

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Telecommunications Division

**RESOLUTION T-16017**

Date April 9, 1997

**RESOLUTION**

**RESOLUTION T-16017. TO ESTABLISH THE DEAF AND DISABLED TELECOMMUNICATIONS EQUIPMENT AND SERVICE PROGRAMS (PUBLIC UTILITIES CODE SECTION 2881, ET SEQ.) 1997 ANNUAL BUDGET PURSUANT TO DECISION NO. 89-05-060 ON AN INTERIM BASIS.**

**BY COMPLIANCE FILING MADE BY THE DEAF AND DISABLED TELECOMMUNICATIONS PROGRAM ADMINISTRATIVE COMMITTEE ON OCTOBER 1, 1996.**

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**SUMMARY**

This Resolution adopts an interim 1997 annual budget of \$37,765,826 for the Deaf and Disabled Telecommunications Equipment and Service Programs, pursuant to Public Utilities Code Section 2881, et-seq.. The interim adopted budget is \$109,945 or approximately 0.29% less than that proposed by the Deaf and Disabled Telecommunications Program Administrative Committee in its proposed budget.

The interim 1997 annual budget is designed to reimburse (1) each participating utility for expenses it incurs in the Deaf and Disabled Telecommunications Programs required by Senate Bills 597, 244, and 60, and (2) the Deaf and Disabled Telecommunications Program Administrative Committee for its administrative expenses.

**BACKGROUND**

In compliance with state legislation, the Commission implemented three telecommunications programs for California residents who are deaf, hearing impaired, and disabled:

- o Telecommunications Devices for the Deaf (TDDs) distribution, per Senate Bill (SB) 597 (Chapter 1142, 1979);
- o Dual Party Relay System, using a third-party intervention, to connect persons who are deaf, severely hearing impaired, or speech impaired with persons of normal hearing, per SB 244 (Chapter 741, 1983);
- o Supplemental Telecommunications Equipment for persons who are disabled, per SB 60 (Chapter 585, 1985).

These programs are all funded by the Deaf and Disabled Telecommunications Program (DDTP) Consolidated Budget (Program Budget).

Decision (D.) 89-05-060 (I.87-11-030) established that the annual Program Budget be submitted to the Executive Director and approved by a Commission resolution in accordance with the procedure discussed in the Decision.

On October 1, 1996, the Deaf and Disabled Telecommunications Program Administrative Committee (DDTPAC) filed the proposed 1997 Program Budget which totaled \$37,875,771. A copy of the DDTPAC's proposed budget is attached as Appendix A to this Resolution.

#### NOTICE/PROTEST/COMMENTS

On October 1, 1996, the DDTPAC sent copies of the proposed 1997 Program Budget to all parties of record to I.87-11-030. The Joint Staff<sup>1</sup> protested the DDTPAC's Proposed Budget on October 16, 1996, one day late. The DDTPAC, GTE California, Inc. (GTEC), AT&T Communications of California (AT&T), The California Coalition of Agencies Serving the Deaf and Hard of Hearing (CCASDHH), and The World Institute on Disability (WID) filed timely reply comments. Pacific Bell (PacBell) filed its reply comments two days late.

#### Joint Staff Protest To The DDTPAC's October 1, 1996 Filing

In its protest, the Joint Staff raised concerns in several areas and made specific recommendations in other areas. Joint Staff supports the following in the proposed

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<sup>1</sup> The Joint Staff's protest jointly reflects the concerns of the Office of Ratepayer Advocates (ORA), formerly the Division of Ratepayer Advocates (DRA), and the Telecommunications Division (TD).

Program Budget: (1) the DDTPAC's plan to centralize its equipment procurement and distribution functions, and program outreach efforts; and (2) the budget to fund eleven consultant projects. The Joint Staff is concerned with the service quality problems of California Relay Service (CRS). Further, the Joint Staff recommends that the Program Budget include funds for a consultant to study the Call Center concept, and recommends certain other expense adjustments, as explained below. As a consequence of these recommended changes, the Joint Staff proposes a Program Budget of \$37,580,879, which is \$294,892 less than that proposed by the DDTPAC.

The Joint Staff supports the basic theme that DDTP should centralize its various program elements in order to adapt to the expanding competitive environment for local wireline telecommunications services in California. As noted by the Joint Staff in its protest, there are "approximately 70 new carriers"<sup>2</sup> or competitive local carriers (CLCs), authorized to enter the local exchange market. At this time, PacBell, GTEC, and other local exchange companies perform the procurement and distribution functions of DDTP equipment and related equipment outreach efforts. However, as required by the Commission's adopted rules, the CLCs are also to provide telecommunications equipment under the DDTP to qualified customers. [D.96-02-072, Appendix B, Page 9, Rule No. 4.F. (10).] Therefore, the Joint Staff argues that "[t]he DDTP must be able to function in this new multi-local carrier environment."<sup>3</sup> Further, the Joint Staff concludes that the "centralization of the DDTP program functions is an efficient and cost effective method for providing DDTP services in the new environment."<sup>4</sup> The Joint Staff points out that part of the cost savings will result from a lower overhead rate of 28% for the DDTPAC compared to the approximate 83% overhead for Pacific and GTEC. The Joint Staff supports its centralization conclusion by providing two examples. The first example is the high distribution cost of approximately \$60 for a Tone Ringer that cost the DDTP only \$24 to purchase. This cost difference of \$36 is mostly attributed to shipping and receiving charges as well as warehouse loading charges. The second example is the

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<sup>2</sup> Joint Staff's Protest, page 4.

<sup>3</sup> Ibid..

<sup>4</sup> Ibid.

difference between PacBell's and GTEC's building leases and maintenance expenses for DDTP related operations located in company buildings. PacBell does not include in the Program Budget any expense amount, including overheads like electricity, for DDTP related operations located in its own buildings while GTEC included an amount of \$310,000.

The Joint Staff supports the DDTPAC's efforts to improve its operations by including funding for eleven consultant projects. As noted by the two examples mentioned above, the Joint Staff is concerned that the DDTPAC has no "program standards including budgeting standards and procedures."<sup>5</sup> The Joint Staff recommends that the Commission adopt the DDTPAC's proposal to fund consultants in order to develop "formal policies and procedures including but not limited to internal financial and management controls,"<sup>6</sup> and to address the centralization issue for DDTP equipment procurement and distribution. As part of the examination of the centralization issue, the Joint Staff supports the DDTPAC's proposal to fund a trial test of the voucher system as the Joint Staff believes that the voucher system might be a cost effective alternative method for distribution of some of the DDTP equipment. The Joint Staff also recommends that the Commission, where it deems necessary, implement the results of each of the DDTPAC's proposed consultant projects, including the voucher system, in 1997.

The Joint Staff also notes in its protest service quality problems resulting during the transition period between CRS providers. Even with the threat (and later imposition) of fines by the DDTPAC, the Joint Staff shows that service problems continued to occur as indicated by the many complaints received from CRS users. The Joint Staff recommends that specific service provisions, including penalties for non-compliance, be developed for the transition period in subsequent CRS contracts to prevent the recurrence of these service problems.

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<sup>5</sup> Ibid, page 7.

<sup>6</sup> Ibid.

