

SEP. 3 1992

Decision 92-09-024 September 2, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation in the Commission's  
 own motion into the Matter of  
 Revision of the Accounting for  
 Stations Connections and Related  
 Ratemaking Effects and the Economic  
 Consequences of Customer-Owned  
 Premise Wiring.

OII 84  
 (Filed December 2, 1980)

OPINION

This decision directs Pacific Bell (Pacific) and GTE California (GTEC) to offer inside wire (IW) insurance to landlords. It also provides guidance to other local exchange companies (LECs) that decide to offer IW insurance to landlords.

Background

On March 26, 1992, the assigned commissioner in this proceeding issued a ruling directing the state's LECs to file comments and proposals on the subject of IW insurance plans for owners of rental property (also referred to below as "IW insurance for landlords"). Under such an insurance plan, landlords would pay the LEC a monthly fee and receive from the LECs needed repairs to IW rather than paying for labor and materials on a per visit basis for repairs as they are made. Several LECs already offer IW insurance plans to their residential and commercial customers. The assigned commissioner's ruling expressed interest in approving IW insurance plans for landlords, in view of the passage of Senate Bill 841 which imposes liability on landlords for all IW repairs.

In response to the ruling, the state's LECs filed comments and proposals on April 30, 1992. The Division of Ratepayer Advocates (DRA), Center for Public Interest Law (CPIL), the California Apartment Association (CAA), and the Apartment Association of Greater Los Angeles and the California Housing

Council (AAGLA/CHC) filed comments responding to utility proposals on May 22, 1992.

Proposal of Pacific

Pacific states it is willing to reinstate, by October 1, 1992, the landlord insurance program it offered between 1987 and 1990. That plan was available to owners of residential property and was priced the same as the plan offered to Pacific's residential customers, now \$.60 per month per telephone number.

The plan which Pacific proposes would not be "continuous," that is, coverage would lapse during periods of vacancy. Pacific states that in order for it to provide continuous coverage it would be required to make expensive operational changes. Specifically, Pacific states its customer records and billing systems are tied to customer telephone numbers. In order to provide continuous coverage, Pacific would have to change its billing system so that it was keyed to landlord information. Making this change would require changes to the computer billing system and extensive employee training. Associated costs would have to be included in the rates to landlords.

Proposal of GTEC

GTEC states that it has investigated the possibility of offering IW insurance coverage for landlords and intends to offer coverage beginning August 1993. This date coincides with implementation of the provisions of Decision 92-01-023, which establishes new demarcation points and liability for intrabuilding cable. GTEC's service would be continuous. Accordingly, GTEC proposes this one-year lead time in order to make required modifications to its ordering and billing systems. GTEC proposes that a landlord would be required to sign up for all units in a building.

Proposal of Roseville Telephone Company (Roseville)

Roseville recommends that the Commission allow, but not require, LECs to offer IW insurance coverage for landlords.

Roseville comments that certain administrative problems may arise which could undermine the cost-effectiveness of the offering. For example, Roseville believes it may be expensive to link landlords with their rental properties in the LECs' billing and repair service order systems.

If the Commission requires Roseville to implement a program, Roseville proposes that it should require landlords to pay for the program in advance on an annual basis. It should also permit the LECs to require coverage for an entire rental property rather than for individual units. Such measures, Roseville states, would reduce the administrative costs of the program and keep prices down.

Proposal of Citizens Utilities  
Company of California (Cucc)

Like Roseville, CUCC proposes that an IW insurance offering for landlords be optional. It states it is not prepared at this time to offer specific program guidelines.

Proposals of Small Telephone Companies

The state's small telephone companies<sup>1</sup> urge the Commission to permit them to institute landlord insurance programs but not require them to do so. They comment that some small LECs do not offer such programs to any customers, and point out the practical difficulties of offering such a program to landlords, including notifying landlords who reside outside the jurisdiction

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1 These are CP National, Evans Telephone Company, GTE West Coast Incorporated, Kerman Telephone Company, Pinnacles Telephone Company, The Siskiyou Telephone Company, Tuolumne Telephone Company, Calaveras Telephone Company, California-Oregon Telephone Company, Ducor Telephone Company, Foresthill Telephone Company, Happy Valley Telephone Company, Hornitos Telephone Company, The Ponderosa Telephone Company, Sierra Telephone Company, Inc., The Volcano Telephone Company, and Winterhaven Telephone Company.

of the LEC and establishing credit and billing relationships with entities who are not the LEC's customers.

