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CPUC ROADMAP: January 2007

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TELECOMMUNICATIONS

I. AT THE TOP OF THE NEWS

A. *Consumer Protection Initiative*

CPUC staff is actively implementing the Consumer Protection Initiative (CPI) adopted on March 2, 2006. The CPI decision, D.06-03-016, revised General Order 168 and established market rules to empower consumers and prevent fraud. D.06-03-016 directs CPUC staff to undertake 23 initiatives to improve the Commission's response to consumers. These initiatives fall into three broad categories: enhanced enforcement and fraud prevention, consumer complaint resolution, and community action and consumer education. A proposed Order Instituting Rulemaking (OIR) on cramming reporting requirements and another on in-language issues are being developed for Commission consideration.

II. CURRENT PROCEEDINGS

Tier I:

A. *Implementation of FCC's Lifeline/Link-Up Order: Universal Lifeline Telephone Service Eligibility Certification.*

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
R. 04-12-001	Peevey	Jones	Dumas	R.Hernandez, G.Carlin, M. Coen, K.Feizi, H. Mirza, T.Chin, M. Borak, M. King

Next Milestone: *Staff report due at the end of March 2007.*

In April 2004, the FCC issued Order and Report FCC No. 04-87 requiring all states to document customers' income qualification for their income-based Lifeline/Link-Up programs. At the present time, the California Universal Lifeline Telephone Service (ULTS) program, which is based on income eligibility, allows participants to self-certify their income without any documentation. In order to comply with the FCC's order and to preserve the \$330 million annual support from the federal Lifeline/Link-Up programs, the Commission issued R.04-12-001 on December 2, 2004, to implement the FCC Order.

In April 2005, the Commission adopted Decision 05-04-26, which provides the following:

- Amends the ULTS program from self-certification to income documentation;
- Adds a program-based eligibility criterion;
- Contracts the certification process to a third-party certifying agent (CertA); and
- Considers opening a new rulemaking for a more comprehensive review of the ULTS program.

In July 2005, TD issued a Request for Proposal seeking a contractor to perform the role CertA, who will be responsible for: 1) qualifying 700,000 new ULTS customers; 2)

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qualifying the continued eligibility of the existing 3.5 million ULTS customers; 3) setting up a mechanized communication system between CertA who qualifies ULTS customers and carriers who enroll customers in ULTS; and 4) developing an online system for the public seeking program information.

CDSNet, Inc., Affina LLC and Solix Inc. (previously known as NECA Services) responded. CDSNet, Inc.'s bid proposal was found to be technically non-responsive; Affina LLC cost proposal was \$14,595,334.00 while Solix' cost proposal was \$19,995,270.67. In response to a protest filed by Solix (Case No.:05-086), the Department of General Services (DGS), on October 19, 2005, issued a Statement of Decision and found AFFINA's bid non-responsive. The CertA contract is awarded to Solix on January 3, 2006 without protest.

Resolution T-16996, approved by the Commission on February 2, 2006, established July 1, 2006 as the new ULTS program implementation date and the effective date of the Revised General Order 153 adopted by the Commission in D.05-12-013. This Resolution also approved a uniform customer notification to be mailed in June 2006, as a bill insert, by all utilities providing ULTS service informing customers of the ULTS program changes.

The new certification and verification process was implemented by Solix in July. Response to the notifications has been very low, resulting in denials of eligibility and removal from the LifeLine program based on non-response or late response to the verification notice. Correspondingly, an Assigned Commissioner's Ruling was issued on November 1, 2006 temporarily suspending portions of General Order 153 for six months. During the suspension, the Telecommunications Division is working with the contractor (Solix), the Consumer Services and Information Division, the industry and consumer groups to develop changes to the process to increase the response rate.

Recent staff activity includes:

- November 13-14, 2006: TD staff convened workshops involving carriers, consumer groups and Solix
- November 16, 2006 and on-going: TD staff established and convenes weekly the LifeLine Implementation Working Group to analyze problems and develop solutions
- November 30, 2006 and on-going: TD staff established and regularly convenes the LifeLine Marketing Working Group to develop marketing strategies to educate and improve customer recognition changes to the LifeLine program
- December 26, 2006: TD staff submitted a contract amendment to the Dept. of General Services (DGS) with revisions to the LifeLine outreach and certification/ verification process. Staff has on-going follow-up with DGS to garner amendment approval.
- January 2007: Outreach and Education materials were developed for use by CBOs and governmental agencies on LifeLine program changes; launch coincided with National Consumer Protection Week (February 4-10). Also, process improvements were instituted regarding how Solix processes forms for Lifeline customers who transfer between carriers. Moreover, improvements to CAB – carrier interface were instituted to improve customer contacts, expedite appeals, and reinstatements of LifeLine customers.

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Staff will issue a report to the Commission with specific short-term and long-term recommendations for program improvements at the end of March 2007.

B. Consumer Protection Initiative (CPI)

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
R.00-02-004	Chong/Peevey	McVicar	Dumas	Leutza, Hernandez, Maniscalco, R. White, Poschl, King, Neville, Smith
Next Milestone: Upcoming OIRs on cramming reporting requirements and in-language issues				

