Decision **PROPOSED ALTERNATE PAGES OF COMR. BILAS** (Mailed 5/25/00)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Own Motion to Consider Modifications to the Universal Lifeline Telephone Service Program and General Order 153.	Rulemaking 98-09-005 (Filed September 3, 1998)

Appendix A	Existing General Order 153.	PC Docs No. 59316.
Appendix B	Adopted General Order 153, including adopted ULTS Claim Form.	PC Docs Nos. 58475 and 58576.
Appendix C	Adopted ULTSAC Charter.	PC Docs No. 54746.
Appendix D	Draft Notice of Availability.	PC Docs No. 54723.
Appendix E	Adopted Surcharge Transmittal Form.	PC Docs No. 61489

D. Uniform Standards and Administrative Procedures

There is considerable flexibility in how ULTS program rules are implemented with respect to individual carriers and utilities.[1] In the OIR, the Commission proposed to adopt uniform standards to govern the implementation of key aspects of the ULTS program. By adopting uniform standards, the Commission sought to achieve two goals: (1) reduce ULTS program administrative costs, and (2) administer the ULTS program in a competitively neutral manner by treating all carriers and utilities equally and fairly. In the next section of this decision, we consider whether to adopt the uniform standards proposed in the OIR.

1. Uniform Standard for Reimbursement of Lost Revenues

a. Background

Utilities are required to provide basic residential telephone service (BRTS) to ULTS customers at discounted rates and charges.[2] This requirement causes utilities to lose an amount of revenue ("lost revenues") for each ULTS customer they serve equal to the difference between (1) the utility's normal tariffed rates and charges for BRTS and (2) the discounted ULTS rates and charges. General Order 153 indicates that the ULTS Fund will reimburse utilities for their lost revenues, but GO 153 provides little guidance on how to determine the amount of reimbursement. In D.96-10-066, the Commission ordered the ULTS Fund to reimburse utilities, on a per-customer basis, for the difference between the

[1] The term "carrier" refers to any provider of intrastate telecommunications services. The term "utility" refers to any carrier that is required to offer ULTS. Most carriers are not utilities.

[2] D.96-10-066, Appendix B, Rules 5.A.1.b and 5.A.1.d.

utility's normal tariffed rates and charges for BRTS and the discounted ULTS rates and charges.[3]

In the OIR, the Commission proposed to cap the amount of lost revenues that utilities may recover from the ULTS Fund to serve a particular ULTS customer to an amount equal to the lost revenues that the customer's carrier of last resort (COLR)[4] would recover from the ULTS Fund. The OIR proposal was driven by the concern that competitive local carriers (CLCs), which have considerable flexibility in the rates they may charge, might charge unreasonably high tariffed rates in order to increase the amount of lost revenues they recover from the ULTS Fund.[5]

b. Position of the Parties

Calaveras, Greenlining/LIF, and Pacific support the OIR proposal to cap the amount of lost revenues that utilities may recover from the ULTS Fund. Greenlining/LIF and Pacific state that the OIR proposal is a reasonable attempt to ensure competitive neutrality among ULTS providers and maintain the financial integrity of the ULTS Fund. Calaveras states that the OIR proposal is necessary to prevent utilities from gaming the ULTS program by offering residential service at exorbitantly high rates in order to collect a large amount of subsidy from the ULTS Fund based on the difference between the exorbitant rates and the discounted ULTS rates.

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[3] D.96-10-066, Appendix B, Section 5.A.c.

[4] In D.96-10-066, the Commission (1) required COLRs to serve all residential and business customers within designated geographic service areas (GSAs) upon request, (2) created the California High Cost Fund-B to subsidize the provision of service by COLRs in high-cost GSAs, (3) designated all incumbent local exchange carriers as COLRs, and (4) allowed any facilities-based carrier capable of serving all customers within a particular GSA to file an advice letter requesting designation as a COLR in that GSA.