The Joint Staff recommends additional funding of \$75,000 for a consultant to investigate the proposed Call Center concept. As envisioned by the Joint Staff, the Call Center will perform customer contact functions related to DDTP programs that are presently performed by the local exchange companies. In other words, the Call Center is proposed to be an information resource point (e.g. the center would direct callers where to obtain DDTP equipment) for all DDTP related services on a non-branded competitively neutral basis. Further, the Call Center will not do any CRS type of customer contact other than to direct calls to the appropriate CRS provider to get CRS related questions answered. The Joint Staff believes that the proposed Call Center will allow the CLCs to offer local exchange service to the deaf and disabled customers without the ratepayers, including the deaf and disabled ratepayers, having to subsidize the marketing efforts or the outreach efforts by each CLC.

The Joint Staff also recommends the following expense adjustments in the 1997 Program Budget: (1) \$362,942 be excluded from PacBell's program operating expense budget amount of \$825,630; (2) \$6,950 out of \$8,150 for out-of-state travel expense be excluded from the GTEC program budget; and (3) no specific CRS outreach expense budget allocation. First, the Joint Staff supports its \$362,942 exclusion because: (a) PacBell incorrectly allocated a portion (38.1%) of its employees time that was not related to DDTP activities; (b) PacBell incorrectly included a non-recurring expense of \$50,000 for office expansion that was completed in 1996; and (c) PacBell erroneously accounted for \$28,153 for a survey that was completed in 1996. Second, the Joint Staff questions the \$8,150 amount GTEC proposes for travel expenses of its out-of-state employees to attend DDTP meetings in California. The Joint Staff argues that GTEC's use of its out-of-state employees is discretionary and thus \$6,950 should be excluded from GTEC's program budget. The balance of \$1,200 is for travel to 4 DDTP meetings from GTEC's facility in California. Finally, the Joint Staff recommends that no specific amount be included for funding the CRS Outreach Specialists to perform outreach only for CRS. The Joint Staff asserts that the CRS service provider should do its own outreach to increase the usage of its CRS service. Furthermore, all outreach efforts under the DDTP should be required to conform to the outreach program standards that will be developed

by DDTPAC. Once these standards are developed and approved by DDTPAC, they will then be submitted for Commission approval. If no standards are submitted for Commission approval by March 31, 1997, and/or should the Commission not approve these standards by June 30, 1997, then the Joint Staff recommends that the funding for outreach efforts adopted in the Program Budget be reduced by 50% effective July 1, 1997.

#### DDTPAC's Reply Comments To Joint Staff's Protest

DDTPAC had comments and concerns in several areas addressed in the Joint Staff's protest. These areas are: (1) overhead rates; (2) voucher system; (3) call center; (4) CRS service quality standards; (5) consultant projects; (6) outreach expenses; and (7) budget review process.

DDTPAC explains that the overhead rate of 28% is too low since it only includes employee benefits and workers compensation. The 28% does not include DDTP expenses such as legal support, administrative support, and other overhead services, provided by both internal staff and outside professionals, that are required for DDTP program functions. DDTPAC does not provide a specific overhead rate.

DDTPAC is concerned that the Commission should not require a voucher system to be implemented on a permanent basis until the results of the trial are known and have been evaluated. At this time, DDTPAC believes that it is premature to have more than a trial of the voucher system since complete cost benefit analysis has not been performed. Nor has the impact of the voucher system on DDTP consumers been studied.

DDTPAC, at this time, is not in agreement with the Joint Staff's recommendation that a centralized Call Center concept is a feasible alternative for equipment distribution for several reasons. First, DDTPAC believes that a Call Center is a major policy change requiring telephone companies to abdicate their "legislatively-mandated responsibilities either directly to the DDTP or to a DDTP contractor."<sup>7</sup> Second, DDTPAC is investigating this idea as part of its efforts to restructure the equipment distribution

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<sup>7</sup> Reply Comments of the DDTP, page 6.

function to serve the needs of CLCs. Finally, there are other functions that are performed by a utility that may not be possible at a typical Call Center which is to respond to consumers' telephone calls. For example, consultation and assistance on the selection of appropriate equipment, according to DDTPAC, may not be done at a Call Center.

DDTPAC notes that CRS service quality standards already exist and they are part of the DDTPAC's Master Agreement. According to DDTPAC, the standards in the Master Agreement have been reviewed and approved by the Commission.

DDTPAC points out that the Commission should not have expectations that the results of the proposed eleven consultant projects and the Joint Staff's proposal for the Call Center consultant project be implemented in 1997. DDTPAC notes that the total amount included in the proposed budget for the eleven consultant projects is to investigate the feasibility of each individual project. Once a project is determined to be feasible, then DDTPAC plans to include, in the 1998 Program Budget, funds to implement that particular project.

According to DDTPAC, the outreach expenses for the nine Outreach Specialists should include an additional amount of \$176,799 for telephone, travel, and other administrative expenses. The DDTPAC alleges that the Joint Staff only included salaries and benefits for the nine Outreach Specialists.

The DDTPAC is concerned about the Commission's process to review its 1997 Program Budget. Traditionally, the former Telecommunications Branch of the Commission's Advisory and Compliance Division (CACD) did the official review of prior Program Budgets. However, for the 1997 Program Budget, the Commission's TD, the successor of the Telecommunications Branch of CACD, is now a party with ORA in their joint protest of the 1997 Program Budget and also the reviewer of the 1997 Program Budget. Therefore, DDTPAC is concerned about the objectivity of the Commission's review process, and whether it will be maintained in this review process.

#### PacBell's Reply Comments To Joint Staff's Protest

In its reply comments, PacBell expresses concerns in numerous areas addressed in the Joint Staff's protest. These areas are: (1) the budget review process; (2) the

centralization of equipment procurement and other program elements; (3) the consultants; (4) the CLCs participation; and (5) specific budget items.

PacBell expresses concern that the budget review process is not the appropriate vehicle to change the Program's policies. PacBell believes that the local competition proceeding, I.95-04-044, where workshops were held to address the DDTP under the competitive local exchange market, is the forum to review policy changes to the DDTP. Another concern expressed by PacBell is the "conflict of interest"<sup>8</sup> for the TD in both reviewing the 1997 DDTP Program Budget and filing a joint protest with ORA on the same Program Budget.

PacBell supports the centralization of equipment procurement and distribution functions, outreach, and other DDTP program elements. PacBell believes that the centralization effort is necessary in the competitive environment, and cost savings and efficiencies are some of the goals in the centralization of various program elements. PacBell advocates the research and trial of an equipment voucher system, to determine whether it will bring additional cost savings to the DDTP program.

PacBell supports the hiring of the eleven consultants proposed in the DDTP budget by DDTPAC in order to successfully advise the DDTPAC and the Commission on the future direction of the DDTP. Further, PacBell believes that consultants should have an understanding of the disabled community. Moreover, PacBell supports the Joint Staff's proposal of a consultant's review of a Call Center concept. PacBell believes that "... a thorough comparative analysis to study the efficacy, cost effectiveness and quality of customer support of Call Center,"<sup>9</sup> is required.

PacBell believes that CLCs should be able to recover all incurred cost for their DDTP equipment and related expenses. According to PacBell, the Joint Staff is attempting "... to implement policy--if not legislative--changes in the context of a budget review."<sup>10</sup>

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<sup>8</sup> Reply Comments of PacBell, page 2.

<sup>9</sup> Ibid, page 6.

<sup>10</sup> Ibid.