- This rulemaking was issued on February 3, 2000 to establish rules for protecting consumers' rights in today's competitive telecommunications services marketplace.
- *April 2000 to May 2004*: Public comments were solicited and public participation hearings were held. Five versions of the proposed decision and proposed general order were issued and parties filed comments on each of them. Several workshops and all-party meetings were also conducted.
- *May 27, 2004*: Interim Decision D.04-05-057 and General Order 168 were adopted by the CPUC, establishing seven consumer rights (disclosure, choice, privacy, public participation and enforcement, accurate bills and redress, non-discrimination, and safety) and comprehensive consumer protection rules. D.04-05-057 required compliance with most rules by December 6, 2004 and the remaining ones by July 31, 2005. The decision deferred consumer education, privacy, limitation of liability and in-language matters to a later phase of the proceeding.
- *June 30, 2004 to February 3, 2005*: Carriers submitted several motions to stay and applications to rehear the decision and general order before the CPUC. In addition, three carriers requested waiver from the rules. Wireless carriers also filed two complaints in U.S. District Court challenging certain aspects of the rules. Wireline carriers filed a complaint in the California Court of Appeal challenging some portions of the rules. *Result: The CPUC denied the motions to stay and the applications for rehearing (with limited exceptions).* The wireless and wireline complaints were later withdrawn and the requests for waiver were withdrawn or became moot once the consumer protection rules were changed (see discussion below).
- *December 16, 2004*: Pursuant to Rule 48 (b) of the Rules of Practice and Procedure, the CPUC's Executive Director responded to 50 letters requesting extensions of time to comply with the December 6, 2004 deadline for having most of their operations in compliance with D.04-05-057 and G.O. 168. TD staff provided the Executive Director with technical assistance on these requests.
- *January 27, 2005*: The CPUC adopted D.05-01-058 in which it voted to stay telecommunications consumer protection rules and rights adopted in May 2004 to: a) allow adequate time to address implementation issues, b) ensure that California's consumer protection structure will be viable and enforceable, c) consider a broader reexamination of policy issues and those raised by carrier Petitions for Modification. The CPUC also stated its intention to complete its reconsideration by no later than the end of 2005.
- *March 2, 2005*: Commissioner Grueneich issued a letter requesting that the CPUC seek comments on whether there are any portions of the telecommunications bill of rights that can be revised or reinstated on an expedited basis.
- *March 24, 2005*: Commissioner Grueneich facilitated an all-party meeting including carrier representatives and consumer advocates to discuss the stayed consumer protection rules.

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- *April 6, 2005:* The CPUC held a pre-hearing conference (PHC) to garner input on whether portions of the rules could be handled on an expedited basis, the scope of the reconsideration of the rules during the stay period, and the proposed procedural schedule.
- *May 2, 2005:* An Assigned Commissioner's Ruling (ACR) was issued which a) established the procedural schedule based on the input from the April 6th PHC, b) established limits on discovery during the proceeding, and c) proposed to reinstate certain portions of the stayed rules with new amendments.
- *May 31, 2005 to November 7, 2005:* Parties submitted comments, testimony, and briefs in the proceeding.
- *December 22, 2005:* A proposed decision and revised general order were issued.
- *January 25, 2006:* Commissioner Gruenich issued an alternate decision and revised general order.
- *March 2, 2006:* D.06-03-016 was adopted, which revised GO 168 and established market rules to empower telecommunications consumers and prevent fraud. The decision also directed CPUC staff to undertake 23 initiatives to improve the CPUC's response to consumers.
- *March 30, 2006:* The CPUC held a workshop on the interim consumer education program. Corresponding task force meetings were subsequently held including CPUC staff as well as representatives from carriers, consumer groups, and community based organizations.
- *March 31, 2006:* CPSD met with the California Attorney General's office regarding coordinated enforcement action against certain providers of prepaid calling card services.
- *March 2006 to the present:* Staff continues to develop the Telecommunications Fraud Unit, including creation of a training team and consumer protection law training manual. Staff continues to participate in meetings and teleconferences with outside law enforcement, FCC and FTC (including SNAP calls and a June 29th statewide conference with the District Attorney's Association).
- *April 4, 2006:* The CPUC submitted a revised budget change proposal (BCP) and feasibility study report (FSR) to the Department of Finance in order to implement consumer protection activities mandated in D.06-03-013. The CPUC requests 29.5 positions and \$9,910,000 for those activities. The proposal also requests an additional \$3,047,000 funds for new technology to assist staff in processing and analyzing consumer inquiries and complaints, an education program evaluation consultant, as well as enforcement and regulatory/complaint resolution training.
- *June 30, 2006:* The Governor approved the CPUC proposal and signed the state budget. Corresponding hiring processes have already begun.
- *April 2006 to the present:* Staff is identifying recommended enhancements to CAB's complaint processing system. The second phase of the process re-engineering project began in May 2006 and prioritized 46 areas of potential improvement. The draft report is being finalized.
- *June 26, 2006:* The CPUC staff held a workshop to (1) review the Commission's Study Plan on efforts in California to serve Limited English Proficiency populations, and (2) develop a plan for publishing a required in-language issues assessment. Staff is also pursuing an inter-agency agreement to contract a consultant to assist with these issues.
- *June 29, 2006:* The CPUC launched the first phase of its education campaign, including four brochures on telecommunications issues, and a website (www.calphoneinfo.com) created to inform and assist consumers with telephone services.

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- *July 17, 2006:* The CPUC held a workshop to determine appropriate cramming reporting requirements pursuant to PU Code section 2889.9. Afterwards, staff developed a proposal that directs carriers to provide, among other items, the number and percentage of cramming complaints that take more than thirty days to resolve.
- *July 25, 2006:* CPSD issued a draft resolution (UEB-001). It adopts a citation program for enforcing compliance with third party verification requirements of PU Code Section 2889.5(a)(3) and (7) and Commission regulations applicable to this code section under the administration of the Director of CPSD. The resolution is scheduled to be considered at the CPUC meeting on August 24, 2006.
- *July 26, 2006 – August 10, 2006:* The CPUC held public meetings in Los Angeles, Fresno, San Diego, and Stockton to solicit input from CBOs on in-language issues associated with telecommunications services in the state. CBOs were asked to comment on problems, trends and potential solutions the CPUC can implement; input was incorporated in CPUC staff report (below).
- *August 11, 2006:* CPUC staff circulated a discussion paper on cramming reporting requirements.
- *August 21, 2006:* CPUC staff held second workshop on cramming reporting requirements to garner input on the August 11th discussion paper.
- *August 21, 2006:* CPUC circulated draft report on in-language issues to parties
- *August 24, 2006:* CPUC staff held second workshop to garner input on its draft report on in-language issues
- *September 8, 2006:* Parties filed written comments on proposed cramming reporting requirements.
- *September 14, 2006:* Parties filed written comments on the in-language draft report issued on August 21st.
- *October 5, 2006:* CPUC staff issued report entitled, “Challenges Facing Consumers with Limited English Skills in the Rapidly Changing Telecommunications Marketplace”, as mandated in D.06-03-013. The report recommendations include a proposal to conduct an Order Instituting Rulemaking (OIR) on in-language issues.
- *October 13, 2006:* CPUC staff issued, “Consumer Protection Initiative Workshop Report on Proposed Cramming Report Requirements” per D.06-03-013 mandate. The report includes a staff proposal on the definition of “unauthorized charges” and how they relate to cramming, clarification of when an inquiry becomes a complaint, as well as proposed cramming reporting requirements. A proposal to conduct an OIR on cramming reporting requirements is anticipated for Commission consideration in late January or early February 2007.
- *December 14, 2006:* The Commission held consideration of the draft OIR on in-language issues. It is scheduled to be considered at the Commission meeting on January 11, 2007