[5] OIR, Appendix B, Section IV.1.

Cox neither supports nor opposes the OIR proposal to cap the reimbursement of lost revenues. Cox states that what is important is that all utilities be treated uniformly regarding the recovery of lost revenues.

AT&T, GTE, and MCI oppose the OIR proposal. They state that the principle of competitive neutrality requires that every utility, and not just the COLRs, be reimbursed for the difference between its tariffed rates and ULTS rates. They also state that the OIR proposal violates the Telecommunications Act of 1996 which requires low-income programs to be administered in a competitively neutral manner.[6] Finally, they argue that failure to reimburse utilities for the difference between their tariffed rates and the discounted ULTS rates would violate Pub. Util. Code § 871.5(d) which states as follows:

> [T]he Commission, in administering the lifeline telephone service program, should implement the program in a way that is equitable, nondiscriminatory, and without competitive consequences for the telecommunications industry in California.

AT&T, GTE, and MCI state that Pub. Util. Code § 879(a) outlines the process that the Commission must use to set ULTS rates. They argue that the OIR proposal to limit the recovery of lost revenues should be addressed using the process outlined in Pub. Util. Code § 879, and not in this rulemaking. They further state the Commission cannot use this proceeding to modify the policy adopted in D.96-10-066 regarding the reimbursement of lost revenues because there has not been adequate notice and an opportunity to file comments on this matter. GTE goes even further by suggesting that use of this rulemaking to affect a material change to the policy adopted in D.96-10-066 would violate Pub. Util. Code §§ 1708 and 1709.

[6] 47 U.S.C. § 254(b)(4).

c. Discussion

We conclude that its is essential to place a reasonable limit on the amount of lost revenues that utilities may recover from the ULTS Fund. Failure to do so would allow some utilities to game the ULTS program to reap unreasonably high profits. For example, an unscrupulous utility could establish a tariffed service connection charge of $500, charge a ULTS customer the discounted ULTS connection charge of $10, and recover from the ULTS Fund an amount of lost revenues equal to the difference between $10 and $500, or $490. In this example, the unscrupulous utility receives a windfall at the expense of ratepayer funding.

The OIR and the Draft Decision proposed to limit the amount of lost revenues that a utility may recover from the ULTS Fund to no more than what the ULTS Fund would pay to the COLR to provide ULTS. However, we agree with the concern expressed by Cox in its comments on the Draft Decision that the OIR proposal would be an "administrative nightmare" in geographic areas served by multiple COLRs.[7] Therefore, to simplify the administration of the ULTS program, and to provide utilities with reasonable compensation for lost revenues, we shall adopt the proposal made by Cox in its comments on the Draft Decision to limit the recovery of lost revenues to what the ULTS Fund would pay to the incumbent local exchange carrier (ILEC) to provide ULTS.[8] This is a reasonable limit since (1) the Commission has found the ILECs' existing rates for BRTS to be just and reasonable, and (2) the ILECs' rates for BRTS are

[7] Cox Comments on the Draft Decision, pp. 1 and 10.

[8] Ibid., pp. 11-12.

subject to much greater scrutiny by the Commission than are the rates of other ULTS providers.

To implement our decision, we shall revise GO 153 to state that each utility, on a per ULTS customer basis, may collect from the ULTS Fund the lesser of (a) the differences between the tariffed rates and charges for BRTS and ULTS rates and charges or (b) the subsidy provided to the ULTS customer's ILEC.

We recognize that many CLCs are required to offer ULTS. We believe it is unlikely that our capping the recovery of lost revenues will cause any CLC to lose money on the provision of ULTS. This is because CLCs, if they choose to do so, may provide ULTS by reselling BRTS offered by the ILEC. There are apparently many CLCs that profitably resell BRTS, since many CLCs have sought and obtained authority to resell BRTS.[9] Additionally, we will provide CLCs pricing flexibility for their rates for ULTS customers. Should a CLC believe it is losing money on the provision of ULTS, it can adjust its rates on a fairly streamlined basis. However, to ensure that no CLC is forced to provide ULTS at a loss, we shall allow CLCs to file formal applications for relief from the requirement to offer ULTS. Any such application must include a detailed showing of why our decision today to limit the amount of lost revenues that utilities may recover from the ULTS Fund causes the CLC to lose money on the provision of ULTS.