PacBell disagrees with Joint Staff on several budget items. First, PacBell states that the \$60 charge for a \$24 tone ringer represents "the average operating overhead charges per piece of equipment directly attributable to the Program."<sup>11</sup> Further, the amount includes the cost for, among other things, employee staff, budget tracking, and management team. Second, PacBell believes that the Joint Staff incorrectly assumed that the amount of \$362,942 was for all non-DDTP activities. PacBell states that all non-DDTP activities (38.1% allocation factor) have been deducted and that this amount pertains only to DDTP activities. Further, PacBell states that the Joint Staff applied the 38.1% allocation factor to all cost components instead of just to service representatives. Third, PacBell points out that the non-recurring expense of \$50,000 is required for physical modifications of a facility for new service representatives that will be required to support the increased call volumes in support of DDTP. Finally, PacBell agrees with the Joint Staff's recommendation that only \$4,363.00 from the \$362,912 amount should be reduced from the DDTP budget.

#### GTEC's Reply Comments To Joint Staff's Protest

In its reply comments to Joint Staff's protest, GTEC responded to only two items, building lease/maintenance expenses and an expense for travel to and from Texas. First, GTEC states that through an oversight, GTEC did not include a number of expense items in the 1997 program budget. These expense items (e.g. utilities, taxes, etc.) are associated with the lease of a building resulting in a budget augmentation of \$310,000. GTEC claims that these expense items are "directly related to and caused by the DDTP operations, and they should be recoverable from the DDTP."<sup>12</sup> Second, GTEC believes that the expense for travel to and from Texas is due to two reasons. The first reason is the increase in efficiencies associated with using GTB headquarters employees from Texas for DDTP. GTB headquarters employees are often assigned throughout GTB's service territory spanning 28 states. The costs of GTB headquarters employees are prorated

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<sup>11</sup> Ibid, page 7.

<sup>12</sup> Response of GTEC, page 3.

among the 28 states, which, GTEC claims, enable them to minimize overall costs to the DDTP by not having a single individual assigned to DDTP from California. The second reason is that travels of GTB headquarters personnel to DDTP meetings in California are at the request of DDTPAC and are approved in advance by the DDTPAC.

#### AT&T's Reply Comments To Joint Staff's Protest

In its reply comments, AT&T supports the initiatives and proposals in the 1997 DDTP Program Budget and the Joint Staff's protest. AT&T believes that the 1997 Program Budget will facilitate the integration of the DDTP into a competitive local exchange environment.

#### CCASDHH's Reply Comments To Joint Staff's Protest

Generally, CCASDHH supports the Joint Staff's protest, but CCASDHH takes exception to three recommendations. These exceptions are: (1) the voucher system; (2) the restriction of the CRS outreach specialists; and (3) the Call Center concept.

CCASDHH agrees with DDTPAC that the 1997 Program Budget should include funds for trial of the voucher system but not for the implementation of a permanent system. CCASDHH believes that results of the trial should be evaluated to determine if the voucher system is cost efficient, and to decide whether the use of vouchers would meet the needs of deaf and disabled customers.

CCASDHH believes that CRS outreach specialists should continue to conduct outreach for the CRS service only. One of the reasons, as noted by CCASDHH, is that CRS outreach specialists would be able to explain the CRS service to the hearing population to increase usage between deaf and hearing customers. Further, the CRS outreach specialist would resolve service problems associated with the CRS service. CCASDHH argues that CRS outreach specialists are an "important link between the CRS provider and the consumer."<sup>13</sup> Nevertheless, CCASDHH recommends that the Commission approve the total outreach budget for both CRS and equipment distribution.

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<sup>13</sup> Reply Comments of CCASDHH, page 3.

CCASDHH disagrees with the funding of a consultant to study the Call Center concept. CCASDHH advocates that a new equipment distribution system should be studied first to examine the myriad of issues associated with the equipment distribution function.

#### WID's Reply Comments To Joint Staff's Protest

WID disagrees with Joint Staff's efforts "to transform the annual budget review process into long-term reform."<sup>14</sup> WID believes that another forum, OII for Competition for Local Exchange Service, I.95-04-044, is already examining the DDTP operations, and that an "interim program structure"<sup>15</sup> has been agreed upon by parties for 1997. Any changes to eliminate the competitive advantage for the local exchange companies should not happen at the expense of customers of DDTP.

#### DISCUSSION

The DDTPAC proposes a total of \$37,875,771 for its 1997 total Program Budget. This amount represents a consolidated budget for the participating utilities' expenses for each program and DDTPAC's administrative expenses. DDTPAC proposes a 1997 budget which is a decrease of 12.0% from the proposed 1996 Program Budget. Some of the proposed projected decreases in the 1997 Program Budget of \$37,875,771, as reflected in SB 244, were because of a new contract rate for the provision of the CRS service with MCI along with small decreases in SB 597 and SB 60 expenses. These decreases were partially offset by a moderate increase in the Administration budget of DDTP. The increase in the Administrative budget was caused by the transfer of outreach functions and several procurement functions from the local exchange companies to the DDTP.

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<sup>14</sup> Reply Comments of WID, page 1.

<sup>15</sup> Ibid.

The Joint Staff recommends a 1997 budget of \$37,580,879, a 0.8% decrease from the initial DDTPAC's proposed 1997 Program Budget. A comparison of DDTPAC's and Joint Staff's Program Budget is shown in the following table:

	<u>1997 Proposed DDTP Budget</u>		
	DDTPAC Budget	Joint Staff	DDTPAC exceeds Joint Staff
SB 244	\$18,903,419	\$18,903,419	-
SB 60	13,013,397	12,753,430	\$259,967
SB 597	3,945,159	3,835,234	109,925
Admin.	2,013,796	2,088,796	( 75,000)
<b>TOTAL</b>	<b>\$37,875,771</b>	<b>\$37,580,879</b>	<b>\$294,892</b>

Program Budget Review Process

PacBell and WID express concerns that the TD's review of the Program Budget should not be the forum to change DDTP policies. In addition, both DDTPAC and PacBell are concerned about the integrity of the Program Budget review process by the Commission since both ORA and the TD filed a joint protest.

PacBell and WID advocate that the local competition proceeding, I.95-04-044, is an appropriate forum to change DDTP policies. The Commission recognizes that the local competition proceeding is a forum for addressing the long-term issue concerning the distribution of equipment. However, as part of our on-going DDTP responsibilities, we will continue to examine any policy changes as part of the Budget review process. The Commission must require that the 1997 Program Budget reflect cost efficient DDTP operations. Consistent with D.89-05-060, the Commission is obligated to provide "... the public the continued assurance that their monies are being spent properly." <sup>16</sup> Furthermore, the Commission in that decision stated "[i]n order to assure that resources are being used effectively, we must have a periodic critical review of utility activities in implementing the program." <sup>17</sup> Moreover, "[t]he Commission has a responsibility to see that the Trust uses its resources efficiently to reach beneficiaries with genuinely useful

<sup>16</sup> D.89-05-060, page 29.

<sup>17</sup> Ibid.

services."<sup>18</sup> Therefore, it is imperative that the Commission examine the concerns of parties that will help to improve the operations of DDTP. The Commission will provide directions and guidelines that will complement the local competition proceeding and will serve as a model for future improvements.

To address the fairness of the budget review process, the Commission assures the parties that the 1997 Program Budget was reviewed by the Commission staff in an unbiased manner. No Commission staff that participated in the filing of the Joint Staff's protest is responsible for the preparation of this resolution. All preparation of the resolution was done in an objective manner.