C. Area Code Changes: 310, 714, and 760

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
	Peevey	Pulsifer	Mickiewicz	Conner, Pangilinan,
Next Milestones: Public Participation Meetings for the 714 area codes; Creation of web pages for the 714 and 760 area code information; Creation and mailing of customer notices for the 760 area code public participation meetings				

310 Area Code Change Plans:

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- On July 26, 2006, the new dialing procedure began whereby consumers had to dial the area code for all calls.
- On August 26, 2006, telephone numbers with a 424 area code became available to consumers.

The number pool exhaustion projections for the 714 and 760 area codes:

- *Fourth quarter 2008* for the 714 area code and *third quarter 2009* for the 760 area code – current North American Number Plan Administrator (NANPA) projection updated on October 2006.
- In late January 2007, there remained 45 whole NXX codes in the 714 and 65 whole NXX codes in the 760 area code for allocation. There remained 280 thousand-blocks in the 714 NPA's number pool as of January 5, 2007 and 989 thousand-blocks in the 760 NPA's number pool as of February 1, 2007 from which service providers can draw numbering resources.

714 and 760 Area Code Change Plans:

- Recognizing that there may soon be a shortage of available telephone numbers in the 714 and 760 area codes, Commission staff requested that NANPA hold an area code change planning meeting for the 714 and 760 area codes. The meetings were subsequently held on October 3 and 10, 2006, respectively.
- The meetings achieved four main objectives: update the area code change options, reach consensus on the area code options to present to the public and the Commission, recommend implementation schedules for an area code split and overlay, and determine the number of local jurisdiction and public meetings to hold and the possible cities in which to hold them.
- The telecommunications industry selected two area code split alternatives and an area code overlay for both the 714 and 760 area codes to present to the public and the Commission.
- One local jurisdiction and three public meetings regarding the 714 area code were held on January 17, 18, and 25, 2007 in Anaheim, Orange, and Huntington Beach, respectively. Approximately 200 individuals attended these four meetings.
- Commission staff created and sent to service providers and resellers a template for customer notices informing consumers associated with the 714 area code about the local jurisdiction and three public meetings.
- Commission staff has developed web pages for the 714 and 760 area code information and for customers to submit their preference on the overlay or split options.
- As of January 28, 2007, the Commission received over 1800 comments regarding the 714 area code from the public via website submission, e-mails and regular mail to the LA Public Advisor Office, and at the four meetings.
- Two local jurisdiction meetings and four public meetings regarding the 760 area code will be held on February 5,6, 21 and 22 in Apple Valley, Palm Springs, Carlsbad and El Centro.

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D. OIR 05-04-005 Assessing and Revising the Regulation of Telecommunications Utilities

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
R.05-04-005	Chong	Reed (Phase 1) /Karl Bemederfer (Phase 2)	N/A	Christiansen, , Wong, Tan
Next Milestone: Parties to file monitoring report proposals on February 7, 2007.				

On April 7, 2005, the Commission voted out an Order Instituting Rulemaking (R.) 05-04-005 to assess and revise the regulation of all telecommunications utilities in California, except for small incumbent local exchange carriers (ILECs). The purpose of the OIR is to develop a uniform regulatory framework for all California-regulated telephone

On January 19, 2006, the Rulemaking was reassigned from Commissioner Kennedy to then recently appointed Commissioner Rachelle B. Chong.

At the August 24th Commission meeting, the Commission approved Decision (D).09-08-030. D.06-08-030, which became effective immediately, adopts the following major policies:

- broad flexibility for pricing and changes to service terms/conditions freedoms for almost all telecommunications services, except basic residential service,
- approximately a two-year price cap on prices for basic residential services. Caps are automatically lifted on January 1, 2009. The transition period allows the Commission to address the statutorily-mandated link between LifeLine rate and the basic residential service rates in the pending Universal Service Public Policy Program OIR.
- simplifies all tariff procedures with a 30-day customer notice and 1-day effective date,
- simplifies contract procedures, making them effective when executed,
- eliminates many of the vestiges of rate of return regulation, such as “accounting adjustments”,
- adopts GAAP as the accounting standard and streamlines audit practices,
- eliminates NRF price cap index and annual price cap filings, earnings sharing, and gain-on-sale distributions,
- eliminates NRF monitoring reports and adopts FCC reporting as the standard.

On September 25 & 29, 2006, parties filed opening comments related to the issue of detariffing pursuant to Ordering Paragraph 10 of D.09-08-030. Reply comments on this issue were filed on October 13, 2006. In this briefing cycle, parties were to address legal and implementation issues that the Commission should consider before ordering detariffing of telecommunications services. The Commission stated its intention to decide whether to order detariffing before the end of the year, and noted that should it order detariffing, all the tariffing filing requirements, including the one-day filing provisions adopted in D.06-08-030 would end, and detariffing would affect all services other than basic residential service.

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On September 29, DRA and TURN (Joint Parties) as well as Disability Right Advocates filed applications for rehearing, respectively. The parties objected to D.06-08-030, claiming it contains several legal errors including violations of Commission's rules regarding notice and parties' due process rights.

On October 6, 2006, ALJ Carl Bemserderfer issued a ruling notifying parties that there is a PHC on November 7, 2006 and parties are expected to discuss phase 2 issues and schedule.