We disagree with AT&T, GTE, and MCI that the principle of competitive neutrality embodied in the Telecommunications Act of 1996 (the Act) mandates

[9] The FCC reports in *Trends in Telephone Service*, Table 9.3, dated September 1999, that as of December 31, 1998, CLCs collectively provided about 155,000 resold residential lines within the service territories of GTE and Pacific. We take official notice of this document pursuant to Rule 73.

that we reimburse every ULTS provider for the difference between its tariffed rates and the discounted ULTS rates. First of all, the Act has no bearing on how much we pay to utilities to provide ULTS under California's ULTS program. Moreover, we do not interpret the Act as requiring us to pay any price demanded by a utility for the provision of ULTS. Our action today simply limits what we will pay to a fair and reasonable amount.[10] And finally, we disagree with the premise of AT&T, GTE, and MCI's argument that our action today is anticompetitive. In a competitive market, the buyer of a service will seek to pay the lowest available price for the service, all else being equal. Thus, in order to administer the ULTS program in a competitively neutral manner, we should behave as a buyer would in a competitive market, i.e., by purchasing ULTS from the utility that charges the lowest price for ULTS.[11] Our decision to cap the recovery of lost revenues conforms to the principle of competitive neutrality since it effectively requires the ULTS program to pay no more for ULTS than the lowest price that is commonly available for this service.[12] Additionally, this change to the ULTS program promotes real price competition for ULTS customers. Currently, CLCs do not compete for ULTS customers on a price basis.

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[10] It would be waste of public moneys to pay a utility more to provide ULTS than what the ILEC is willing to be paid to provide ULTS.

[11] It would be unfair and anticompetitive to pay a utility more to provide ULTS when a "competitor" (i.e., the ILEC) is willing to be paid less to provide ULTS.

[12] Today's decision caps the recovery of lost revenues to the lower of (1) the lost revenues claimed by the utility actually serving the ULTS customer, or (2) the lost revenues that the customer's ILEC would claim if the ILEC were providing ULTS. There is no utility that currently claims less in lost revenues to serve a ULTS customer than what the ILEC would claim to serve the customer. Cox states in its comments on the Draft Decision that because its has "waived" its tariffed ULTS connection charge, it would claim less in lost revenues to serve a ULTS customer than the ILEC. However, Cox does not currently have any ULTS customers. Therefore, it remains true that no utility currently claims less in lost revenues to serve a ULTS customers than what the ILEC would claim.

With a change in the way CLCs can draw money from the ULTS fund, inefficient utilities will either have to become efficient or be forced to leave the market. Poorly run companies will not be able to simply recover their inefficiencies from the ratepayer-funded ULTS fund.

We disagree with the assertion of AT&T, GTE, and MCI that Pub. Util. Code § 879(a) prevents us from considering in this proceeding the amount of lost revenues that utilities may recover from the ULTS Fund. Pub. Util. Code § 879(a) states, in pertinent part, as follows:

> "The commission shall, at least annually, initiate a proceeding to set rates for [ULTS]. All telephone corporations providing [ULTS] shall annually file, on a date set by the commission, proposed [ULTS] rates and a statement of projected revenue needs to meet the funding requirements to provide [ULTS] to qualified subscribers, together with proposed funding methods to provide the necessary funding. These funding methods shall include identification of those services whose rates shall be adjusted to provide the necessary funding."