#### Centralization of Equipment and Program Outreach Functions

The Joint Staff, AT&T and PacBell support the DDTPAC's proposal that the DDTP functions be centralized in the new competitive environment for local exchange service. These parties believe that the centralization of equipment procurement and distribution and Program Outreach functions will be harmonious with the new competitive environment. The CLCs, along with the local exchange companies, are to provide telecommunications equipment under the DDTP to qualified customers. Besides the opportunity to expand DDTP operations to include the CLCs, these parties believe that the centralization of equipment procurement and distribution functions will improve DDTP operations resulting in cost savings and other efficiencies. One problem mentioned with the current arrangement is the high distribution cost of approximately \$60 for a Tone Ringer that cost the DDTP only \$24 to purchase. Another problem that we became aware of during our budget review process is that GTEC used different prices for the same equipment than PacBell even though all purchases were made under the same master purchase agreement. We assume that this pricing discrepancy has been addressed in the 1997 Program Budget by the DDTPAC. Once all purchasing functions have been transferred to the DDTP on a centralized basis, all equipment purchases should be at prices that are consistent throughout the program. Moreover, the internal financial

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<sup>18</sup> Ibid.

controls, developed by a consultant who will be doing one or more of the twelve consulting projects, will ensure that such uniform purchasing practices are followed by the DDTP office in the future. Another group of projects is for the development of the organizational structure for the equipment procurement and distribution functions. Hopefully, the new centralized organizational structure, along with the internal financial control, will ensure to the Commission that disparate pricing problems and high distribution costs will not continue in the future.

With respect to the centralization of program outreach, including CRS outreach, the Commission is disappointed that there are no formal procedures to evaluate the effectiveness of outreach activities. Further, there are no standards or criteria to evaluate the success of outreach activities. Moreover, program outreach has no proper internal auditing procedure to verify the accuracy of billings including the delivery of work products. The Commission expressed its program outreach concern in the approval of the 1996 Program Budget in Resolution T-15828, which required the DDTPAC to clarify the role it expects the CRS Specialist program to have in the new competitive environment. Specifically, the Commission requested the DDTPAC to explain the difference between the CRS Specialists outreach program from other program outreach efforts. On May 13, 1996, the DDTPAC submitted an explanation to the Commission's Executive Director of how the CRS Specialists will function after the contract with Sprint for CRS services expires in October of 1996. In response to that filing, the Executive Director expressed concern about how the CRS Specialists could be utilized more efficiently. One proposal suggested by the Executive Director was combining the equipment and CRS outreach functions. As explained below, we are still not convinced that CRS outreach functions cannot be combined with other outreach functions performed by DDTP.

In the 1997 Program Budget, the DDTPAC is recommending that the CRS Specialist outreach program come under its own administration, and not under the CRS provider as done in prior years. The Joint Staff supports the total 1997 budget funding for Program outreach, including centralization of equipment outreach, CRS outreach, and other program outreach efforts. However, the Joint Staff recommends that no specific funding be included for CRS Specialists to perform outreach only for CRS.

We conclude that CRS Specialists should not strictly do outreach for CRS. This is consistent with the concept of a subsidy program not funding marketing efforts as expressed by the Commission in its Universal Service proceeding, D.96-10-066 for Universal Lifeline Telephone Service (ULTS):

"We are persuaded by the argument of Consumer Action and others, that the ULTS program should not subsidize the marketing efforts of each carrier who offers basic service to low income customers. We must remember that the group of potential customers who qualify under ULTS is a finite group. Every carrier who plans to offer residential service will be targeting the same group of customers. It makes no economic sense to have multiple marketing campaigns conducted by each carrier who is trying to sign up the same customers, especially when the marketing expenses of each carrier is subsidized by the ULTS program."<sup>19</sup>

With the exception of equipment distribution, we find that the ULTS program and the DDTP have similar functions. Therefore, DDTP should not subsidize the marketing efforts of each utility who sells basic service to each DDTP customer.

We direct the DDTPAC to change the title of CRS Specialists to Program Specialists. These Program Specialists should be required to perform program outreach that will benefit DDTP. The DDTPAC should also combine the outreach efforts for equipment distribution, CRS, and other program outreach efforts. DDTPAC included two outreach specialists for "Speech-to-Speech," which required specialized outreach effort, in the 1997 Program Budget. Since Speech-to-Speech requires a very specialized type of outreach, we adopt the hiring of 2 specialists to perform that function. In total, the Commission approves 9 Program Outreach Specialists, including two for Speech-to-Speech.

The Commission approves the hiring of a consultant for the development of performance standards that should be done for the Program Specialists, not CRS Specialists. The DDTPAC should file with the Commission's Executive Director by June 1, 1997, the DDTPAC adopted program outreach standards. This filing would require Commission adoption by resolution on or before July 30, 1997. If the Commission has

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<sup>19</sup> D.96-10-066, page 231.

not approved the performance standards for the Program Specialists, then the DDTPAC is expected not to reimburse any outreach activities until further Commission action.

The DDTPAC pointed out that the program outreach expenses listed on page 17 of Joint Staff's protest did not include \$176,799 for travel, telephone, and other administrative expenses. We examined the table on page 17 listing the four categories of outreach expenses. On that table, the DDTPAC is correct that the Joint Staff did not include the \$176,799 in the tabulation. However, the Joint Staff is not proposing to disallow the \$176,799 amount. In its protest, the Joint Staff recommended that the Commission "adopt the full amount in the 1997 DDTP budget,"<sup>20</sup> and not the minimum amount listed on the table. Therefore, we will adopt the total initial outreach budget amount of \$1,383,719, including the \$176,799 recommended by both the Joint Staff and the DDTPAC.

#### Service Quality Standards

The Commission is concerned with the continued service quality problems during the transition period between different CRS providers, from Sprint to MCI. The Commission is aware that the CRS service problems with MCI have continued. Even though the number of average complaints per day have decreased in the last reported period, the number of complaints is still higher than the previous time period with Sprint. Thus, the Commission directs MCI to initiate service improvements to resolve these service problems and expects the Telecommunications Division (TD) to monitor these improvements. To help TD in its monitoring efforts, MCI should provide service reports monthly to the Director of the TD. The report should list the number of complaints received during the month along with the type of complaints in a format to be determined by TD within 14 days from the effective date of this resolution. Once the format is developed by TD, MCI shall provide this monthly report within 30 days after the end of each reportable month. MCI's report should also include a list of steps it is undertaking to alleviate the service problem areas. All remedial actions taken by MCI to improve

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<sup>20</sup> Joint Staff's Protest, page 17.



CRS service quality will be at MCI's expense without any reimbursement from the DDTPAC.

The Commission has also been informed of less than adequate service quality for Speech-to-Speech service, which is currently being provided by Sprint on a trial basis. Sprint's current trial is expected to end March 31, 1997. However, MCI, the new Speech-to-Speech provider, has not committed a firm date when it intends to take over this service from Sprint. MCI was authorized by the Commission (Resolution T-15971 dated October 25, 1996) to provide this service, on a provisional basis, one year from the date it starts this service. There are rudimentary approved service quality standards for Speech-to-Speech, as part of the service standards for CRS as set forth in the Master Agreement with MCI. Since Speech-to-Speech is a new service, the DDTPAC, at the end of the trial with Sprint, will report back with a proposed set of service quality standards for the service based on the experiences gained from the provisional Speech-to-Speech service provided to date, as required in Ordering Paragraph No. 2 of Resolution T-15971.