At the PHC, the Assigned Commissioner indicated that Phase 2 of URF would proceed along four separate tracks; 1) Detariffing issues [for which comments have already been filed], 2) implementation issues arising from Phase 1 [1-day effective Advice Letters, Notice of Advice Letter protest requirement issues, and Uniform customer disclosure rules], 3) Monitoring issues, and 4) special access service issues.

As a result of the November 7 PHC, on November 9, the Assigned Commissioner issued a ruling related to developing monitoring report needs in the URF regulatory environment. The ACR directed all providers of telephone service in the State of California to serve on all parties to this proceeding on or before November 21, a comprehensive list of all reports currently filed with the FCC or the CPUC.

TD conducted a workshop on December 12, 2006 to discuss the manner that the identified reports were created and the information that the reports were designed to capture. At the workshop, parties representing consumer interests indicated an interest for obtaining disaggregated data with more detail than the state level so that the Commission may have uniform and consistent data from different types of carriers for monitoring purposes. They expressed the viewpoint that there is a need for one standard geographical unit to measure number of subscription lines or other data that is more granular than the state level to have data that is consistently reported on a comparable basis across all types of carriers and all technologies to facilitate evaluating the status of competition in various areas in California. Four FCC reports were discussed in the Workshop. TD issued workshop report on January 18, 2007.

On December 11 (clarified on December 21), 2006, the Assigned Commissioner issued a scoping memo for Phase 2 issues. Parties are expected to file reporting requirement proposals on February 7, have another workshop on February 16, and file opening and reply comments on phase 2 on March 2/March 30, 2007, evidentiary hearing on April 9-11, 2007, briefs on April 27/May 11, 2007, respectively.

E. Universal Service OIR

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
R.05-05-028	Chong	Maribeth Bushey		R.Hernandez, M. King
Next Milestone: Scoping document				

- This rulemaking was opened to conduct a comprehensive review of the Commission's Telecommunications Public Policy Programs, specifically the Deaf and Disabled Telecommunications Program, the California Teleconnect Fund, Payphone Programs and the California LifeLine Program. The OIR seeks comment on whether the programs are

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meeting their statutory obligations and what if any revisions should be made to the programs. Twenty five parties filed initial comments on July 28, 2006. Reply Comments were filed September 15, 2006.

- Public Participation Hearings were held on September 25, 2006, in San Diego, and October 26, 2006, in Oxnard. The final Public Participation Hearing will be held on November 3, 2006, in Sacramento.
- The ALJ is drafting a scoping document outlining key areas of focus and next steps in the proceeding.

F. OIR 06-06-028 Order Instituting Rulemaking Regarding California High Cost Fund-B Program

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
R.06-06-028	Chong	Pulsifer	Dumas	Low, Kumra
Next Milestone: Comments on OIR: August 4, 2006; Reply Comments: September 15, 2006.				

On March 29, 2006, the Commission voted out an Order Instituting Rulemaking (R.)06-06-028. The OIR was mailed on March 30, 2006. The purpose of the OIR was to commence a review of the state's California High Cost Fund B (B-Fund) program. The goals of this review include, but are not limited to, adjusting universal service rate support payments to reflect updated operating costs, evaluating whether B-Fund support levels can be reduced and made more predictable while still meeting the goals of the program, ensuring it is competitively neutral, reducing rate disparity in residential basic service between urban and rural areas in the state, and finally, making the current administration of the program more efficient.

The preliminary schedule for the proceeding is as follows:

- Opening comments are due August 4, 2006.
- Reply comments are due on September 15, 2006.

Determinations on the need for further procedural measures, including discovery, technical workshops, and/or evidentiary hearings will be made in one or more rulings by the assigned commissioner. Following receipt of any such motions, the Assigned Commissioner and ALJ shall determine the need for and extent of further procedural steps that are necessary to develop an adequate record to resolve this rulemaking, and shall issue rulings providing guidance to parties, as warranted.

Tier II:

A. UNE (Unbundled Network Element) Pricing

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
R.93-04-003	Peevey, Brown	Duda		Banuelos, P.King
Next Milestones: Prehearing conference for Verizon "true-up" and future price setting methodology.				

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Two separate proceedings, collectively known as the “UNE Re-examination,” were initiated to re-examine certain prices that SBC and Verizon charge competitors who purchase “unbundled network elements” (UNEs). By purchasing UNEs, competitors are able to use portions of these incumbents’ networks to offer competitive local exchange services. The primary UNE is the copper twisted wire pair or “loop” that provides the “last mile” connection to a customer’s premise. When a CLEC purchases an incumbent’s UNE loop plus its switching services, it is termed a “UNE platform” or UNE-P.

SBC

The SBC-CA unbundled network element (UNE) pricing re-examination proceeding (A.01-02-024, A.01-02-035) began as a product of the Open Access and Network Architecture Development (OANAD) proceeding in which parties were allowed to nominate two UNEs per year for price changes, provided they could justify a 20% increase or decrease in cost. The SBC-CA UNE re-examination reviewed monthly rates for Switching (local and tandem), Interoffice Transport (DS0, DS1, DS3), and the local loop. In summary:

- On September 23, 2004, in D.04-09-063, the Commission increased rates for the UNE loop and the UNE-P: \$11.93 and \$16.53, respectively, up from the previous rates of \$9.82 and \$13.93, respectively. New rates for other UNEs are listed in the Appendixes to that decision.
- At its March 17, 2005 meeting, the Commission adopted D.05-03-026 to resolve how the parties will pay “true-up” amounts. The “true-up” amounts are the difference between the interim rates already paid and the new rates, and parties must compensate each other as if the new rates had been in effect during the interim period.
- On March 29, 2005, the Executive Director corrected typographical errors in D.05-03-026 (issued as D.05-03-037).
- On May 26, 2005, the Commission adopted D.05-05-031 correcting a formula error for the unbundled tandem switching “setup per completed message” rate element.