If the Commission does require the small LECs to offer landlord insurance programs, the small LECs recommend the same conditions as Roseville.

Comments of DRA

DRA recommends that the Commission not require LECs to offer IW insurance plans to landlords because of the potential expense of such programs. DRA worries that the expense may require increases in the rates of insurance programs offered to utility customers.

DRA expresses particular concern regarding Pacific's stated intent to offer IW insurance plans to tenants even though IW repairs are not tenants' responsibility. It recommends the Commission order the LECs to inform tenants that they no longer need the insurance.

Comments of CPIL

CPIL supports IW insurance plans for landlords in order to assure that tenants do not find themselves responsible for insurance plans or the cost of repairs in cases where landlords fail to fulfill their legal responsibilities.

CPIL suggests it is as important to provide a method for landlords to pay utilities directly for repairs under any type of payment arrangement as it is to have an IW insurance plan for landlords. Currently, tenants must take financial responsibility for repairs in most cases and seek reimbursement from their landlords.

Comments of AAGLA/CHC and CAA

As representatives of providers apartment housing, AAGLA/CHC and CAA express concern that currently landlords and tenants face substantial confusion regarding liability for IW repairs. AAGLA/CHC and CAA seek speedy implementation of utility plans which provide continuous landlord insurance coverage,

including periods when apartments are vacant. CAA also comments that Pacific's proposal to require landlords to provide tenant telephone numbers may raise issues of privacy with tenants. CAA suggests tenants contact Pacific directly with such information.

Discussion

The comments of the parties suggest there may be a market for IW insurance programs offered to landlords, and also that such programs may not in all cases be cost-effective. We would like the utilities to implement landlord insurance programs. However, we do not intend that such programs raise the cost of such coverage to other customers or that the utilities be forced to undertake large investments in such an offering unless there is some assurance that program revenues will cover program costs. On this subject, Pacific states that its costs would rise substantially if it were to offer a continuous coverage program. GTEC does not raise similar concerns in the context of its proposal to offer continuous coverage concurrent with other IW program changes effective in 1993. It appears, however, that IW insurance for landlords may be a risky undertaking for some of the small LECs because of their more limited operations.

With these concerns in mind, we will direct Pacific and GTEC to offer the programs they propose in their comments. We will not require Pacific to offer continuous coverage at this time because of the potential expense associated with such an offering. Because GTEC proposes to offer continuous coverage, and is making the system changes needed to offer it, we will honor GTEC's request to defer implementation until 1993. These two utility programs should provide a baseline from which to determine the cost-effectiveness of IW insurance offerings for landlords. We will reconsider the issue of continuous coverage for Pacific if parties still believe there is a need for such coverage after we have had some experience with GTEC's program. We will not require any of the small LECs to offer landlord insurance at this time because of

the potentially high cost of such programs. We will, however, require certain conditions on LEC insurance programs, as set forth below.

First, we agree with DRA that the LECs should not market IW insurance plans to tenants absent some safeguards. Tenants may wish to purchase IW insurance but they should do so knowing that they are not legally responsible for IW repairs. Therefore, all informational, marketing, and sales materials shall include the following statement, which shall be in bold print and shall be underlined:

**You should be aware that, under state law, landlords, and not tenants, are responsible for repairs to and maintenance of inside telephone wire.**

This same statement shall be made verbally to all customers receiving information about IW insurance programs or repair services when a utility representative provides the information over the telephone or in person. We will take immediate and decisive action if we discover that an LEC is marketing IW insurance to customers in ways which directly or indirectly circumvent our intent to assure that tenants are aware of their legal liabilities.

We also remind the utilities that they may not disconnect a customer's service for nonpayment of inside wire repairs or insurance offerings.