The DDTPAC is proposing to have a consultant assist in developing service quality standards for equipment distribution. These standards will be submitted to the Commission for its approval. As mentioned above, the DDTPAC should also develop specific service quality standards for Speech-to-Speech. Therefore, it is our expectation that DDTPAC will finalize proposed service quality standards for all DDTP services, including CRS and equipment distribution. The DDTPAC will provide to the Commission's Executive Director, within 30 days from the effective date of this resolution, a time frame proposal for providing proposed service quality standards for all DDTP services. As part of I.87-11-031, the DDTP funding proceeding, we believe that these standards should eventually be placed in a General Order similar to the General Order 152 for ULTS. This General Order for DDTP services should have all the requirements including service quality standards. Where necessary, appropriate references could be made to our General Order 133 (B), rules for telephone services.

### Consultant Projects

DDTPAC recommends in the 1997 Program Budget eleven consultant projects to be undertaken in 1997. The Joint Staff supports DDTPAC's proposal and recommends one additional consultant project for the Call Center concept. All other parties support DDTPAC's funding proposal for the eleven consultant projects. With respect to the Joint Staff's proposal for the Call Center consultant project, the DDTPAC and CCASDHH oppose this project because the Call Center concept is premature and cannot be done in 1997. PacBell and AT&T support the Call Center consultant project. These twelve projects are grouped into the five following categories:

### CONSULTANT PROJECTS

#### **A. OUTREACH PROJECTS**

1. Program Outreach Specialist
2. Marketing Analysis

#### **B. FINANCIAL AND MANAGEMENT PROJECTS**

1. Policy and Procedure Manual
2. DDTP Business Plan

#### **C. EQUIPMENT CENTRALIZATION PROJECTS**

1. Preparation of Equipment Purchasing/forecasting Plan
2. Database Implementation
3. Warehouse
4. Equipment Voucher
5. Call Center

#### **D. SERVICE QUALITY PROJECTS**

1. Service Quality
2. Customer Survey Information

#### **E. OTHER**

1. DDTP Compensation Survey

A detailed description of each project is included in the DDTPAC's October 1, 1996 filing of its 1997 Program Budget.

As noted in the prior tabulation, Group A consists of two projects: (1) Program Outreach Specialist (inappropriately called CRS Specialist in the Program Budget) - will develop performance standards that are required to evaluate the Program Outreach Specialists; and (2) Marketing Analysis Consultant - will develop a generic brochure and other material useful for outreach efforts that will be provided under the DDTPAC administration. Since the Commission finds that performance standards are required to evaluate the outreach programs, the Commission concludes that the Program Outreach

Specialist project must be completed by June 1, 1997. Further, the DDTPAC needs to have a brochure and other DDTP material developed under its own DDTP logo, not under the local exchange companies logos, by June 1, 1997.

Group B consists of two projects related to development of internal financial and management controls and the development of a Business Plan. We find that these two projects in Group B to be a high priority since it is important that the DDTPAC has the tools to monitor its expenses and a business plan to direct its resources in the most efficient manner. We conclude that these two projects in Group B are to be completed so that DDTPAC has a plan to start assuming DDTP responsibilities from the local telephone companies as soon as possible.

Group C contains five projects relating to the centralization of equipment procurement and distribution functions. As part of the centralization efforts, data on DDTP consumers and equipment have to be developed to ensure accountability of all DDTP equipment plus a plan has to be developed to transfer the equipment procurement function from the telephone companies to DDTPAC. The other part of the centralization efforts is the distribution of equipment to DDTP consumers. A warehouse will be required for storage and maintenance for DDTP equipment that will not be part of the equipment voucher trial program. The DDTPAC will require assistance to have the warehouse on line by January 1, 1998. Further, the DDTPAC will conduct a voucher trial for some equipment types that are readily available in the retail market. Finally, the feasibility of Call Center concept, a customer contacts center proposal, will be investigated for DDTP operations. We find all five projects to be significant in the DDTPAC restructuring efforts of its DDTP equipment distribution.

The development of service quality standards for DDTP equipment distribution and the development of a survey instrument are two projects in Group D. We find that these two projects along with the development of service quality standards for CRS services, including Speech-to-Speech, are important steps in improving DDTP service to its customers.

Finally, the Group B project is a DDTP compensation survey. This compensation survey will be important in setting future salary levels and benefits for DDTPAC

employees as it adds staff relating to the centralization of various DDTP functions. The Commission finds the compensation survey will help the DDTPAC set the appropriate salary and benefit levels for its staff and should be incorporated in the 1998 Program Budget when completed.

The Commission approves the funding for all twelve projects, including the Call Center concept, in the 1997 Program Budget. We believe that these twelve projects will provide new approaches to improve DDTP operations for the new competitive local exchange markets. We believe that all twelve consultant projects should be completed in 1997; however, we recognize that may not be possible due to possible resource limitations and complexities of some projects. Instead we require that the DDTPAC file, within 30 days from the effective date of this resolution, with the Commission's Executive Director a work plan, for these 12 projects. The work plan should include the basis for DDTPAC's estimate for time to complete each consultant project. As mentioned above, the DDTPAC should have the two projects in Group A completed by June 1, 1997. For the other ten projects in Group B through Group E, inclusive, the DDTPAC's work plan should include an estimated timeframe for completion. The DDTPAC's work plan for all projects will provide the Commission an opportunity to act upon it.

In order to ensure that the selection of consultants for major new projects is done in an unbiased manner, the DDTPAC should use an open competitive bidding process to select consultants for any new projects budgeted at levels of over \$20,000. For new projects budgeted at levels of \$20,000 or under, the DDTPAC should obtain a minimum of three valid bids for the project as a method of selecting the consultant. Under no circumstances shall the consultant and/or their employees be employed by, or have a direct or indirect financial relationship with any entity that is represented on any of the following DDTP related committees: (1) the DDTPAC; (2) the California Relay Service Advisory Committee (CRSAC); and (3) the Equipment Program Advisory Committee (EPAC).

The DDTPAC should file a progress report every six months from the effective date of this resolution with the Commission detailing the status of each project. If any

consultant project is completed in 1997, we expect that the DDTPAC will provide its implementation plan and analysis along with impacts for those completed projects on the 1997 Program Budgets and future Program Budgets.

**PacBell's SB 60 and SB 597 Budgets**

The Joint Staff recommends that \$362,942 be excluded from PacBell's operating expense budget of \$825,630 which is part of the total program budget of \$8,171,715. [See Exhibit C-1 attached to this resolution.] The reasons cited by the Joint Staff are: (1) incorrect allocation; and (2) the inclusion of non-recurring expenses. PacBell responded that the amount was correctly allocated and that no amount was included in PacBell's equipment program operating expense budget for non-DDTP activities. Further, PacBell stated \$50,000 of the Joint Staff's recommended total exclusion was for physical modification of a facility for new service representatives. However, PacBell agrees that \$4,363.00 of the \$362,942 amount in dispute for the maintenance and housekeeping for the San Francisco office space should be reduced from its budget proposal.

We examined PacBell's workpapers setting forth the derivation of the equipment operating expense budget including those workpapers received on March 14, 1997. PacBell's latest documents indicated that the non-DDTP expense amount of \$82,492 is inappropriately included as part of the operating expense budget. In addition, the non-recurring expense of \$50,000 to purchase work stations for nine service representatives is not properly supported. PacBell projects call volumes to increase in 1997 based upon 1996 experience. PacBell is not able to provide convincing evidence that the number of new users of DDTP services have shown significant increase over the recent years. Further, DDTP is not offering any new services that warrant any additional call volumes in 1997. Therefore, the Commission adopts an operating expense budget reduced by \$132,475, not \$362,942 as proposed by the Joint Staff, to \$693,135 from \$825,630.

**GTEC's SB 60 and SB 597 Budgets**

The Joint Staff recommends that \$6,950 out of \$8,150 be excluded from GTEC's program operating expense budget of \$2,944,492. [See Exhibit C-1 attached to this

resolution.] In addition, the Joint Staff discusses GTEC's expense estimate of \$310,000 for building lease expenses but the Joint Staff did not explicitly recommend that this amount, nor a lesser amount, be excluded from GTEC's.

First, the Joint Staff recommends that \$6,950 be removed from GTEC's out-of-state travel budget. The Joint Staff argues that GTEC using out-of-state employees for DDTP meetings is at the sole discretion of GTB management. The Joint Staff included \$1,200 for four trips to DDTP meetings from GTEC's facility in California. GTEC responded that the use of its out-of-state staff is efficient and less costly since the cost of GTB's employees involved in the DDTP throughout its 28 states operations are prorated among the individual states. Further, GTEC argues that DDTPAC has pre-approved the travel budget to the DDTP meetings. We believe that the use of GTB's employees, instead of GTEC's employees, is at the sole discretion of GTB. Further, the Commission is obligated to ensure that DDTP funds are being spent properly. The Commission finds that GTEC having the pre-approval from the DDTPAC for its out-of-state travel expenses is no assurance that DDTP funds are being efficiently used. Therefore, we will remove \$6,950 from GTEC's budget while an amount of \$1,200 for travel from GTEC facilities in California to DDTP meetings will be approved for GTEC's budget.

Second, in its protest, the Joint Staff questions whether GTEC's expense of \$310,000 for building lease expenses is at a reasonable level. The Joint Staff alleges this amount is the result of the inconsistent budget standards and procedures for DDTP. PacBell did not include any expenses for DDTP related operations located in its own facilities while GTEC did include the amount for building lease expenses that occurred on its own property. In addition, GTEC did not have any amount for building lease expense for its own property in the 1996 Program Budget. GTEC responded in its reply comments that in 1996 it conducted a "comprehensive review of the expenses affected by this program,"<sup>21</sup> and discovered a number of items that were not included in the 1997 budget. The Joint Staff alleges that this discovery was the result of a question why the original amount of \$60,000, as compared to zero for 1996 budget, was included for

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<sup>21</sup> Response of GTB California, page 3.

building lease expense in the 1997 budget. It is not clear from the Joint Staff's protest whether the Joint Staff was recommending a disallowance of \$310,000 from GTEC's program budget. Nevertheless, the Joint Staff emphasized the need for standards for budgeting program expenses, including building lease expenses.

The Commission is concerned with the inconsistent budgeting standards and procedures that are used to estimate individual utility expenses. To determine a reasonable program operating expense budget for GTEC, we examined GTEC's workpapers supporting the building lease expenses and found that electricity was about half of the total annual lease costs. We also examined PacBell's workpapers supporting its building lease expenses, including electricity, and noted that the lease costs per square foot for GTEC's lease was over 300% greater than Pacific's. There is no justification for such a large discrepancy between the two utilities. We conclude that PacBell's rental lease price per square foot is more representative of building lease expenses for DDTP operations. We will impute Pacific's rental lease costs per square foot to GTEC's total square foot of its lease property to derive an amount of \$206,616 for the building lease in GTEC's territory. This amount is then added to another property lease expense in the former Contel of California's territory to derive \$219,000, a difference of \$91,000 from GTEC's estimate of \$310,000, for building lease expenses. Since the DDTPAC has no budgeting standards and procedures at this time, we will not reduce building lease expense to \$219,000 from \$310,000. Instead, we will reduce the \$91,000 difference by 50% to \$45,500 which will increase the building lease expenses from \$219,000 to \$264,500.

In 1998, to set a reasonable reimbursement range for building lease expenses, we will require the DDTPAC to have its own budgeting standards. If such standards are not in place for the 1998 Program Budget, we will require service providers to provide workpapers with proper documentation for their program budgets. It is our expectation that only expenditures relating to DDTP will be included in the 1998 Program Budget.

### Miscellaneous Revenues

In the proposed 1997 Program Budget, the DDTPAC did not include any amount for Miscellaneous Revenue. The Commission evaluated this item to see if it is proper not to include any amount for Miscellaneous Revenue in 1997. First, we examined the fines collected in 1996 and 1997 to date. Furthermore, the Commission considered the fines collected in the last two months of 1995. In 1996, the DDTPAC collected approximately \$200,000 in fines assessed to Sprint and MCI. Of the approximate \$200,000 total, Sprint paid \$184,000. The majority of the fines assessed against Sprint were after the new CRS contract with MCI that was announced in April 1996. Since MCI, to date, is having service quality problems in 1997, we conclude that the DDTPAC will collect about \$100,000 in fines from MCI in 1997. This forecasted amount is based on trends in fines paid in 1995 and 1996. Further, we expect that the miscellaneous revenue will amount to at least half of the \$200,000 in fines collected by the DDTPAC in 1996 as we expect MCI to improve its service no later than June 30, 1997.

### CONCLUSIONS:

#### **Adopted DDTP Budget and Management Audit**

Based upon the above discussion, we will adopt an interim 1997 DDTP Program Budget of \$37,765,826. This budget is a spending cap and is not an invitation to spend at that level. A comparison of the Commission's approved interim budget and DDTPAC's proposed budget is shown on the table on the following page:



1996 DDTP Interim Budget

	DDTPAC Proposed	Commission Approved	Difference (Adopted-Proposed)
Revenues	\$43,228,908	\$43,328,908	\$100,000
Expenses			
SB 244	\$18,903,419	\$18,903,419	\$ -
SB 60	13,013,397	12,876,068	( 137,329)
SB 597	3,945,159	3,897,543	( 47,616)
Admin	2,013,796	2,088,796	75,000
<b>TOTAL EXP.</b>	<b>\$37,875,771</b>	<b>\$37,765,826</b>	<b>\$ (109,945)</b>

Exhibit C-2 summarizes the Commission's adjustments to the proposed 1997 Program Budget while Exhibit B summarizes the interim 1997 Program Budget as adopted by the Commission as well as those proposed by the DDTPAC and the Joint Staff. Again, we wish to emphasize that the DDTPAC and the Commission must ensure that ratepayer funds are used in the most efficient manner while providing quality services to the deaf, hard of hearing, and disabled customers.

In the 1996 Program Budget approval, the Commission ordered an independent management audit of the DDTP's structure, practices, and operations. We have not received the final result of the management audit. We will examine the result of the management audit along with the results from the twelve consultant projects, if completed in 1997, to assess its impact on the 1997 Program Budget, approved on an interim basis, and future Program Budgets. We believe that DDTP operations will change as results of these studies, and expect structural modifications, compatible with the emerging multiple provider local exchange network, will be required in the future. Therefore, we require that the results from the management audit and for those completed, if any, twelve consultant projects, be incorporated into DDTP operations, including any recommended structural changes, as soon as possible. Thus we believe that

adoption of the 1997 Program Budget should be on an interim basis to provide us with the opportunity to adjust the 1997 Program during the course of 1997.

#### Change In Surcharge Level

Section 2881 (f) of the Public Utilities Code places a cap on the fund balance that should not exceed six months of expected spending requirements. We examined the present fund balance of the DDTP along with the interim approval of the 1997 Program Budget. We noticed that the funding balance will exceed the six months expense requirement if the current surcharge is maintained for the remainder of the year and the interim 1997 Program Budget is incorporated into DDTP operations. To eliminate the surplus fund balance, the surcharge should be reduced to 0.307 from the present surcharge of 0.36. However, as discussed above, we expect future changes to the 1997 Program Budget which may further change the surcharge requirement. To minimize customer confusion relating to possible future change, we will not change the surcharge factor at this time. We will revisit this issue later in 1997 after the submission of the management audit report and determination of possible cost savings resulting from improved efficiencies in DDTP operations.

## FINDINGS

1. DDTPAC proposes a total of \$37,875,771 for the 1997 Program Budget. [See Exhibit B attached to this resolution]
2. The Joint Staff proposed a reduction of \$294,892 or a total of \$37,580,879 in the 1997 Program Budget. [See Exhibit B attached to this resolution.]
3. The Commission has the responsibility to ensure that DDTP services are provided in the most cost efficient manner.
4. In this resolution, we will provide directions and guidelines that will complement the local competition proceeding and will serve as a model for future improvements.
5. No Commission staff that participated in the filing of the Joint Staff's protest is responsible for the preparation of this resolution.
6. The late filings of the Joint Staff's protest and PacBell's response are accepted.
7. DDTPAC will have consultants develop a centralized organizational structure for the equipment procurement and distribution functions.
8. CRS Specialists will now be called Program Specialists and will no longer do CRS outreach only.
9. The DDTP should not subsidize the marketing efforts of each utility that sells basic service to DDTP customers.
10. The DDTPAC will ensure that program funded outreach benefits the DDTP. Such outreach should include outreach for equipment, CRS, and all other DDTP services.
11. A budget of \$1,383,719, including \$176,799 for miscellaneous administrative expenses, is approved for all program outreach. As part of this program outreach budget, the Commission adopts the hiring of 9 Program Specialists, including two for Speech-to-Speech.
12. The Commission adopts the hiring of a consultant for the development of performance standards to be used by the Program Outreach Specialists.
13. The DDTPAC should file with the Commission's Executive Director program outreach standards by June 1, 1997 with Commission approval by July 30, 1997. If the Commission does not approve the standards by July 30, 1997, then the DDTPAC is expected not to reimburse any outreach activities until further Commission action.

14. MCI should initiate service improvements to improve CRS service at its own expense without any reimbursement from the DDTP.
15. MCI will file a report with the Telecommunications Division (TD) listing number and type of complaints received during each month. TD will develop the format of the report for MCI within 14 days after the effective date of this resolution.
16. We approve the DDTPAC hiring of a consultant to assist in developing the service quality standards for equipment procurement and distribution.
17. Ten other consultant projects, including the Call Center concept, will be adopted for the 1997 Program Budget.
18. In order to ensure that the selection of consultants for major new projects is done in an unbiased manner, the DDTPAC should use an open competitive bidding process to select consultants for any new projects budgeted at levels of over \$20,000. For new projects budgeted at levels of \$20,000 or under, the DDTPAC should obtain a minimum of three valid bids for the project as a method of selecting the consultant. Under no circumstances shall the consultant and/or their employees be employed by, or have a direct or indirect financial relationship with any entity that is represented on any of the following DDTP related committees: (1) the DDTPAC; (2) the CRSAC and (3) the EPAC
19. We require that the DDTPAC file with the Commission's Executive Director a work plan for the 12 consultant projects listed on page 18 of this resolution. The work plan should include the basis for DDTPAC's estimate for a timeframe to complete each consultant project, except for those two projects in Group A. The DDTPAC should have the two projects in Group A completed by June 1, 1997. For the other ten projects in Group B through Group E, inclusive, the DDTPAC's work plan should include its timeframe estimate for completion. The work plan should be filed within 30 days from the effective date of this resolution.
20. The DDTPAC will file a report, when available, with the Commission's Executive Director listing service quality standards for all DDTP services, including CRS services. As part of this filing, the DDTPAC should report the experiences gained from the provisional Speech-to-Speech service provided to date. The DDTPAC will provide a time frame proposal for filing of this report within 30 days from the effective date of this resolution.
21. The DDTPAC should file a progress report every six months with the Commission detailing the status of each project.
22. If any consultant project is completed in 1997, where deemed feasible, we expect that the DDTPAC will provide its implementation plan and analysis along with the impacts for those completed projects on 1997 Program Budget and future Program Budgets.

23. The DDTPAC needs to have its brochures and all material under the DDTP logo, not under the local exchange companies' logos.

24. The \$12,876,068 and \$3,897,543 budgets for SB 60 and SB 597 programs, respectively, should be adopted.

25. PacBell's 1997 budget for SB 60 and SB 597 should be reduced by \$132,495 for improper allocation of non-DDTP expenses. GTEC's 1997 budget for SB 60 and SB 596 should be reduced by \$52,450 for building lease and discretionary travel expenses.

26. Miscellaneous revenue should be increased by \$100,000 for future fines against MCI for its poor quality of service for CRS.

27. The 1997 Program Budget should be on an interim basis as we will be examining the impact of the final results of the management audits and results from those completed, if any, twelve consultant projects on the Program Budget. An interim 1997 Program Budget of \$37,756,826 should be adopted.

28. The surcharge rate of 0.36% will not be changed at the present time.

**THEREFORE, IT IS ORDERED that:**

1. The 1997 approved annual budget for the Deaf and Disabled Telecommunications Program shall be \$37,765,826. The details of this budget are on page 25 and Appendix B of this resolution. The 1997 Program Budget is adopted on an interim basis subject to adjustment by further Commission action during 1997.
2. A total of \$12,876,068 for Senate Bill 60 is adopted.
3. A total of \$3,897,543 for Senate Bill 597 is adopted.
4. A total of \$100,000 for Miscellaneous Revenue for possible fines collected for poor quality of service is adopted.
5. The DDTPAC is authorized to conduct twelve consultant projects, including the Call Center concept, in 1997. Further, the DDTPAC shall be required to file with the Commission's Executive Director, within 30 days from the effective date of this resolution, a work plan for the 12 consultant projects stated on page 18 of this resolution. The work plan should include the basis for DDTPAC's estimate for the timeframe to complete each consultant project, except for those two projects in Group A. The DDTPAC should have the two projects in Group A completed by June 1, 1997. For the other ten projects in Group B through Group E, inclusive, the DDTPAC's work plan should include its timeframe estimate for completion.
6. The DDTPAC shall file a report with the Commission's Executive Director listing service quality standards for all DDTP services, including CRS services. As part of this filing, the DDTPAC should report the experiences gained from the provisional Speech-to-Speech service provided to date. The DDTPAC shall provide to the Commission's Executive Director, within 30 days from the effective date of this resolution, a time-frame proposal for filing of this report.
7. The DDTPAC should file a progress report every six months from the effective date of this resolution with the Commission detailing the status of each project. If any consultant project is completed in 1997, we direct that DDTPAC file with the Commission's Executive Director its implementation plan and analysis along with impacts for those completed projects on the 1997 Program and future Program Budgets.
8. The DDTPAC shall submit the DDTPAC adopted program standards for Program Outreach by June 1, 1997. Should the DDTPAC not file its approved program standards by June 1, 1997 and/or should the Commission not issue a resolution approving these standards by July 30, 1997, then the DDTPAC is expected not to reimburse any expenses for outreach activities until further Commission action.

