

## PUBLIC UTILITIES COMMISSION

770 L Street, Suite 1050  
Sacramento, CA 95814



April 17, 2007

The Honorable Pat Wiggins  
Member, California State Senate  
State Capitol, Room 4081  
Sacramento, CA 95814

**RE: SB 780 (Wiggins) – As amended April 9, 2007 – Oppose**  
**Status: Senate Committee on Energy, Utilities and Communications**

Dear Senator Wiggins:

On April 12, 2007, the California Public Utilities Commission (Commission) voted unanimously to oppose your SB 780, which would require the use of geographically averaged rates in order to keep rural telecommunications service rates affordable, and the continued consideration of how universal service programs can support the policy goal of affordability in rural areas.

While the Commission supports your policy goal of ensuring affordable and accessible service in rural areas, SB 780 assumes that geographically averaging rates between urban and rural areas is the best method for achieving that goal. But averaged rates might actually be stifling competition and the introduction of more cost-effective technologies in hard to serve areas.

The Commission's recent Uniform Regulatory Framework (URF) decision explained the potential benefits of deaveraging rates in rural areas:

“Our current policy of requiring geographically averaged pricing may encourage an oversupply of wireline services in high-cost areas - that is, the geographic averaging requirement may promote use of high-cost services when an efficient market might provide similar services with a lower-cost technology (such as wireless or VoIP services).“ (D.06-08-030, page 146.)

However, the Commission decided not to deaverage rates for basic residential service in areas subsidized by High Cost Fund B, and instead froze those rates at their 2006 levels. The Commission is currently considering all of the issues surrounding the “deaveraging” of basic residential telephone service rates in areas subsidized by High Cost Fund B in its High Cost Fund B proceeding (R.06-06-28), and will issue its findings this summer.

If you have any questions or wish to discuss this matter further, please do not hesitate to call me at (916) 327-8441.

Sincerely,

A handwritten signature in black ink that reads "Pamela C. Loomis".

Pamela C. Loomis, Deputy Director  
Office of Governmental Affairs

cc: The Honorable Christine Kehoe, Chair, Senate Committee on Energy, Utilities and Communications  
Members, Senate Committee on Energy, Utilities and Communications  
Ray Thompson, Senate Republican Policy Consultant  
John Moffatt, Deputy Legislative Secretary, Office of Governor Arnold Schwarzenegger