Verizon

Similar to the SBC proceeding, the “Verizon UNE Phase” has its origins in OANAD. The initial rate tariffs to allow competitors to purchase unbundled network components were set in 1997 in D.97-01-022. Pending development of permanent rates, in March 2003 the Commission adopted new interim rates (D.03-03-033) for Verizon’s UNEs. In summary:

- On March 15, 2006, the Commission adopted new and permanent UNE rates for Verizon.¹

The new rates are summarized (\$):

○ Average UNE Loop	13.94
○ Average UNE-P	17.46
○ 2-Wire Port	3.17
○ Average DS1 Loop	78.33
○ Average DS3 Loop	596.57

¹ The proposed decision may be viewed or downloaded from:
http://www.cpuc.ca.gov/PUBLISHED/COMMENT_DECISION/51472.htm

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- On May 15, 2006, the ALJ set the schedule for the final portion of the Verizon UNE Phase which includes Verizon true-up and future rate re-examination issues..
- June 27, 2006 - Verizon filed its true-up calculations, and Verizon and other parties filed re-examination proposals.
- September 1, 2006, Verizon filed a petition to modify D.06-03-025 to address several difficulties and ambiguities that arose during Verizon’s efforts to publish its new rates in advice letters.

B. General Order 96-A Revisions

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
R.98-07-038	Peevey	Kotz, Thorson		Low, Ahsam
Next Milestone: Commission issuance of the final GO 96-B decision.				

- A rulemaking to revise GO 96-A was mailed to interested parties on February 14, 2001.
- D.01-07-026 (interim opinion) adopted several rule revisions to eventually be codified in GO96-B. The rule revisions concern:
 - Publication of tariffs and the use of the Internet to publish tariffs for certain utilities.
 - Representations made by a utility regarding any tariffed service of that utility.
 - TD workshop ordered by D.01-07-026 was held on August 29, 2001. The workshop’s purpose was to discuss with telecommunication carriers how to implement the rule revisions by January 1, 2002.
 - Resolution M-4801, dated April 19, 2002, confirmed staff’s authority to suspend, on the Commission’s behalf, advice letters that may go into effect absent a suspension. Additionally, the resolution set length of suspension and notification requirement guidelines, among others.
 - D.02-01-038 (second interim opinion) adopted certain requirements for telecommunication utilities to notify customers of proposed transfer, withdrawal of service, or of higher rates and charges.
 - D.02-02-049 modified Resolution M-4801, denied rehearing, and clarified the scope of Commission delegation to staff of the authority to process and suspend advice letters.
 - Draft of the third interim decision was sent out for comments on August 11, 2004. Comments were due August 31, 2004.
 - D.05-01-032 (third interim opinion) was issued on January 13, 2005. This decision requires much greater specificity regarding utility advice letter filings, which should facilitate the staff and parties review of these filings. This decision adopts requirements for maintaining advice letter service lists and provides guidelines for electronic service. The decision is also addresses implementation of PU Code Sec. 455 regarding the suspension of advice letters by Commission staff and separately by the Commission itself.

Tier III

A. Review and Modify Adopted OSS Performance Measurements and Change Management Process for SBC and Verizon

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Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
I.97-10-017	Brown	Reed		Tan
Next Milestone: ALJ is working on proposed decisions for the pending motions filed by the parties.				

- Operations and support systems (OSS) performance measures were established in D.99-08-020 to ensure that SBC's and Verizon's OSS services to the CLECs do not present barriers to the CLECs' ability to offer consumers local phone service.
- By D.99-11-026, the Commission also established a procedure that AT&T, Verizon and interested CLECs may efficiently amend their respective interface Change Management Process (CMP). That decision allowed a sponsoring party to file an amendment to AT&T or Verizon based on the parties' settlement agreements adopted in D.99-11-026.
- D.03-07-035 dated July 10, 2003 adopted over 200 changes to the performance measures as had been recommended by parties.
- On May 3, 2004, SBC California (now AT&T), Telescape Communications and Time Warner filed a motion requesting the Commission to adopt their Joint Partial Settlement Agreement which made modifications to the Performance Measurements originally approved by the Commission in D.99-08-020 and subsequently modified on May 24, 2001 in D.01-05-087 and on July 10, 2003 in D.03-07-035.
- On May 15, 2006, Verizon, AT&T, Covad, and Time Warner filed a Joint Partial Settlement Agreement to modify Verizon's OSS performance measurements to reflecting FCC's policy to remove UNE Platform.
- On Nov. 6, 2006, Verizon filed a motion to approve proposed amendments to its CMP per majority votes of the CLECs on a October 10, 2006 meeting. The suggested amendments includes a language that any future modification to the CMP document require a super majority of a 2/3 affirmative vote by the participating members, given a quorum of participants in present and voting.
- On December 27, 2006, AT&T protested Verizon's motion asserting (1) super majority vote is inconsistent with D.99-11-026, (2) Verizon was given veto power, (3) voting procedure was inappropriate because Verizon tied all CMP changes as a whole package, and (4) the changes were outside of a formal Commission proceeding and prohibited by statute. Based on these reasons, AT&T urged the Commission to reject Verizon's proposed amendment and require Verizon's CMP document to state that amendments shall be allowed upon the vote of a simple majority of a quorum of qualified CLECs, with no right of veto by Verizon.

B. Service Quality Standards

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
R.02-12-004	Peevey	Grau		Fua
Next Milestone: Draft service quality rules.				

- In December 2002, the Commission issued a rulemaking to revise existing measures of telecommunications service quality in order to reflect current technological and business conditions.
- Opening comments and reply comments on were filed in April 2003 and May 2003, respectively on (1) proposed measures for specific services, (2) costs and benefits associated with proposed measures, (3) whether publishing carriers' reported service quality measures is

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a reasonable alternative or interim step to establishing standards and service quality assurance mechanisms, and (4) whether workshops would be productive after draft rules are issued.

- The Commission in the URF D.06-08-030 deferred uniform quality service standard issues to be addressed in this proceeding.

C. *Intrastate Access Charges*

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
R.03-08-018 / D. 06-04-071	Peevey	Bushey		Fua, Bañuelos
Next Milestone: Review Comments and publish a draft decision.				

- On April 27, 2006, the commission adopted decision D.06-04-071 which eliminated two non-cost based charges, the Network Interconnection Charge (NIC) and the Transport Interconnection Charge (TIC) for SBC and Verizon. The elimination of these two rates reduces intrastate access charges and allows Local Exchange Carriers to impose a surcharge to recover the lost revenues including those from affiliates. The adopted decision describes the formula SBC and Verizon shall use to calculate the annual surcharge. For a period of no less than five years, SBC and Verizon will be required to file an annual Advice Letter that will show the calculation and supporting documentation for the surcharge adjustment. After the five years, either company can file an Advice Letter that requests relief from the annual recalculation.
- According to D.06-04-071, CPUC will not await FCC decision on ICC but decide to move forward and eliminate the NIC/TIC for all remaining incumbent and competitive LECs serving California.

III. SIGNIFICANT ADVICE LETTERS & RESOLUTIONS, INCLUDING PUBLIC PROGRAM BUDGETS AND CONTRACTS

A. *Interconnection Agreements*

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
Resolution ALJ 181 / various applications	Peevey			Conner, Morehouse
Next Milestone: Review and approve interconnection agreement advice letters within the required timeframe.				

The Telecommunications Act of 1996 required local exchange carriers to provide local network interconnection with any requesting telecommunications carrier. Section 252 of the 1996 Act requires states to review and approve interconnection agreements.

- The Commission adopted Resolution ALJ 167 in 1996 establishing the rules for interconnection agreement approval. Resolution ALJ 181, adopted on October 5, 2000, contains the current rules for filing for Commission approval of interconnection agreements. Under these Resolutions:
 - Carriers file Advice Letters for approval of negotiated interconnection agreements, for approval to adopt already approved agreements, or to opt into a portion of an already approved agreement. TD reviews and approves advice letters for negotiated interconnection agreements by resolution, reviews and approves advice letters for

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- amendments to approved interconnection agreements on 30 days notice, and reviews and approves advice letters to opt into preexisting agreements on 16 days notice.
- Carriers file applications for approval of interconnection agreements when the parties cannot agree to the terms and conditions of interconnection.
- ALJ 181 defines the process and procedures for resolving arbitrated interconnection agreements. The Commission is addressing two arbitration petitions as follows:
- A.05-05-027: AT&T/MCI Arbitration. The Final Arbitrers Report (FAR) was filed on April 19, 2006. On August 24, 2006, the Commission issued D.06-08-029, approving the Arbitrated Interconnection Agreement as Amended.
- A.06-02-028 et al: Small Local Exchange Carriers/ Cingular and T-Mobile Arbitration. Hearings were held in August 2006. The wireless companies successfully showed that the rate of \$.0225/per minute was not supported by any cost data. ALJ Bemdeserfer, working with Telco staff, has prepared an order for release prior to the end of February 2007 which disposes of the four main issues and the fifteen cost subissues.

B. Implementation of 2-1-1 Dialing in California

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
R.02-01-025	Kennedy	Sullivan		Rahman, Conner
Next Milestones: Additional counties are expected to file for 2-1-1 approval soon.				

The FCC designated the abbreviated dialing prefix “2-1-1” for use by social services information and referral (I&R) agencies in July 2000. The CPUC instituted R.02-01-025 to consider the implementation of 2-1-1 dialing in California. Decision (D.) 03-02-029 established that applications to offer county

2-1-1 services would be addressed and approved through TD resolutions. The following providers have been approved by Commission resolutions:

- InfoLine of LA (Los Angeles County), October 16, 2003.
- EDEN & R, Inc. (Alameda County, December 4, 2003.
- Contra Costa Crisis Center (Contra Costa County), February 26, 2004.
- Info Link Orange County, April 1, 2004.
- Help Link (San Francisco County), May 27, 2004.
- Interface Helpline (Ventura County), May 27, 2004.
- Volunteer Center of Riverside County, August 19, 2004.
- INFO LINE of San Diego County, August 19, 2004.
- Family Services of Santa Barbara (Santa Barbara County), December 2, 2004.
- Community Services Planning Council Inc. (Sacramento County), March 15, 2005
- Inland Empire United Way (San Bernardino County), February 16, 2006
- HELPLINK, United Way Community Information Center (Marin County) approved April 13, 2006
- United Way of Stanislaus Area approved July 20, 2006
- United Way Silicon Valley (Santa Clara County) approved September 7, 2006
- HELPLINK- United Way Community Information Center to serve Solano County resolution drafted for Commission meeting of March 15, 2007

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- HELPLINK- United Way Community Information Center to serve Napa County resolution drafted for Commission meeting of March 15, 2007.

Additionally, the following extensions have been granted.

- In December 2004 the Commission granted an extension request by I&R providers to implement 2-1-1 service in the following counties: Alameda, Los Angeles, Orange, San Diego and Riverside.
- In February 2005 the Commission granted an extension request by Contra Costa Crisis Center in Contra Costa County.
- In April 2005 the Commission granted an extension request by Helplink of San Francisco.
- In December 2005 the Commission granted a 2nd extension request by Eden I&R of Alameda County.

C. AB 140 Grants To Unserved Areas

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
R.03-02-034	Peevey	Grau		Borak
Next Milestone: Phase 1 Applications due fourth quarter of 2006				

California Assembly Bill (AB) 140 (Ch. 903, Stats. 2001) created the Rural Telecommunications Infrastructure Grant Program. The first of its kind in the nation, the program provides grants of up to \$2.5 million per project, with total grant funding of \$10 million per year, for construction of telecommunications infrastructure to low-income, rural communities currently without telephone service. The legislation requires the CPUC to develop eligibility criteria for community-based groups to apply for grants, and to establish a government-industry working group to develop the technical criteria for use in evaluating grant applications.

- On February 27, 2003 the CPUC issued OIR 03-02-034 as a means to implement AB 140. D.03-09-071 implemented the program on September 18, 2003. D.05-03-005 adopted the interim grant program administration rules as final rules on March 17, 2005.
- To date, the Commission has approved funding for the following AB 140 projects:
 - Wireline telecommunications service to the Yurok Tribe in Humboldt County in the amount of \$2,500,000
 - Combination of wireless and wireline infrastructure to the community of Iowa Hill in Placer County in the amount of \$1,834,900.
 - Wireless infrastructure throughout Trinity County in the amount of \$2,500,000.
 - Fiber optic-based, passive optical network line extension to the Tule River Tribal Council in Porterville, California in the amount of \$860,000.
 - Wireless telecommunications service to the Indian Springs School District in Big Bend, California in the amount of \$2,500,000.
- The Telecommunications Division is now ramping up for applications for the Rural Grants program spanning the 2006-7 fiscal year.