April 9, 1997

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 9, 1997. The following Commissioners approved its.

*Wesley Franklin*

Wesley Franklin  
Executive Director

P. GREGORY CONLON  
President  
JESSIE J. KNIGHT, Jr.  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
RICHARD A. BILAS  
Commissioners

1997

## DEAF AND DISABLED TELECOMMUNICATIONS PROGRAM

	(A) ACTUAL JUN'95-MAY'96	(B) 1996 BUDGET	(C) 1996 OUTLOOK	(D) 1997 BUDGET	(E) % DIFF (Col D/Col C)
UNENCUMBERED FUNDS - BEGIN	16,139,117	16,060,527	15,724,520	23,244,885	48%
<b>RECEIPTS</b>					
Surcharges	35,065,761	43,666,250	40,677,125	42,212,214	4%
Toll Revenues	472,828	327,000	386,994	397,660	3%
Interest	715,051	783,149	656,298	619,034	-6%
Proceeds Sales/Maturities	0	0	0	0	0%
Asset Income	0	0	0	0	0%
Miscellaneous	2,500,000	0	2,500,124	0	0%
<b>TOTAL RECEIPTS</b>	38,753,640	44,776,399	44,220,541	43,228,908	-2%
<b>TOTAL FUNDS AVAILABLE</b>	54,892,757	60,836,926	59,945,061	66,473,793	11%
<b>TELCO EXPENSE</b>					
SB 597	3,996,621	4,380,517	4,302,870	3,945,159	-8%
SB 244	19,047,172	24,240,653	19,126,769	18,903,419	-1%
SB 60	12,061,014	13,683,861	12,487,425	13,013,397	4%
<b>TOTAL TELCO EXPENSE</b>	35,104,806	42,305,031	35,917,054	35,861,975	-0%
<b>ADMINISTRATIVE EXPENSE</b>					
Trustee	28,133	29,647	30,942	30,504	-1%
Legal	800	3,000	1,450	19,200	1224%
Audit	83,492	75,000	89,295	217,500	144%
Investment Advisor	18,000	18,000	16,500	18,000	9%
DDTP - Office/Staff	377,145	416,750	439,003	607,821	38%
DDTPAC	24,941	27,325	28,794	27,166	-6%
CRSAC	23,966	38,738	30,716	46,743	52%
EPAC	13,775	31,972	22,199	31,072	40%
Consultants	45,945	36,125	56,128	349,250	522%
Interpreter Services	52,991	58,600	58,740	51,280	-13%
Electronic Mail	2,398	4,450	2,684	6,260	133%
Outreach Expense	6,661	0	6,661	609,000	n/a
<b>TOTAL ADMIN EXPENSE</b>	678,247	739,607	783,112	2,013,796	157%
<b>TOTAL EXPENSE</b>	35,783,053	43,044,638	36,700,176	37,875,771	3%
UNENCUMBERED FUNDS - END	19,109,704	17,792,288	23,244,885	28,598,022	23%

## NOTES and ASSUMPTIONS:

- 1) Surcharge estimate based on 0.36% surcharge
- 2) 12 Months Actual Data from 6/1/95-5/31/96
- 3) Column B = 1996 Budget as approved by CPUC
- 4) Column C = 7 months actual and 5 months budget

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Appendix B 1997 Program Budget							
	DDTPAC Proposed Budget (A)	Joint Staff Recomm. (B)	Difference DDTPAC-Joint Staff (C)=(A)-(B)	Adopted Program Budget (D)	Difference DDTPAC-Adopted (E)=(A)-(D)		
<b>RECEIPTS</b>							
1. Surcharges	\$42,212,214	\$42,212,214	\$ -	\$42,212,214	\$ -		
2. Toll Révenues	397,660	397,660	-	397,660	-		
3. Interest	619,034	619,034	-	619,034	-		
4. Miscellaneous	.	.	-	100,000	(100,000)		
<b>TOTAL RECEIPTS</b>	<b>43,228,908</b>	<b>43,228,908</b>	<b>-</b>	<b>43,328,908</b>	<b>(100,000)</b>		
<b>TELCO EXPENSE</b>							
5. SB 597	3,945,159	3,835,234	109,925	3,897,543	47,616		
6. SB 244	18,903,419	18,903,419	-	18,903,419	-		
7. SB 60	13,013,397	12,753,430	259,967	12,876,068	137,329		
<b>TOTAL TELCO EXPENSES</b>	<b>35,861,975</b>	<b>35,492,083</b>	<b>369,892</b>	<b>35,677,030</b>	<b>184,945</b>		
<b>ADMINISTRATIVE EXPENSE</b>							
8. Consultants	349,250	424,250	(75,000)	424,250	(75,000)		
9. All Other	1,664,546	1,664,546	-	1,664,546	-		
<b>TOTAL ADMIN. EXPENSES</b>	<b>2,013,796</b>	<b>2,088,796</b>	<b>(75,000)</b>	<b>2,088,796</b>	<b>(75,000)</b>		
<b>10. TOTAL EXPENSES</b>	<b>37,875,771</b>	<b>37,580,879</b>	<b>294,892</b>	<b>37,765,826</b>	<b>109,945</b>		

Appendix C-1									
SB 597 & SB 60 Program Budgets									
				DDTPAC Proposed Budget (A)	Joint Staff Recomm. (B)	Difference DDTPAC-Joint Staff (C)=(A)-(B)		Adopted Program Budget (D)	Difference DDTPAC-Adopted (E)=(A)-(D)
1. PacBell - SB 60 & SB 597 Budgets				\$ 8,171,715	\$ 7,808,773	\$ 362,942		\$ 8,039,220	\$ 132,495
2. GTEC's - SB 60 & SB 597 Budgets				2,944,492	2,937,542	6,950		2,892,042	52,450
3. TOTAL				\$11,116,207	\$10,746,315	\$ 369,892	\$ -	\$10,931,262	\$ 184,945

Appendix C-2

DDTP 1997 Program Budget Adjustments

	DDTPAC Proposed Budget (A)	Joint Staff Recomm. (B)	Difference DDTPAC-Joint Staff (C)=(A)-(B)	Adopted Program Budget (D)	Difference DDTPAC-Adopted (E)=(A)-(D)
1. Miscellaneous Revenue	0	0	0	100,000	(100,000)
<b>EXPENSES</b>					
2. PacBell - operating expense budget	\$ 825,634	\$ 462,692	\$ 362,942	\$ 693,138	\$ 132,496
3. GTEC - travel expense	8150	1200	6950	1,200	6,950
4. GTEC's Building Lease Expenses	310,000	310,000	0	264,500	45,500
5. Call Center Consultant	0	75,000	(75,000)	75,000	(75,000)
<b>TOTAL EXPENSE ADJUSTMENTS</b>	<b>\$ 1,143,784</b>	<b>\$ 848,892</b>	<b>\$ 294,892</b>	<b>\$ 1,033,838</b>	<b>\$ 109,946</b>