We have interpreted Pub. Util. Code § 879(a) to mean that we must annually establish the ULTS surcharge rate to fund the ULTS program.[13] The reimbursement of utilities for lost revenues is clearly not the same as setting the ULTS surcharge rate. Therefore, Pub. Util. Code § 879(a) does not apply to reimbursement of lost revenues. But even if the statute did apply, the statute does not preclude our setting rates for ULTS in a proceeding other than the annual proceeding contemplated by Pub. Util. Code § 879(a).[14]

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[13] OIR, Appendix B, Section I.10.

[14] D.96-10-066, issued in R.95-01-020/I.95-01-021, adopted the current policy concerning utilities' recovery of lost revenues. (D.96-10-066, Appendix B, Section 5.A.1.c.) Since R.95-01-020/I.95-01-021 was not held for the purpose of setting annual rates for ULTS in

Footnote continued on next page

We find no merit in the assertion that we cannot use this proceeding as a vehicle to modify the policy adopted in D.96-10-066 concerning utilities' recovery of lost revenues because there has not been adequate notice or an opportunity to file comments on this matter. In the OIR, we provided (1) notice of our intent to revise the policy adopted in D.96-10-066, and (2) an opportunity for parties to file comments concerning the appropriate policy for the recovery of lost revenues.[15]

We find no merit in GTE's assertion that Pub. Util. Code § 1708 prevents us from revising the policy adopted in D.96-10-066 concerning utilities' recovery of lost revenues. Pub. Util. Code § 1708 state as follows:

> "The commission may at any time, upon notice to the parties, and with an opportunity to be heard as provided in the case of complaints, rescind, alter, or amend any order or decision made by it. Any order rescinding, altering, or amending a prior order or decision shall, when served upon the parties, have the same effect as an original order or decision."

As described previously, the OIR provided notice of our intent to revise the policy adopted in D.96-10-066.[16] The OIR also provided an opportunity to be heard on this matter.[17] Therefore, since the procedural requirements of § 1708 have been met, we may use our authority under § 1708 to revise our policy concerning the recovery of lost revenues.

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accordance with Pub. Util. Code § 879(a), it is clear that we may now modify the policy we adopted in R.95-01-020/I.95-01-021 without implicating § 879(a).

[15] OIR, OP 7, and Appendix B, Section IV.1.

[16] Ibid.

[17] OP 10 of the OIR provided parties with an opportunity to request an evidentiary hearing. No party requested an evidentiary hearing on the OIR proposal to cap the amount of lost revenues that utilities may recover from the ULTS Fund.

Finally, we find no merit in GTE's assertion that Pub. Util. Code § 1709 prevents us from revising the policy adopted in D.96-10-066 regarding the reimbursement of lost revenues. Pub. Util. Code § 1709 states as follows:

> "In all collateral actions or proceedings, the orders and decisions of the commission which have become final shall be conclusive."

Section 1709 must be read in conjunction with § 1708 which grants the Commission broad authority to modify or to set aside its past orders, so long as the procedural requirements of § 1708 are satisfied.[18] As discussed previously, the procedural requirements of § 1708 have been met. Therefore, § 1709 does not bar us from now adopting a policy to limit the amount of lost revenues that utilities may recover from the ULTS Fund.

In their comments on the Draft Decision, AT&T, Cox, and In Touch, Inc., (In Touch) present several reasons why there should be no limit on the recovery of lost revenues. First, AT&T argues that there is no need to limit the recovery of lost revenues until there is evidence that a utility has deliberately established exorbitant tariffed rates and charges for BRTS in order to collect an excessive amount of lost revenues from the ULTS Fund. We are not persuaded. We believe that it is prudent to set a limit now on the recovery of lost revenues. If we were to wait until a utility actually seeks to recover exorbitant rates from the ULTS Fund, it might be too late to stop the utility due to the constraints of Pub. Util. Code § 1708.

Second, AT&T and Cox state that it is unlikely that any utility would ever establish excessive tariffed rates for BRTS, since to do so would make the utility

[18] D.99-05-013, mimeo., pp. 19-20; D.98-11-067, mimeo., pp. 25-26; D.97-04-049, 1997 Cal. PUC LEXIS 427, *7; and D.97-02-053 1997 Cal. PUC LEXIS 115, *8.

uncompetitive with other carriers. We disagree. Our experience with slammers demonstrates that there are unscrupulous carriers that are willing and able to charge exorbitant rates.[19] Due to the current structure of the ULTS program, a CLC could specifically target the ULTS market with the sole intention of trying to raid the ULTS fund. CLC's are able to charge their customers $5.34 per month for flat rate service. The ULTS fund makes up the difference. For example, if the rate is $15.34, the ULTS fund would compensate the CLC $10. Similarly, if the rate is $105.34, the ULTS fund would pay the CLC $100. The ULTS customer is neutral as to which rate is charged.

This situation has three consequences: (1) it shields the ULTS customer from real price competition, (2) it does not create the necessary discipline for companies to be efficient, and (3) the inefficiency that is created is paid for by ratepayer funding.

Third, AT&T and Cox assert that capping the recovery of lost revenues to an amount equal to what the ILEC may recover will undermine competition since it will force CLCs to have the same pricing structure as the ILEC. We find no merit in this argument. CLCs are free to establish whatever pricing structure they wish for BRTS.[20] AT&T and Cox offered no reason why our limiting the amount of lost revenues that CLCs may recover for the provision of ULTS has any bearing on the prices that CLCs may charge non-ULTS customers for BRTS.

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[19] I.99-12-001, 1999 Cal. PUC LEXIS 785, at *8; I.99-06-035, 1999 Cal. PUC LEXIS, at *2; I.99-04-020, 1999 Cal. PUC LEXIS, at *7 and *16; D.97-12-046, 1997 Cal. PUC LEXIS, at *4, *21, and *22; OIR 97-08-001, 1997 Cal. PUC LEXIS 599, at *2; and I.87-01-011, 1997 Cal. PUC LEXIS, at *12 and *13.

[20] Pursuant to Pub Util. Code § 874 and various Commission decisions (including today's decision), all utilities are required to charge approximately the same (if not identical) prices for the provision of ULTS.

To be explicit, CLCs can propose changes to their BRTS and ULTS rates to the extent that such charges comply with existing Commission decisions.

Fourth, Cox states that ULTS customers should be allowed to purchase ULTS from those utilities that offer the best combination of price and service. We agree. By de-linking ULTS funding from the rate structure of CLCs, true competition can enter this market segment. ULTS customers will be able to decide if a company's higher price is worthwhile due to such factors as reliability and service quality. No longer will offerings be limited because ULTS customers pay the lower of (1) half of the utility's tariffed rates and charges for BRTS, or (2) a modest amount set by the Commission.[21]

Fifth, Cox and In Touch argue that limiting the amount of lost revenues that utilities may recover from the ULTS Fund to an amount that is based on the ILEC's tariffed rates for BRTS will harm those utilities that have tariffed rates that are higher than the ILEC's. We are not persuaded by this argument. For the reasons stated previously in this decision, we believe that it is reasonable to limit the amount of lost revenues that utilities may recover from the ULTS Fund to an amount that is based on the ILEC's tariffed rates for BRTS.

[21] For example, ULTS customers pay no more than $10 for service connection and $5.34 per month for flat-rate local service. For more information on the rates and charges paid by ULTS customers, see Sections IV.3 - IV.8 of this decision. See also GO 153, Rule 7, contained in Appendix B of this decision.

Finally, In Touch states that it provides pre-paid service to credit-impaired customers who have been rejected by Pacific and other utilities due to a prior history of non-payment. In Touch states that due to the high costs that it incurs to serve this market, it must charge $39 per month per customer. In Touch asserts that capping the recovery of lost revenues would cut its monthly income stream by 75%, drive it out of business, and ultimately deny ULTS to credit-impaired customers that other utilities refuse to serve. We find no merit in this argument. While we will exercise financial prudence by capping the draw on the ULTS fund, CLCs, such as In Touch, are able to adjust their rates in order to serve their customers.

Findings of Fact

123. If the Commission capped the amount of lost revenues that utilities may recover from the ULTS Fund to serve a particular ULTS customer to no more than what the ILEC would recover to serve that customer, some CLCs may find it unprofitable to serve that customer, unless CLCs have pricing flexibility for ULTS customers.

Conclusions of Law

27. Utilities should only recover from the ULTS Fund those costs and lost revenues that meet all of the following criteria: (i) directly attributable to the ULTS program, (ii) would not be incurred in the absence of the ULTS program, and (iii) not recovered by the utility from other sources, such as the rates paid by ULTS customers, the utility's general rates, or federal programs up to a reasonable amount.

30. The ILEC's ULTS Fund reimbursement for customers provides a fair and reasonable limit on the amount of lost revenues that providers of ULTS should be allowed to recover from the ULTS Fund.

31. It is not anticompetitive to limit the amount of lost revenues that all utilities may recover form the ULTS Fund to an amount that is (i) fair and reasonable, and (ii) consistent with the lower rates and charges for BRTS that are commonly available. CLCs are free to set BRTS at whatever rate they deem appropriate. CLCs are also free to set ULTS rates and charges up to 50% of their BRTS rates and charges.

33. For each ULTS customer served by a utility, the utility should be allowed to recover from the ULTS Fund the lesser of (a) the differences between the tariffed rates and charges for BRTS and ULTS rates and charges or (b) the subsidy provided to the ULTS customer's ILEC.

ORDER

20. For each ULTS customer served by a utility, the utility may recover from the ULTS Fund the lesser of (a) the differences between the tariffed rates and charges for BRTS and ULTS rates and charges or (b) the subsidy provided to the ULTS customer's ILEC.

APPENDIX B

ADOPTED TEXT OF GENERAL ORDER 153

7.1.1.1 The ULTS connection charge for ILECs shall equal the lower of (i) $10.00, or (ii) 50% of the utility's regular tariffed service connection charge for the initial installation of a single residential telephone connection. CLCs are allowed pricing flexibility for ULTS connection charges up to 50% of the CLC's regular tariffed service connection charges.

7.1.1.2 The ULTS connection charge is applicable to all qualifying households residing at the same address.

7.1.1.3 The ULTS connection charge is applicable any time a qualifying household (i) establishes ULTS, (ii) re-establishes ULTS at the same residence at which ULTS was previously provided, (iii) establishes ULTS at a new residence, or (iv) switches ULTS from one utility to another.

7.1.1.4 Utilities may not impose a "central office charge" in addition to the ULTS connection charge when installing ULTS.

7.1.1.5 Installation of a second and subsequent telephone service connections shall be subject to the utility's regular tariffed rates for these connections, except that low-income households with a disabled member may qualify for ULTS connection charges on two residential telephone connections.

7.1.2 Deferred payment of the ULTS connection charge.

7.1.2.1 Utilities shall offer ULTS customers the option of paying the ULTS connection charge in three equal monthly installments with no interest. Utilities may also offer ULTS customers the option of paying the ULTS connection charge in equal monthly installments with no interest for a period not to exceed 12 months.

7.1.2.2 Utilities may charge a late-payment fee when ULTS customers fail to timely remit some of all of the ULTS connection charge under a deferred-payment schedule.

7.1.3 Discounted nonrecurring charge for service conversion ("ULTS conversion charge").

7.1.3.1 The ULTS conversion charge for ILECs shall equal the lower of (i) $10.00, or (ii) 50% of the utility's regular tariffed service conversion charge. CLCs are allowed pricing flexibility for ULTS conversion charge up to 50% of the CLC's regular tariffed service conversion charge.

7.1.3.2 The ULTS conversion charge is applicable each time a ULTS customer requests a change in the class, type, or grade of service, including requests to change from Foreign Exchange Service. There is no limit on the number of times a ULTS customer may pay the ULTS conversion change to effect a change in the class, type, or grade of service.

7.1.4 Discounted monthly rate for flat-rate local service ("ULTS flat-rate service").

7.1.4.1 The ULTS flat-rate service for ILECs shall equal the lower of (i) 50% of the utility's regular tariffed rate for flat-rate local service, or (ii) one-half of Pacific Bell's regular tariffed rate for flat-rate local service. One-half of Pacific Bell's regular tariffed rate for flat-rate local service is currently $5.34 per month. CLCs are allowed pricing flexibility for flat-rate local service up to 50% of the CLC's regular tariffed rate for flat-rate local service.

7.1.4.2 ULTS customers subscribing to ULTS flat-rate service shall receive unlimited local calling.

7.1.5 Discounted monthly ULTS rate for measured-rate local service (ULTS measured-rate service).

7.1.5.1 The ULTS measured-rate service for ILECs shall equal the lower of (i) 50% of the utility's regular tariffed measured-rate service for local residential service, or (ii) one-half of Pacific Bell's regular tariffed measured-rate service. One-half of Pacific Bell's regular tariffed measured-rate service is currently $2.85 per month. CLCs are allowed pricing flexibility for measured-rate service up to 50% of the CLC's regular tariffed measured-rate service.

7.1.5.2 ULTS customers subscribing to ULTS measured-rate service shall receive 60 untimed local calls per month. The utility shall charge $0.08 per call for each local call in excess of 60 per month.

7.1.6 Discounted monthly EAS rate.

7.1.6.1 In exchanges with EAS, ULTS customers shall pay 50% of the applicable EAS increment. Unlimited incoming calls shall apply.

7.1.7 No charge for the federal EUCL charge.

7.1.8 No charge for toll-limitation service (including, but not limited to, toll blocking or toll control).

7.1.9 No charge for the taxes, fees, or surcharges assessed on ULTS rates and charges. The aforementioned taxes, fees, and surcharges include the following: California High Cost Fund (CHCF) A surcharge, CHCF-B surcharge, California Teleconnect Fund surcharge, federal excise tax, and local franchise taxes.

7.1.9.1 Utilities shall pay to the appropriate taxing authorities the aforementioned taxes, fees, and surcharges.

7.2 A utility may require advance payments for ULTS rates and charges not to exceed one month's rates and charges.

7.3 Optional services and equipment are not included in ULTS rates and charges, but will be available to ULTS customers at the applicable regular tariffed rates and charges.

7.3.1 Each ULTS customer shall be eligible for one or more ULTS lines as set forth in this General Order, and ULTS customers may subscribe to additional, non-

ULTS lines. Non-ULTS lines will be available to ULTS customers at the applicable regular tariffed rates and charges.

7.3.1.1 This General Order shall not apply to any additional, non-ULTS lines that a ULTS customer subscribes to.

7.4 Except as specifically modified by this General Order, all rules, regulations, charges and rates in conjunction with the services furnished elsewhere in a utility's tariffs are also applicable to the service provided under ULTS.

7.5 TD shall notify utilities of any changes to the statewide ULTS rates and charges set forth in this General Order, including changes to the statewide recurring monthly rates for ULTS due to a change in Pacific Bell's monthly rates for ULTS. Such notice shall inform utilities of the new statewide rates and charges for ULTS, and instruct utilities to file compliance tariffs, if necessary, to reflect the new statewide rates and charges. Upon receipt of such notice, utilities shall file tariffs, if necessary, to implement the new statewide ULTS rates and changes.

8 REPORTS AND CLAIMS FOR REIMBURSEMENT OF ULTS-RELATED COSTS

8.1 Eligible Utilities.

8.1.1 Any utility that provides ULTS may submit a claim for the reimbursement of its ULTS-related costs and lost revenues.

8.2 Recoverable ULTS Costs and Lost Revenues.

8.2.1 A utility, regardless of whether or not it is an ETC, may recover from the ULTS Fund the reasonable costs and lost revenues that it incurs to provide ULTS to the extent that such costs and lost revenues meet all of the following criteria: (i) directly attributable to the ULTS program, (ii) would not otherwise be incurred in the absence of the ULTS program, and (iii) not recovered from other sources, such as the rates and charges paid by ULTS customers, the utility's general rates, or subsidies from the federal Lifeline and Link Up programs as long as such claims are consistent with Section 8.4.

8.3 Utilities may recover the following costs and lost revenues from the ULTS Fund:

8.3.1 Lost revenues caused by providing ULTS customers with (i) ULTS connection changes, (ii) ULTS conversion charges, (iii) discounted monthly rates for local service, and (iv) untimed local calls as long as such claims are consistent with Section 8.4.

8.3.2 Each utility, on a per ULTS customer basis, may collect from the ULTS Fund the lesser of (a) the difference between the tariffed rates and charges for BRTS and the ULTS rates and charges or (b) the subsidy provided to the ULTS customer's ILEC.

8.3.3 The federal EUCL charge that the utility pays on behalf of its ULTS customers.

8.3.4 The taxes, fees, and surcharges associated with the federal portion of the ULTS discount provided to ULTS customers beginning January 1, 1998.

8.4.4 Costs caused by the failure of ULTS customers to timely remit deferred payments of the ULTS connection charge, including costs for collecting on delinquent accounts and the time value of money. Utilities may recoup such cost via late-payment fees charged to ULTS customers who fail to timely remit deferred payments of the ULTS connection charge, but only to the extent that such costs are not recovered by utilities from other sources, such as the bad-debt costs built into a utility's general rates.

8.4.5 Lost revenues caused by the failure of ULTS customers to pay late-payment fees that the utility assesses when ULTS customers fail to timely remit deferred payments of the ULTS connection charge.

8.4.6 Costs associated with (i) processing ULTS service orders, and (ii) answering calls from ULTS customers about their bills.

8.4.6.1 Costs associated with processing ULTS service orders and answering calls from ULTS customers regarding their bills may be recovered from the ULTS Fund to the extent that a utility can affirmatively demonstrate that such costs meet all of the criteria in Rule 8.2.1.

8.4.7 Any costs or lost revenues associated with the provision of services that ETCs are required to provide under the federal Lifeline of Link Up programs, but which utilities are not required to provide under the ULTS program.

8.4.8 Any costs or lost revenues that the utility has recovered or will recover from other sources.

8.4.9 Any costs or lost revenues associated with the provision of non-ULTS lines to ULTS customers.

8.4.10 Subsidies for nonrecurring charges and rates that exceed the ILEC subsidy on a per ULTS customer basis.

8.5 Schedule, Content, and Format of the ULTS Report and Claim Form.

8.5.1 Utilities shall report and claim their ULTS-related costs and lost revenues by filing the ULTS Report and Claim Form ("ULTS Claim Form") appended to this General Order.

8.5.1.1 Claims must be accompanied by any supporting workpapers required by this General Order.

8.5.2 Utilities shall file the ULTS Claim Form on a monthly basis unless a utility has obtained permission from TD to file the ULTS Claim Form on a biannual basis.

8.5.3 Each ULTS Claim Form filed on a monthly basis shall be for a full month.

8.5.3.1 Utilities that file ULTS Claim Forms on a monthly must also remit ULTS surcharge revenues on a monthly basis.

8.5.4 Utilities may request permission from TD to file their ULTS Claim Forms on a biannual basis. The Commission and TD may specify and revise the