁴

²⁸ Charter Opening Comments on Staff Proposal at 2-3; Cox Opening Comments on Staff Proposal at 8-9; Small LECs Opening Comments on Staff Proposal at 3-4; *see also* AT&T Reply Comments on Staff Proposal at 3-4; TruConnect Reply Comments on Staff Proposal at 5.

²⁹ Cox Opening Comments on Staff Proposal at 8-9.

³⁰ Cal Advocates Opening Comments on Staff Proposal at 4; Charter Opening Comments on Staff Proposal at 3-4; Small LECs Opening Comments on Staff Proposal at 7.

³¹ AT&T Opening Comments on Staff Proposal at 2 (opposing \$20.75 cap); AT&T Reply Comments on Staff Proposal at 4 (proposing alternative if Commission opts not to reject \$20.75 cap).

³² CforAT Opening Comments on SSA Ruling at 1; NaLA Opening Comments on SSA Ruling at 2; TracFone Opening Comments on SSA Ruling at 2.

³³ NaLA Opening Comments on SSA Ruling at 2.

³⁴ TracFone Opening Comments on SSA Ruling at 2.

For wireline service, AT&T references the Staff Proposal's statement that the current SSA methodology is reasonable for wireline providers.³⁵ As such, AT&T opposes the freeze at "any level for wireline providers."³⁶ Cox also recommends that the Commission not adopt a freeze on the wireline SSA.³⁷ However, the Small LECs assert that "a freeze is a prudent interim measure" at \$20.75 or at minimum \$20.00, so providers can keep rates low for California LifeLine participants.³⁸ TURN also supports setting a wireline SSA at a level that would mitigate participant harm and recommends a freeze only if the Commission finds that the freeze would not result in low-income participants paying a higher co-payment for California LifeLine.³⁹

3.4. Discussion

This is not the first time the Commission has considered freezing the SSA in response to significant increases in AT&T's basic rates. After noting a 115% increase in AT&T's basic service rate, the Commission froze the SSA for California LifeLine wireline and wireless providers from January 1, 2014 through June 30, 2015 in D.14-01-036.⁴⁰ The Commission pointed out that AT&T's rate increase "raises concerns" about California LifeLine affordability and the

³⁵ AT&T Opening Comments on SSA Ruling at 2.

³⁶ *Ibid.*

³⁷ Cox Reply Comments on SSA Ruling at 1-3.

³⁸ Small LECs Opening Comments on SSA Ruling at 1, 2-3.

³⁹ TURN Reply Comments on SSA Ruling at 3-4.

⁴⁰ D.14-01-036 at OP 6.

surcharge level needed to support it.⁴¹ On appeal, the Commission determined that the temporary cap was justified and reasonable.⁴²

A decade later, AT&T's significant basic service rate increases present the Commission with the same question: Is freezing the SSA for wireless and wireline providers at \$19.00 per month justified and reasonable?

Based on the record before us, we are persuaded that a temporary freeze starting January 1, 2025, is necessary to protect the California LifeLine Fund as the Commission considers a new SSA methodology. As noted by the Staff Proposal and CforAT's comments, California LifeLine's SSA is an outlier among other states and untethered from providers' services. Like D.14-01-036, we are concerned that allowing the current SSA methodology to continue unchecked places an unreasonable burden on Californians who pay a surcharge to fund the SSA. To protect this public interest, we agree with parties that the Commission should modify the SSA methodology established in D.10-11-033 so that the SSA is better aligned with the benefits Californians receive.

Until the Commission adopts a new methodology, we find good cause to freeze the SSA for wireless and wireline providers at \$19.00 per month starting January 1, 2025.⁴³ The freeze for wireless providers has ample support. NaLA, TracFone, and TURN recommended a freeze in response to the Staff Proposal, and no party contested a freeze for wireless providers in response to the SSA Ruling.

⁴¹ *Id.* at Findings of Fact 6, 15.

⁴² D.14-09-014 at 8.

⁴³ This freeze shall also apply to providers' minimum service standards.

In contrast, CforAT, NaLA, and TracFone supported the freeze for wireline providers and AT&T, Charter, Cox, and TruConnect oppose. The Small LECs and TURN expressed concerns about freezing the SSA at \$19.00 and suggested alternative options to mitigate any impact a freeze may have on LifeLine participants.

We are sensitive to parties' concerns about protecting affordable services for California LifeLine wireline participants. However, temporarily freezing the SSA at \$19.00 for wireline providers will have no or negligible impacts on participants' rates. Under Pub. Util. Code Section 874, California LifeLine rates must be less than 50 percent of the basic flat rate. In 2025, AT&T's basic rate will be \$37.50 per month. Thus, an SSA of \$19.00 would ensure AT&T could offer its LifeLine participants a rate of, at most, \$18.50 per month – not more than 50 percent of AT&T's basic flat rate. Additionally, rate-of-return companies, such as the Small LECs, may receive California High-Cost Fund A support to help earn their respective authorized rates of return.

We also note that although the Staff Proposal states that the existing D.10-11-033 methodology “does not pose significant issues” for wireline service, staff still recommended updating the methodology to provide greater transparency between a provider's services and rates.⁴⁴ A freeze would afford the Commission time to develop this updated methodology while protecting the California LifeLine Fund. Moreover, a freeze is consistent with California law.

While we authorize this temporary SSA freeze of \$19.00 per month for wireless and wireline providers, the Commission also commits to updating its SSA methodology. For this reason, the temporary freeze of \$19.00 per month

⁴⁴ Staff Proposal at 7.

starting January 1, 2025, is justified and reasonable until the Commission updates its SSA methodology. This freeze will temporarily suspend Section 8.5 of General Order (GO) 153.

4. Summary of Public Comment

Rule 1.18 of the Commission's Rules of Practice and Procedure allows any member of the public to submit a written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comments submitted in a proceeding be summarized in the final decision issued in that proceeding. No public comments relevant to the SSA appeared on the Docket Card.

5. Conclusion

We temporarily freeze the SSA for wireless and wireline providers at \$19.00 per month until the Commission develops a new methodology for setting the SSA.

6. Procedural Matters

This decision affirms all rulings made by the Administrative Law Judge and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

7. Comments on Proposed Decision

The proposed decision of President Alice Reynolds in this matter was mailed to the parties in accordance with Section 311 of the Pub. Util. Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

8. Assignment of Proceeding

President Alice Reynolds is the assigned Commissioner and Robyn Purchia is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The Commission operates California LifeLine with funds collected through a surcharge on all access lines in California.

2. Funds from the surcharge enable the Commission to provide subsidies to wireless and wireline service providers in return for delivering discounted communications services to participants in the California LifeLine Program.

3. In D.10-11-033, the Commission established a methodology that set the maximum SSA at 55 percent of the highest basic rate of the California COLRs.

4. Pub. Util. Code Section 874 requires that California LifeLine customers' rates must not exceed 50 percent of the rates for basic flat service.

5. California's LifeLine SSA is the highest in the United States even though providers are not offering substantially different services in California than in other states.

6. In D.14-01-036, the Commission froze the SSA for California LifeLine wireline and wireless providers from January 1, 2014 through June 30, 2015.

7. Temporarily freezing the SSA at \$19.00 per month for wireless and wireline providers affords the Commission time to update the SSA methodology.

8. Temporarily freezing the SSA at \$19.00 per month for wireless and wireline providers would not result in low-income customers paying more than 50 percent of the rates for AT&T's basic flat rate service in 2025.

9. Temporarily freezing the SSA at \$19.00 per month for wireless and wireline providers would protect the California LifeLine Fund by reducing the SSA service providers receive under the D.10-11-033 methodology.

Conclusions of Law

1. It is justified and reasonable for the Commission to freeze the SSA for wireline and wireless providers temporarily at \$19.00 per month from January 1, 2025, until the Commission establishes a new SSA methodology.
2. It is justified and reasonable to suspend Section 8.5 of GO 153 temporarily.

O R D E R

IT IS ORDERED that:

1. The Specific Support Amount for California LifeLine wireless and wireline providers shall be frozen at \$19.00 per month for each eligible participant from January 1, 2025, until the Commission adopts a new methodology for calculating the Specific Support Amount.
2. Rulemaking 20-02-008 remains open.

This order is effective today.

Dated _____, at Sacramento, California.