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D. Foresthill Telephone Company General Rate Case Filing (AL 263)

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
	N/A			Hirsch, Shiu, Maniscalco, Abad
Next Milestone:				

- On March 6, 2006, Foresthill Telephone Company (FTC) filed a general rate case by using the advice letter process. The utility proposes to change rates for certain of its telephone services.
- FTC is requesting CHCF-A support in the amount of 3 million for test year 2007.
- On March 21, 2006, FTC supplemented its original AL request by revising its requested CHCF-A fund amount from 3 million to 3.5 million. This revision was made because FTC increased their projected: a) employee count; b) material and supplies inventory; c) plant under construction; and d) expected decreased Intrastate access revenues.
- TD will prepare a resolution for the Commission's consideration in October 2006.
- TD sent out draft resolution T-17048 for comments on November 14, 2006 and timely filed comments were received from FTC. Resolution is expected to appear on Commission agenda for the December 14, 2006 meeting.
- The Commission adopted Resolution T-17048 at its December 14, 2006 meeting.

E. Kerman Telephone Company General Rate Case Filing (AL 352)

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
	N/A			Maniscalco, Rahman, Feizi, Koskinen
Next Milestone:				

- On December 28, 2006, Kerman Telephone Company (KTC) filed a general rate case by using the advice letter process. The utility proposes to change rates for certain of its telephone services.
- KTC is requesting CHCF-A support in the amount of \$4.17 million for test year 2008.
- In January 2007, TD sent out the first data request to KTC.
- The staff field visit and GRC Public Meeting in Kerman, CA will be held on March 27, 2007.
- TD will prepare a draft resolution for the Commission's consideration in July 2007.

F. Sierra Telephone Company General Rate Case Filing (AL 350)

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
	N/A			Hirsch, Shiu, AhSam, Chang.
Next Milestone:				

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- On December 27, 2006, Sierra Telephone Company (SIERRA) filed a general rate case by using the advice letter process. The utility proposes to change rates for certain of its telephone services.
- Sierra is requesting CHCF-A support in the amount of \$13.89 million for test year 2008.
- The staff field visit and GRC Public Meeting in Oakhurst, CA will be held on March 27, 2007.
- TD will prepare a draft resolution for the Commission's consideration in August 2007.

G. Volcano Telephone Company General Rate Case Filing (AL 335)

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
	N/A			Fish, Abad, Feizi, Koskinen
Next Milestone:				

- Volcano Telephone Company (Volcano) filed a general rate case on November 20, 2006 through the advice letter process. The utility proposes to change rates for certain of its telephone services.
- Volcano is requesting CHCF-A support in the amount of \$3.47 million for test year 2008.
- In January 2007, TD sent out the first data request to Volcano.
- The staff field visit and GRC Public Meeting will be held in Jackson, CA on March 5, 2007.
- TD will prepare a draft resolution for the Commission's consideration in July 2007.

H. Public Program Budgets

FY 06/07 and 07/08 public program budget-related legislation or CPUC resolution include the following actions:

- By Senate Bill 77, Stats. 205, Chap 38, the Legislature approved budgets for the CHCF-A, CHCF-B, CTF, DDTP and ULTS programs for FY 2006-2007.
- The CPUC approves of the following budgets for FY 2007-2008:

I. ULTS: Resolution T-17042

- approved budget of \$ 289 million
- CHCF-A: Resolution T-17043 approved budget of \$ 44 million
- CHCF-B: Resolution T-17028 approved budget of \$ 435 million
- CTF: Resolution T-17046 approved budget of \$ 22 million
- DDTP Resolution T-17047, approved budget for \$69 million, and Resloution 17044 decreased the surcharge from .27% to .05%, effective August 1, 2006.

J. Complaint Case (C.) 05-11-011

UCAN, Complainant, vs. SBC Communications, Inc. dba SBC Pacific Bell Telephone Company now d/b/a AT&T California, Defendant

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(Filed November 14, 2005)

The Complaint Case (C.) 05-11-011 was commenced on December 30, 2005. The complainant, Utility Consumer’s Action Network (UCAN), in this proceeding allege violations of the Public Utilities Code section 2883 concerning SBC Communications, Inc., dba SBC Pacific Bell Telephone Company (SBC), now d/b/a AT&T California, defendant’s obligations to provide 911 “warm line” access. The complaint seeks reimbursements, penalties, punitive damages, and other remedies. The proceeding is categorized as adjudicatory.

- Prehearing Conference (PHC) was held on January 4, 2006
- Scoping Memo was issued on January 20, 2006.
- June 30, 2006- Opening Testimonies by UCAN
- July 14, 2006- Opening Testimonies by Pacific Bell d/b/a AT&T California
- August 24, 2006- UCAN filed Post-Hearing Opening Brief
- August 25, 2006- Opening Brief by Pacific Bell Telephone Company d/b/a AT&T California
- September 15, 2006- Reply Briefs filed by Pacific Bell d/b/a AT&T California & UCAN
- Numerous pending motions concerning the record
- Decision expected Mid 2007

IV. PUBLIC PROGRAM OVERSIGHT

A. *Description of Public Programs*

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
				Shantz, Fua (CTF only), & staff
Next Milestone: Ongoing program responsibility (SB 669 and AB 1734).				