We agree with AAGLA/CHC that Pacific's proposal to require landlords to provide tenants' telephone numbers may require landlords to breach the privacy rights of their tenants. The LECs have the resources to obtain such information and it is reasonable that they should retrieve it.

Finally, although we do not require LECs, except Pacific and GTEC, to offer IW insurance to landlords, we comment on the program conditions proposed by Roseville and the small LECs. We agree that it is reasonable to require landlords to pay for the

program in advance on an annual basis and to permit the LECs to require coverage for an entire rental property rather than for individual units. Such measures are likely to reduce the administrative costs of LECs' programs and would not impose unreasonable burdens on landlords.

Findings of Fact

1. Senate Bill 841 imposes liability on landlords for IW repairs.

2. None of the state's LECs currently offer an insurance program to landlords which would provide coverage for IW repair and maintenance.

3. The evidence in this proceeding does not demonstrate that IW landlord insurance programs would be cost-effective.

4. It is the Commission's intent that IW landlord insurance programs not increase the rates for IW insurance programs offered to residential and commercial customers.

5. Requiring LECs, rather than landlords, to determine customer telephone numbers when landlords choose to purchase IW insurance coverage will help protect the privacy rights of LEC customers.

6. Requiring landlords to pay for IW insurance in advance on an annual basis and requiring coverage for an entire rental property rather than for individual units may reduce the administrative costs of LECs' programs and would not impose unreasonable burdens on landlords.

Conclusions of Law

1. The Commission should adopt the proposals of Pacific and GTEC regarding IW landlord insurance, with certain conditions.

2. The Commission should permit but not require LECs, other than Pacific and GTEC, to offer IW insurance to landlords. Such programs should be subject to the same conditions adopted herein for Pacific and GTEC.

3. LECs should be required to include in all informational, marketing, and sales materials addressing any IW insurance offering or repairs the following statement, which shall be in bold print and shall be underlined:

You should be aware that, under state law, landlords, and not tenants, are responsible for repairs to and maintenance of inside telephone wire.

LECs should also be required to make this statement to all customers receiving information about any IW insurance offering or repair when a utility representative provides the information over the telephone or in person.

4. LECs should not be permitted to disconnect telephone service for nonpayment of inside wire repairs or insurance.

5. LECs that offer IW insurance to landlords, and that require tenants' telephone numbers for accounting purposes, should be required to determine tenants' telephone numbers rather than require landlords to provide the numbers.

6. LECs which offer IW insurance to landlords should be permitted to require landlords to pay for IW insurance in advance on an annual basis and to require coverage for an entire rental property rather than for individual units.

#### O R D E R

IT IS ORDERED that:

1. The proposals of Pacific Bell (Pacific) and GTE California (GTEC) to offer inside wire (IW) insurance to landlords are adopted with certain conditions, as set forth herein.

2. Pacific shall file tariffs, no later than October 1, 1992, to effect its adopted IW insurance program for landlords, as set forth herein.

3. GTEC shall file tariffs, no later than July 1, 1993, to effect its adopted IW insurance program for landlords which offers



coverage during periods when rental units are vacant, as set forth herein.

4. Local exchange companies (LECs) shall include in all informational, marketing, and sales materials addressing any IW insurance offering or repair service the following statement, which shall be in bold print and shall be underlined:

**You should be aware that, under state law, landlords, and not tenants, are responsible for repairs to and maintenance of inside telephone wire.**

LECs shall also make this statement to all customers receiving information about any IW insurance offering or repair service when a utility representative provides the information over the telephone or in person. This provision shall be effective until September 1, 1994.

5. LECs that require tenants' telephone numbers for accounting purposes shall not require landlords to provide the numbers.

6. LECs other than Pacific and GTEC who propose to offer IW insurance to landlords shall file tariffs setting forth the terms of IW insurance offerings to landlords.

This order is effective today.

Dated September 2, 1992, at San Francisco, California.

DANIEL Wm. FESSLER  
President  
JOHN B. OHANIAN  
NORMAN D. SHUMWAY  
Commissioners

Commissioner Patricia M. Eckert,  
being necessarily absent, did  
not participate.

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY