SECTION 11

TELECOMMUNICATIONS DIVISION

The **Telecommunications Division** assists the Commission in developing and implementing policies and procedures to facilitate competition in all telecommunications markets, and to address regulatory changes required by state and federal legislation.

The Division's ongoing role is to help the Commission in ensuring all of the following: the provision of telecommunications networks where there is a large number of competing providers using a variety of technologies; ensuring fair, affordable, universal access to necessary services, with special emphasis on preserving universal access; developing clear rules of the game and regulatory tools to allow flexibility without compromising due process; removing barriers that prevent a fully competitive market; and reducing or eliminating burdensome regulation.

FIVE TO TEN YEAR OUTLOOK

Over the next five to ten years the telecommunications industry will continue to become more competitive. This is already apparent in certain segments of the market for such offerings as xDSL or high bandwidth advanced services. However, not all segments of the market are becoming more competitive at the same time, so the Telecommunications Division will continue efforts to remove barriers to a competitive market for telecommunications services. As described below, the traditional roles of the Telecommunications Division will shift to a focus on such issues as telephone numbering resources, consumer protection, universal service availability, expeditious resolution of customer complaints and competitive carrier disputes, and to a role as an information clearinghouse.

In an effort to determine next steps the Commission should take in response to the evolving telecommunications market, the Telecommunications Division, in conjunction with the Division of Strategic Planning, will facilitate roundtable discussions with stakeholders on major issues such as convergence of regulated industries, consumer protection issues, and parity. The roundtables will lead to development of a report, with recommendations to the Commission on the next phase of telecommunications regulation. The outcome of the process will be specific objectives, which will be incorporated into the 2000 - 2001 Business Plan.

The need for telephone numbers has increased with competition. Each carrier must have a prefix in each rate center it desires to do business. Because of this requirement, 13 area codes have been added since January 1997, and there are plans to add at least 15 more by the end of 2002. In the next several years, the Commission will need to address number utilization, rate center consolidation, number pooling and other conservation measures in order to resolve the number

crisis within California.

The 1996 Telecommunications Act mandates the availability of affordable basic telephone service. The Commission's Universal Service programs have responded to the Act's requirements. The need for these programs to provide explicit subsidies to customers with special needs will most likely continue over the next five to ten year period.

The Commission has stated its intention to periodically re-evaluate its Universal Service programs to determine whether they are accomplishing their goals, and whether funding is reasonable, and will do this both in the near term and long term.

As communications services for voice, data, and video converge, the lines between regulated services and the unregulated marketplace are becoming blurred. As this convergence brings additional entrants into the telecommunications marketplace, the incumbent monopolies will eventually be broken up. Although this break up will probably not be accomplished within 5-10 years, much progress will be made. Consumers will have a wider choice of telecommunications service providers five years hence.

As markets have become more competitive, the Commission's role has changed from that of regulating a single carrier to that of a referee in a multi-player environment. In this new marketplace, where new entrants attempt to compete with the incumbents, the Commission's new role is to help ensure development of fair competition. To this end, the Commission needs to ensure that the sources of the explicit subsidies are as competitively neutral as possible. Such explicit subsidies may become unnecessary as competition supplants regulation.

The multi-vendor marketplace of the next 5-10 years, however, will make unwary consumers more likely to become victims of marketing scams that did not exist when only one provider existed. Thus, the Commission's role of protecting and educating ratepayers will become increasingly important. CPUC rules will identify the rights and responsibilities of both consumers and carriers in an environment that will become increasingly de-tariffed and reliant on individual customer contracts. If adequate protections are not in place, as the use of tariffs declines, consumers may be subject to a variety of fraudulent practices such as slamming and cramming.

In any transitional market it is inevitable that disputes will arise. The Commission will continue to act as the arbiter of disputes between consumers and carriers, as well arbiter for disputes between carriers. The Commission will have in place expedited dispute resolution processes which will facilitate timely resolution of disputes and use a minimum of public resources.

The Commission will have the ongoing role of developing and promulgating standards or regulations for quality of service and safety, and monitoring compliance.

As incumbent carriers transition into the more competitive marketplace, the Commission will have a continuing role in monitoring competitive conditions to be able to discern when incumbents should be granted flexibility for pricing services once considered to be monopoly services. Also, as data, video and traditional voice information technologies converge, the Commission must monitor how carriers provide regulated versus non-regulated services.

For incumbent carriers and carriers that continue to file tariffs with the Commission, there will be the opportunity to do so electronically thus streamlining the process for requesting approval and filing those tariffs. Streamlining regulatory processes is necessary to promote the competitive ability of the tariffed carriers while allowing due process for all interested participants.

In the transition to a competitive telecommunications market, the Commission should expand its role as an information clearinghouse. It then is the definitive source of information on service quality, rates and service availability. As the prevalence of tariffs decrease, access to information including carrier lists, rate comparisons and service availability becomes vitally important. The Commission should also provide educational material for the myriad of competitive products and services, and the benefits and pitfalls of the competitive market.

CHANGES IN PRIORITIES

The crisis in numbering and the proliferation of new area codes have resulted in increasing Commission resources being devoted to the numbering problem. Personnel will continue to be redirected to address numbering concerns.

The FCC has set a specific deadline for states to implement geographic deaveraging of unbundled elements. Resources will have to be redirected this year to assist in implementing geographic deaveraging.

The Commission will perform the triennial review of the CHCF-B, as required by D.96-10-066, coordinate with the Federal Education Discount Program (E-Rate Program) to integrate the federal program with the California Teleconnect Fund (CTF.), and revise oversight and management of the Deaf and Disabled Telecommunications Program (DDTP). Personnel will be dedicated to overseeing the transition of the DDTP to a centralized equipment distribution program that will enhance the efficiency and competitive neutrality of the program.

Subject to the passage of new legislation (SB 669), the Division will integrate the budgets for the Universal Service Public Programs into the CPUC budget process, including all costs of the six Universal Service Advisory Boards associated with the administration and oversight of the programs and funds. If SB 669 is signed into law, and current external program positions become the CPUC's responsibility, the CPUC will incorporate 53 new positions at various civil service levels into the budget. These 53 positions represent the same number of person

years and classifications as the Commission has adopted through the public program budget process for the ULTS, DDTP, and PSP programs for calendar year 1999.

As a step toward streamlining the Advice Letter filing and Resolution processes, the Division will develop a system for maintaining tariffs in electronic format. The development of this system will be in concert with the other industry divisions that maintain tariffs, and builds toward the long-term goal of instituting an electronic filing system that allows both efficient processing and public access.

1999 - 2000 TELECOMMUNICATIONS DIVISION OBJECTIVES

All program elements are ongoing unless specified otherwise. New programs or program elements show implementation dates.

Objective A: Open Telecommunications Markets to Competition

Over the past five years, the Commission has implemented the policies outlined in its 1993 report *Enhancing California's Competitive Strength: A Strategy for Telecommunications Infrastructure*, and its December 1994 *Roadmap* decision which established a procedural process to bring competition to California's telecommunications markets. Some of the goals in the *Roadmap* have been accomplished. Implementation of others is ongoing. The Telecommunications Division will analyze and develop options and recommendations to assist the Commission in implementing its policies, strategies, and decisions.

Strategy 1 Address problems associated with number exhaust and implementation of new area codes. (High Priority)

- Address area code relief efforts, and resolve relief complaints and petitions. (Local Competition)
- Address resource issues: including NXX lottery and number utilization. (Local Competition)
- Consider initiating rulemaking on number pooling, rate center consolidation, other conservation efforts and implementation costs.
- Revisit the issue of 11-digit dialing and mandatory overlays (Overlay Rulemaking)
- Continue pursuing authority from the FCC to institute number

conservation measures such as: number pooling, number utilization, and service-specific area codes.

Strategy 2 Issue rules to remove barriers to competitive telecommunications markets:

1) **Local Competition Rules** (R.95-04-043 and I.95-04-044):

- call rating/routing issues pursuant to D.99-09-029
- outstanding issues relating to resale restrictions
- issues relating to control of telecommunications facilities on multiple dwelling unit properties
- implementation costs
- call termination issues
- further rulemaking on collocation issues to implement FCC Order 99-48.

2) **Institute rulemaking to implement geographic deaveraging as ordered by the FCC in CC Docket No. 96-98** (High Priority)

- Establish at least three geographic rate zones for unbundled network elements and interconnection that reflect cost differences
- FCC set deadline for states to implement: six months after the FCC issues its order in CC Docket No. 96-45 finalizing and ordering implementation of high-cost universal service support for non-rural LECs. The FCC order is anticipated in the fall of 1999. (Begin 4th quarter 1999)

3) **Revisit CEQA Rules for CLECs,** in conjunction with the Energy and ALJ divisions. Initiate rulemaking to revise rules as necessary. (4th Quarter 1999– High Priority)

4) **Finalize Open Access and Network Architecture Development (OANAD) Rules**: continue implementation of open access rules to provide availability of basic network functions necessary for provision of competitive local exchange service, and develop permanent wholesale discounts for resale services.

- issue a proposed decision on collocation pricing in the 3rd quarter of 1999. (High Priority)

- issue procedural ruling requesting comments on impact of Supreme Court decision on CPUC's ongoing proceeding to set permanent wholesale discounts. (3rd Quarter 1999)

- issue a proposed decision on GTEC TELRIC costing. (4th Quarter of 1999)

- initiate pricing phase for GTEC's UNEs. (1st Quarter 2000)

5) Adopt Operations Support Systems (OSS) measurements and set performance standards (High Priority)

- develop a performance monitoring mechanism for operations support systems

- evaluate the parity of access by incumbents and competitors

- set performance standards as appropriate

- adopt incentive mechanism to ensure compliance if standards are not met or improvement is not shown

- performance measures and standards will be adopted 3rd quarter 1999, as will the change management process. Incentives will be addressed in 4th quarter of 1999.

6) Address Pacific Bell Entry into Long Distance Market (High Priority)

- Determine Pacific's compliance with Section 271 of the 1996 Telecommunications Act. (End of 1999)

- Determine Pacific's compliance with Public Utilities Code Section 709.2, which is the state equivalent of Section 271 codified from the Costa Bill; Section 709.2 also requires a public interest test. (1st Quarter 2000)

7) **Implement future FCC Order in CC Docket 98-147 resolving technical and operational issues relating to sharing a line to provide voice and data services** (2nd quarter 2000)

8) **Assist in the timely resolution of competitive carrier vs. carrier complaints**
(Ongoing)

9) **Conduct Access Charge Reform:** open a proceeding to review the structure and pricing of switched access charges, and evaluate the effects of the May 7, 1997 FCC access reform order changing interstate access charges. (2nd quarter 2000)

10) **Provide annual report to the Legislature on the status of competition in the telecommunications marketplace** pursuant to PU code Section 316.5. (October 31, 1999)

11) **Initiate investigation/rulemaking on the level of reciprocal compensation for termination of local calls.**
(High Priority)

Strategy 3 Implement the Telecommunications Act of 1996. Participate in Federal Communications Commission (FCC) proceedings, and defend Commission actions and jurisdiction in Federal Court Proceedings.
(Ongoing)

- Intervene in FCC proceedings regarding: unauthorized changes to consumers' long distance carriers ("slamming") or unauthorized billing for services ("cramming"), line sharing and other deployment of advanced services, and network unbundling obligations.

- Intervene in FCC proceedings regarding area code relief and number conservation issues as well as pursue clarification of and additional authority to implement these measures.

- The Act sets up procedures and a timeline for states to approve voluntary or arbitrated interconnection agreements between incumbents and other telecommunications carriers. Additional new entrants are expected to come to the Commission during 1999 and 2000 with voluntary agreements or requests for arbitration.

  In addition, in 1999 the Commission began to receive requests for arbitration from carriers whose previous two-year agreements had

expired. The three-year agreements that three major carriers: AT&T, MCIWorldCom and Sprint have with Pacific Bell and GTEC are scheduled to expire at the end of 1999 or early 2000. If those cases are not settled and go to arbitration, there will be a corresponding increase in staff workload to address them.

(Note: Arbitrations are a high priority due to the tight timeframe mandated by the Telecommunications Act.)

Strategy 4 Eliminate or Streamline Regulations to Facilitate Competition

1) **Develop and Streamline Minimum Consumer Protection Rules Applicable to All Telecommunications Carriers.** Staff recommends opening a proceeding to identify rules necessary to protect consumers in a competitive telecommunications market. Streamlining will simplify and clarify rules and provide equality of regulation across all industry participants. It will identify customer and carrier responsibilities in a competitive marketplace, where carriers establish non-tariffed agreements with their customers. (1999/2000)

2) **Develop and Streamline General Order 96 - Advice Letter Process Rules**

- The GO 96 Reform OII/OIR is to simplify and streamline the rules by which telecommunication carriers request tariff changes through the Advice Letter process. This effort includes participation in an inter-divisional team to establish common industry "umbrella" rules. (1999/2000)

- Develop and institute electronic filing requirements. An electronic filing process will increase Division efficiency in processing advice letters and resolutions in the long term. (1999/2000)

3) **Examine Barriers to Entry**: The Commission will continue an ongoing review of Commission policies, practices and procedures as well as a review of legislative and regulatory mandates in order to streamline regulation and remove or minimize barriers to competition and respond to the changing telecommunications environment. These efforts will be made by an interdisciplinary staff team, which will meet as necessary to evaluate progress and identify impediments to the achievement of fully competitive markets. (Ongoing)

Strategy 5 Cooperate with the State Legislature, Congress and Other State Agencies by responding to inquiries, presenting positions on pending bills, and participating in committee hearings and other matters

affecting telecommunications. Inform the Governor's Office, legislative offices, the CPUC Office of Governmental Affairs, and the Legal Division on critical telecommunications issues, including SB 960 code reform. (Ongoing)

Strategy 6 Review and Update the *Roadmap* to reflect remaining goals, including 1996 Telecommunications Act mandates, and to determine when particular regulatory burdens may be lifted as competition eliminates the need for them. (Ongoing)

Objective B: Promote Universal Service and Protect Consumers with Special Needs in a Competitive Telecommunications Market

Strategy 1 Implement SB 669 (High Priority)

- Respond to legislation that, if signed into law, will require the Commission to:
- Develop, review, and propose annual budgets for Universal Service Programs, upon which the Commission must act within 90 days of submittal.
- Create a separate fund for each of the programs such that the moneys authorized by the Commission to be collected by telecommunications corporations will be forwarded by the CPUC to the State Controller to be deposited into the appropriate fund.
- Integrate the budgets for the Universal Service Public Programs into the CPUC budget process, including all costs of the advisory boards and the Commission associated with the administration and oversight of the programs and funds.
- If the 53 external positions are brought into the CPUC, they represent the same number of person years and classifications as the Commission has adopted through the public program budget process for the ULTS, DDTP, and PSP programs for the calendar year 1999.

Strategy 2 Universal Lifeline Telephone Service (ULTS)

- Continue to provide a discount program for eligible low-income consumers.

- Complete the Order Instituting Rulemaking to modify the ULTS program and its corresponding General Order 153 to reflect updated Commission and FCC decisions on Universal Service. (A draft decision is pending).

- Continue to work with the ULTS Marketing Board to:

  - implement an interim marketing plan to increase awareness of the ULTS program.

  - conduct a market assessment study to determine an appropriate permanent marketing plan for increasing awareness of the ULTS program, and

  - implement a permanent marketing plan to increase awareness of the ULTS program.

- Establish an Internet-based program to allow carriers to maintain their regulatory contact information, and to report surcharges and user fees online. (Ongoing)

- Budget development, review, and monitoring for the year 2000, and establishment of a program surcharge and funding level for the ULTS Program.

- Prepare a report to the Governor and the California Legislature, pursuant to PUC 739.3, on the status of the Universal Telephone Service Programs and Funds. (December 1, 1999)

Strategy 3 California High Cost Funds (CHCF-A & B)

- Perform the triennial review of the CHCF-B, as required by D.96-10-066. (3rd Quarter, 1999)

- Provide high cost support through the CHCF-A for small, rural carriers.

- Provide high cost support through the CHCF-B to carriers of last resort (COLRs) serving high cost residential customers.

- Review monthly CHCF-B claim statements.

- Set up a trust for carriers to remit program funds.

- Full implementation of CHCF-B with a flow of funds through a trust and approval and payment of claims by the Administrative Committee.

- Work with the Interim Administrative Committee to resolve administrative issues such as long term governance and the Commission's role in the CHCF-B's hiring and procurement.

  (Ongoing)

- Monitor federal universal service programs including reviewing cost models and auction mechanism(s).

- Establish an Internet-based program to allow carriers to maintain their regulatory contact information, and to report surcharges and user fees online.
  (Ongoing)

- Budget development, review, monitoring, etc. for the year 2000, and establishment of a program surcharge and funding level for the CHCF-A & CHCF-B programs. (Ongoing)

Strategy 4 California Teleconnect Fund (CTF)

- Promote universal access to telecommunications services by offering discounted services to schools, libraries, county/municipally owned and operated health care providers and community-based organizations offering health care, job training, job placement or educational instruction. Continue to process applications for the CTF.
  (Ongoing)

- Coordinate with the Federal Education Discount Program (E-Rate Program) to process claims for the CTF.

- Work with the Interim Administrative Committee to resolve administrative issues. (Ongoing)

- Set up a trust for carriers to remit program funds.

- Set up a reporting process for CTF claims by the carriers in order to process payments for discount services provided by the carriers.

- Full implementation of the CTF program with a flow of funds through a trust and approval and payment of claims by the Administrative Committee.

- Establish an Internet-based program to allow carriers to maintain their regulatory contact information, and to report surcharges and user fees online. (Ongoing)

- Budget development, review, monitoring, etc. for the year 2000, and establishment of a program surcharge and funding level for the CTF.

- Perform the triennial review of the CTF as required by D.96-10-066.

Strategy 5 Deaf and Disabled Telecommunications Program (DDTP)

- Continue to provide the California Relay Service.

- Through the DDTP, distribute authorized equipment for the deaf and disabled.

- Revise oversight and management of the DDTP.

- Oversee the transition to a centralized equipment distribution program that will enhance the efficiency and competitive neutrality of the program. (Ongoing)

- Establish an Internet-based program to allow carriers to maintain their regulatory contact information, and to report surcharges and user fees online. (Ongoing)

- Budget development, review, monitoring, etc. for the year 2000, and establishment of a program surcharge and funding level for the DDTP.

Strategy 6 Customer-Owned Pay Telephone (COPT) Oversight

- Continue oversight of the Payphone Service Provider (PSP) Enforcement Program on a statewide basis.

- Implement the statewide Public Policy Payphone Program.

- Budget development, review, monitoring, etc. for the year 2000, and establishment of a program surcharge and funding level for the COPT Oversight programs.

Strategy 7 Implement Public Payphone TTY Program Mandated by AB 3152

- Oversee the implementation of AB 3152, which mandates the augmentation of disabled access to payphones in public places.

- Budget development, review, monitoring, etc. for the year 2000, and

establishment of a program surcharge and funding level for the Public Payphone TTY Program
[Ongoing]

Strategy 8 Implement the consumer education and outreach projects mandated by D.96-10-066, D.97-03-067, and D.97-11-035.

- Coordinate with the Consumer Services Division (CSD) to compile the annual report ordered by D.96-10-066, summarizing the complaint history of each certificated carrier, and any open investigations into such carrier.
(Ongoing]

- Coordinate with the Consumer Services Division (CSD) to implement a data collection system necessary to prepare the aforesaid annual report.
(Ongoing]

- Monitor and enforce the CLCs' provision of the information matrix required by D.96-10-066.
(Ongoing]

- Implement the consumer education programs ordered by D.96-10-066.
(Ongoing)

- Establish a Commission liaison to the Community Partnership Committee (CPC), as ordered by D.97-03-067 and D.97-11-035. The formation of the CPC was a condition of the Commission's approval of the Pacific Telesis/SBC merger.

Objective C: Continue Traditional Regulatory Mandates

These traditional responsibilities include the review of general rate cases for companies still operating under cost-of-service regulation, the operation of the new regulatory framework for companies operating under incentive regulation, approval of mergers, monitoring of service quality and consumer protection.

Strategy 1 Review Small Local Phone Companies' Services

- Review proposal to eliminate/revise inter-company settlement payments to the small LECs. (4th Quarter 1999)

- After a determination is made regarding the inter-company settlement payments, initiate a proceeding that will determine how the operations of California's 17 small LECs should be evaluated to ensure continued service availability to rural customers. (4th Quarter 1999)

Strategy 2 Continue New Regulatory Framework (NRF) Reform:

- Address 1999 price cap filings by the current four NRF utilities, and shareable earnings filings by Citizens and Roseville.

- Assist the Commission in the review of ORA's "NRF Audit" reports for Pacific Bell and GTE-California. Report is scheduled for release in 2000. (3rd Quarter 2000)

- Process telecommunications carrier's requests for new services, price floor filings, service re-categorization filings, pricing flexibility filings and rate increase/decrease applications and contract filings for the NRF companies. Requests will be reviewed and processed in compliance with SB 960 and SB 779 procedures. (Ongoing)

- Process GTEC's petition to modify D.96-03-020 to allow for immediate pricing flexibility for Category II services. (1999/2000)

- Assist the Commission in its review of Citizens and Roseville's NRF programs. Major issues include: indexing, sharing, Z factor mechanisms, the continued need for depreciation reviews, and changes to the monitoring program. A Commission decision is expected during 2000.

- Assist the Commission in developing options for increased pricing flexibility by Incumbent Local Exchange Carriers under NRF.

Strategy 3 Assess Claims of Franchise Impacts In D.96-09-089, the Commission concluded that the introduction of competition into Pacific Bell's and GTE-California's markets does not constitute a taking of their "franchise". Both LECs may file an application to establish whether the introduction of competition into their local markets, combined with the current NRF-established depreciation methods, has deprived them of an opportunity to earn a fair rate on "regulated assets." Either company could file over the 1999-2000 period.

Strategy 4 **Assist the Commission in Expeditious Review of Proposed Mergers for Compliance with PU Code Section 854(b)**
Consolidation is a major telecommunications industry trend. In addition to the pending mergers below, the Commission expects other telecommunications companies subject to its jurisdiction to enter into mergers requiring its review during 1999 and 2000.

- GTEC/Bell Atlantic
- AT&T/MediaOne
- Separate affiliate for Pacific Bell's data services required under SBC/Ameritech merger conditions
- Review proposal by Citizens Telecommunications Company to purchase and operate small LECs in some exchanges previously served by GTE. (1999/2000)

Strategy 5 **Perform monitoring and compliance activities**, and review and propose modifications to respond to the changing telecommunications environment.

- review advice letter filings for new and revised tariffs, contracts and CPCN applications (CLC and IEC authority)
- Monitor affiliate transactions and subsidiary issues, centralized-credit-check-system, compliance with privacy rules and compliance with inside-wire rules. (Ongoing)
- Complete, by November 1, 1999, analysis of telecommunications carriers' compliance with Y2K readiness as mandated by Commission Resolution M-4792. Quarterly updates are being reviewed, and

  contingency plans are due July1. Review carrier test results and Y2K preparedness statements. (4th Quarter 1999)

Strategy 6 **Reduce Advice Letter Backlog** to 100 by 4th Quarter of 2000, and process all 1999-2000 advice letters within 90 days of receipt, if possible, given that priority will be given to projects that have statutory or Commission-imposed deadlines.

Strategy 7 **Update Carrier Lists** to reflect continuing carrier informational changes such as new/revised addresses, telephone numbers, bankruptcies and carriers who no longer provide service. The current carrier list consists of 1,250 carriers, all of which will have to be reviewed. (Ongoing)

Strategy 8 **Expand Cooperation with Local Jurisdictions** on local competition and competitor access, numbering, 911 service, cell siting, environmental impacts of CLCs, and highway emergency service issues. (Ongoing)

Strategy 9 **Assist in Processing 851 Applications**
Assist ALJs in processing telephone utility requests under P U Code Section 851 requesting authority to lease, sell, mortgage, encumber, or otherwise dispose of property necessary or useful in the conduct of utility operations. The Telecommunications Division evaluates compliance with Commission rules and policies. (As needed)

CONSUMER PROTECTION

Objectives

- Improve CPUC response to customer complaints. As a high priority, participate with the Consumer Services Division in efforts to resolve informal and formal customer complaints.
  (Ongoing)

- Propose rules to prevent carriers from the unauthorized switching of a telephone subscriber's service provider - "slamming", and from the unauthorized placement of charges on customer bills by a third party service provider – "cramming". Review will include an evaluation of LEC disconnection policies. (3rd Quarter 1999)

- Review parties' comments on the proposed GO 133-B revisions in the Quality of Service OII/OIR and assist the Commission in the development of revised service quality standards appropriate for the competitive telecommunications industry. (4th Quarter 1999)

- Investigate allegations of unlawful sales policies and practices by Pacific Bell. Some issues to be addressed in this proceeding will include: (1) unlawful marketing of Caller ID, (2) deceptively marketing packaged services, and (3) employing sales programs and practices which operated to the detriment of quality customer service. (3rd/4th Quarter 1999)

- Monitoring and enforcement efforts associated with facility safety standards specified in GO 95 and GO 128 for overhead and underground facilities, and GO 152 and GO 133-B for service quality standards governing installation, repair and line quality.
  (Ongoing)

KEY PERFORMANCE INDICATORS

◊ As of June 30, 1999, the advice letter backlog is 880. Vacancies and higher Commission workload demands during 1998-99 including numbering issues, the Pacific Bell long distance entry application, and other priorities in opening the market to competition have not allowed the Division to reduce the backlog to its previously stated goal. Although the objective (Strategy 6 of Objective C) is to reduce the advice letter backlog to 100, continued priority and personnel have been allocated to projects with statutory or Commission-imposed deadlines.

◊ Process all 1999-2000 filed advice letters within 90 days of receipt. The proposed voluntary detariffing of all non-dominant carrier non-basic

services, and certain LEC's fully competitive services, if adopted, should reduce the overall volume of advice letters filed.

PROCESS INNOVATIONS

Resolution of Carrier-to-Carrier Disputes

Under the terms of SB 960, the Commission has 12 months to resolve adjudicatory cases such as the complaints that arise between carriers. In an effort to shorten the time frame for resolving disputes involving access to Rights of Way, the Commission adopted a somewhat expedited process in its Rights of Way decision, but the timeframes were still longer than competitive carriers would have liked.

The Commission's usual formal complaint resolution processes are too slow to deal effectively with many of the issues that arise between carriers. Many disputes could impact customers' service, and those need to be resolved promptly. Other disputes, such as those involving access to incumbent facilities, if not resolved quickly, could cause a competitor to lose a customer.

There are about 40 facilities-based competitive carriers in operation in California. Competitors perceive the slow pace of Commission resolution of carrier-to-carrier disputes of great concern. They raised the issue in the rights of way proceeding, and also in Pacific Bell's 271 proceeding.

The Legislature needs to be involved in fashioning any remedy to the current complaint process because reform may require amendments to current statutes. Also, the Office of Administrative Law must approve any changes to the CPUC's Rules of Practice and Procedure.

Tariff Reform for Changing Conditions in Telecommunications Markets

For those telecommunications carriers that are required to file tariffs with the Commission, G.O. 96-A establishes the guidelines for filing and amending rates, terms and conditions for services offered. Carriers must request tariff changes through Advice Letters which are reviewed and approved by the Commission with timelines dependent upon type of carrier and service. Current tariffs are kept on file at the Commission as public documents and are available to customers for review. As competition has developed and the array of services has increased, a backlog of Advice Letters and approved tariffs has developed. The existing process at the Commission is paper intensive.

Most customers of telecommunications services in California are provided service under the rates, terms and conditions of the tariff. There are a varied number of services, combinations of services, and promotions of services that are available under tariffs at any time. Unfortunately tariffs are not easily accessible, user-friendly or timely documents for the majority of telecommunications customers. As competition develops in telecommunications markets, customers and competitors should have a centralized, current and comprehensive system that

is accessible for information about various services. Tariffs, although not user-friendly at this time, would be a place to start in providing customers and competitors information required to make cogent comparisons and choices in an ever-changing market.

Current, comprehensive and easy to use information is a necessary component for all customers, utilities, and the public to enjoy the benefits of competitive telecommunications markets.

Within the Commission, other utility divisions maintain tariffs. Any system that involves using tariffs to provide information to stakeholders should be a joint effort of the Water, Energy and Telecommunications divisions. There are no other Departments involved in the process but all other Departments may potentially benefit from the information generated in the reform of the process.

The Telecommunications Division is actively involved in a number of projects that can mitigate the affects of the process problems described above. In the longer term the revision of G.O. 96 guidelines will streamline and expedite the processes involved in adopting and changing tariffs. The Division is also working on an effort to provide tariffs in electronic format to increase accessibility and user friendliness.

Streamlining the Application Process for the California Teleconnect Fund

The California Teleconnect Fund Program (CTF) program provides a 50% discount to qualifying schools, libraries, and hospitals for specific basic telecommunications services, which ultimately also can facilitate their access to the Internet.

Currently, the CPUC reviews applications for eligibility, and processes claims to the CTF for each recipient organization on a service-by-service basis. Prospective program recipients must apply by paper filings. Additionally, reports, claims and remittances are submitted on paper forms.

There is a long turnaround time for processing a CTF application because of the large number of applications and the limited number of staff available to review them. Once approved for specific services, customers must re-apply to add services. These processes may discourage prospective applicants from applying for the program, which means that they cannot receive discounts to which they are entitled. The additional work and delays inherent in processing reports, claims and remittances submitted on paper forms may also deter prospective recipients from applying, or deter those already in the program from asking for additional services.

So far 2,300 entities have been certified to receive CTF discounts. The number of remaining potential applicants is not known, but could number in the hundreds or thousands.

The Departments of Education and Health may also be involved because schools, libraries, and hospitals are primary recipients of the program.

The CPUC Telecommunications Division will streamline processing CTF applications, remittances, and claims, and hold workshops to discuss proposed changes with program stakeholders. Before the end of 1999, a primary improvement will be to give a one-time approval for CTF status. Then program participants will be eligible to receive discounts for additional services without having to be approved for each new service.

The Division intends to set up an electronic interface for applications, information, remittance, and claims filings. The electronic interface could be in place within two years, and will make it much easier for program participants to apply, file reports, and submit claims for reimbursements.

RESOURCE ALLOCATION

Objective	Authorized	Positions Filled	Vacancies
A - Open Telecommunications Markets to Competition	19	14	5
B - Promote Universal Service and Protect Consumers with Special Needs in a Competitive Telecommunications Market	15	12	3
C - Continue Traditional Regulatory Mandates	19	15	4
Support Staff	6	5	1
Division Administration	3	3	
Total Division PYs =	62	49	13

7-30-99

Impact of Vacancies

There are thirteen vacancies which significantly hinder the Telecommunications Division's ability to successfully accomplish the stated objectives of this Business Plan. Based upon the projected workload from the Plan's objectives, vacancies will result in: (1) less comprehensive technical assistance to decision-makers; (2) less timely technical advice to decision-makers, (3) deferral of implementation issues, and (4) less timely response to telecommunication carrier advice letter filings.

For Objective A – Open telecommunications markets to competition, there are five vacancies which will adversely limit the ability of the Division to open telecommunications markets to competition. Those vacancies are in the Local Competition, OANAD, Access Charge Reform, Section 271 and NRF implementation and reform dockets. Further, as one of the vacancies is dedicated to the provision of the annual report to the Legislature on the status of competition in the telecommunications marketplace pursuant to PU Code Section 316.5, there will most likely be a delay in issuing the report.

For Objective B – Promote universal service and protect consumers with special needs, there are three vacancies, which will critically hinder the ability of the Division to achieve the universal service objective. These positions are necessary to implement and oversee the CHCF-B and CTF funds.

For Objective C – Continue traditional regulatory mandates, there are four vacancies which will negatively impact the ability of the Division to fully administer the advice letter and resolution processes in a timely manner. These positions will oversee the administrative processes involved in handling utility advice letters, Division-sponsored resolutions, and tariff administration under the SB 779 rules which require resolutions be afforded the same opportunity for public review and comment as Commission Orders.

Addressing Resource Constraints

⇒ The Telecommunications Division is continuing efforts to fill key vacancies which will allow successful achievement of the objectives laid out in this Business Plan. A competitive marketplace, however, has made hiring efforts difficult.