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Sent: 9/29/2010 11:07:32 AM  
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Cc:  
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Subject: CPUC Information Alert: LifeLine Proposed Decision Available

**CPUC Information Alert: LifeLine Proposed Decision Available**

The California Public Utilities Commission (CPUC) has issued a Proposed Decision modernizing the California LifeLine Telephone Program in order to better achieve the goals of ensuring that high-quality communication services remain affordable and widely available.

Highlights of the Proposed Decision by Commissioner John A. Bohn and Administrative Law Judge Maribeth Bushey include:

- Reduces the cost of telephone service for LifeLine customers from the rates they currently pay.
- Maintains the amount that non-LifeLine customers contribute to pay for the Legislatively mandated Universal Service program by among other things eliminating extra payments to carriers for administration, bad debt, and to make up for forgone federal support.
- Reforms how the LifeLine discount for low income consumers is set resulting in LifeLine customers paying between \$5 and \$6 per month based on rates today.

0 Sets a "specific support" discount for low income consumers that will provide each customer the same support amount, and have a minimum monthly price of \$5.

■..... The amount will be set annually at 55 percent of the highest basic rate of the state's communications companies without regard to the telecommunication provider or technology of service selected.

■..... The methodology is designed to meet the requirements of the Moore Universal Act that low income consumers pay no more than 50 percent of the basic telephone in the competitive communication marketplace.

●..... The initial LifeLine discount under the revised methodology will be up to \$11 effective on July 1, 2011. This amount is what will be paid to carriers as a monthly subsidy to reduce the monthly bills of LifeLine customers.

●..... Carriers may adjust their LifeLine rate annually.

●..... The decision "de-links" California LifeLine from the AT&T basic rate structure in order to ensure ongoing compliance with the law, and determines that a specific methodology is the best option to continue to meet the goals of the Moore Act and the state's overall Universal Service goals.

●..... Expands the LifeLine program to include data services for consumers that receive wireless equipment through the CPUC's Deaf and Disabled Telecommunications Program (DDTP).

●..... Clarifies that wireless carriers (and other non-traditional carriers) have been and will continue to be eligible for reimbursement by California LifeLine for providing discounted service to customers.

0 For the past decade wireless carriers have complained that the fixed price methodology used by the CPUC violates federal law with respect to wireless carrier rates. A corollary effect of the proposed modifications should provide greater flexibility to low income customers to select services beyond basic residential landline phone service, including voice services from cable providers or from wireless communications services.

0 Establishes a process to work through any issues related to how such alternative providers would participate in California LifeLine.

- Enhances technology neutrality by allowing a LifeLine customer to choose the provider that best meets his or her unique needs.

- Declines to modify the income-based criteria to match the low income energy program (CARE) income-based criteria on an interim basis pending the outcome of the review the CPUC is conducting of the interim CARE income-based criteria.

- The LifeLine rate is currently \$6.84 and will remain at that level until July 1, 2011, when the new specific support methodology goes into effect.

0 The Proposed Decision extends the LifeLine rate cap in order to ensure an orderly phase-in of the new methodology. The LifeLine program would provide additional support to carriers to ensure their rates do not exceed the current California LifeLine rate of \$6.84 for the next two years. While the new methodology is expected to maintain the LifeLine rate well below this cap, the Proposed Decision takes this extra step to protect those consumers most reliant on basic telephone service.

## **BACKGROUND**

In 2006, the CPUC opened this proceeding to evaluate whether California's Universal Service public policy programs should be updated to reflect

changes in the telecommunications industry. Through this Rulemaking, the CPUC set out to reform California LifeLine in order to guarantee that high-quality communication services were affordable and widely available to all. This Proposed Decision adopts a new methodology for providing LifeLine support to consumers and in doing so ensures that the CPUC will continue to monitor impacts on ratepayers, make sure that the basic rate remains just and reasonable, and that the LifeLine rate remains affordable.

This Proposed Decision recognizes significant technological and regulatory changes in the telecommunications industry and the flexibility of the statutory structure underlying the Moore Universal Telephone Service Act. The Proposed Decision reviews the current state of California LifeLine including how, absent change, the fund could grow to almost \$500 million over the next few years. The Proposed Decision recognizes that the current methodology is not in the best long-term interest of consumers and reviews the options for change.

The Moore Universal Telephone Service Act was established in 1983 to provide rate relief for customers "who are most vulnerable to the rising costs of phone service," including "the needy, the elderly, the handicapped or infirm, and rural residents." Today, the program it created is referred to as the California LifeLine Telephone Program. While California LifeLine has helped move closer to the Universal Service goal of a 95 percent penetration rate for many years, assisting almost 2 million households, its policies should provide an evolving level of telecommunications services and take into account advances in telecommunications and information technologies and services in order to help connect low income in the 21<sup>st</sup> Century.

The Proposed Decision is available at  
<http://docs.cpuc.ca.gov/efile/PD/124083.pdf>.

October 28, 2010, is the first opportunity the CPUC Commissioners will have to vote on this issue.

Please let me know if you have any questions.

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