PUC provides oversight and administration of five telecommunications public programs, which seek to improve telephone penetration. Pursuant to PU Code § 270 et seq, the Commission may only expend funds for these programs upon appropriation in the annual Budget Act. For the 2006-07 fiscal year, the State Annual Budget Act appropriated in excess of \$860 million for these five telecommunications public programs. Funding for these programs is derived from surcharges assessed on all telephone users’ monthly bills. These programs include:

- Universal Lifeline Telephone Service (ULTS), which provides discounted telephone service to low-income households;
- California High Cost Fund A (CHCF-A) and B (CHCF-B), which subsidize carriers for providing service to customers in high-cost areas. PU Code § 270 and 739.3 provided a sunset date of January 1, 2005 for the CHCF-A and CHCF-B programs which SB1276 extended to January 1, 2009. This legislation also requires the Commission, by January 1, 2006, to conduct a review of these programs and the support mechanism for the CHCF-B. See Universal Service and CHCF-B OIRS.
- The California Teleconnect Fund (CTF), which provides discounted telephone service to schools, libraries, hospitals, clinics, and community-based organizations.
- Deaf and Disabled Telecommunications Program (DDTP), which is a \$60-70 million program that provides some 2.5 million deaf and disabled Californians with relay service

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(CRS, or California Relay Service) through a third-party operator as well as specialized equipment to qualifying individuals (CTAP, or California Telephone Access Program).

Ongoing TD responsibilities associated with the administration of these programs include but are not limited to:

- Providing technical and administrative support to the advisory boards;
- Developing proposed annual budgets for the advisory boards for submission to the Commission;
- Sponsoring resolutions approving the annual program budgets and their respective funding sources;
- Providing technical support to decision makers on policy issues associated with universal service and public programs;
- Reviewing and approving monthly claims submitted by telecommunications companies;
- Managing 40-50 contracts and reviewing their invoices submitted for payment;
- Work with CPUC contracts office, DGS and vendors to amend contracts as necessary and issue RFPs and IFBs;
- Directing Commission’s Fiscal Office to schedule payments with the State Controller’s Office on a bi-monthly basis;
- Reviewing and monitoring over \$860 million of surcharge revenues reported and remitted by the telephone companies;
- Comparing budget and revenue forecasts with actual expenditures and surcharge monies received and deposited in the State Treasury;
- Working with the Commission Budget Office on budget change proposals and/or appropriation deficiency requests;
- Reviewing advice letters associated with annual funding requests filed by the 17 small local exchange carriers; and
- Reviewing and recommending to the Commission approval of program-related contracts and their management.

B. DDTP Post-Transition: Administration and Contract Management

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
			Mickiewicz	Shantz, Gustafson
Milestones:				

The Deaf and Disabled Telecommunications Program (DDTP) continues to provide equipment and relay services to some 2.5 million deaf, hearing impaired, and speech or otherwise disabled Californians and the persons with whom they communicate.

- DDTP website: the new DDTP website went “live” spring of 2005, now has a Spanish as well as an English language version. The public can view the website at www.ddtp.org; and provide comments online at webcomments@ddtp.org.
- Relay “Choice”: Users of the California Relay Services (CRS), now have the choice of three providers under CRS II, i.e., MCI, Nordia or Sprint. Instructions for registering choice of provider, modality or language are on the new DDTP website, as well as available through the various vendors, see 711 Instructions on the website.

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- Captioned Telephone Service (CapTel): CapTel Expanded Field Trial (EFT); Implementation including distribution of up to 200 CapTel units over a 3-year period beginning with persons on waiting lists is underway. The DDTP is now providing a second CapTel phone for eligible trial participants for use at work or at home at CPUC cost, which is below retail. The work phone is provided free for employers with less than 15 employees. CapTel service is offered now in some 40 other states,.
- Contract management: Ongoing management of existing DDTP contracts which are now State contracts continues, including extension and rebid of contracts as required based on operational needs, and as permitted or required by DGS.
- Contract extensions through 2006 are in place for the DDTP's marketing contractor (OWC or One World Communications), equipment call center (CSD or Communications Services for the Deaf), and warehouse while the EPC and Marketing functions are rebid.
- Former warehouse vendor: CPUC legal continues to work with the California Attorney General to resolve remaining issues, including unrecovered inventory dating from June 2005.
- A DGS master agreement is now in place for procuring specialized telecommunications equipment for the DDTP. This involves a list of vendors from which DGS will purchase the specialized telecommunications equipment for the DDTP.
- CRS II Implementation and Related Matters: CPUC continues to work with Mission Consulting, CCAF and vendors (MCI, Nordia, Sprint, Verizon) on implementation issues, including CRS II reporting, operational and acceptance testing issues. Processes for liquidated damages are in place when the call center provider misses ASA (Average Speed Answer) requirements. CPUC/CCAF/Mission Consulting are working with a least one vendor on contract reporting and compliance issues.

Four RFPs Issued for DDTP Contracts

In the last half of 2006, the CPUC concluded/processed involving four Requests For Proposals (RFPs) to:

- Operate and manage the Deaf and Disabled Telecommunications Program (Primary Program and Contract Administrator);
- Operate and manage the DDTP equipment processing center (EPC), including a call center, tracking system and warehouse distribution;
- Create Marketing Campaigns for the DDTP.
- Provide "Braille" for DDTP committee members.

A new DGS-approved contract for the operation and management of the DDTP was in effect as of July 1, 2006. This was awarded to the California Communications Access Foundation (CCAF) which functions as the CPUC DDTP's Primary Program and Contract Administrator. The contract is for a two year period with option of a one year extension. This contract provides services and equipment to program participants and operates 7 walk-in centers throughout the state and conducts outreach activities to inform and educate about the program.

A second RFP (#06PS5609) involving the operation and management of the DDTP equipment processing center (EPC) was issued June 29th resulting in a contract award to the Communication Services for the Deaf (CSD). This contract was approved on November 9th, 2006 by the

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Department of General Services (DGS). The vendor is currently transitioning to meet the requirements of the new contract and is anticipated to begin providing services January 1, 2007 for a 2 year period, with option for one year extension. The EPC consolidates functions of three current contracts (equipment call center, database and warehouse). [An earlier RFP for EPC had been protested. While DGS had not sustained the protests, it directed the CPUC to make some changes in the RFP.]

A third RFP (#05PS555) was issued for DDTP marketing services, to include four major campaigns per year for two years and other marketing and outreach material. A contract award has been made to Emmis (EMG). The contract is presently awaiting approval from the Department of General Services (DGS).

The fourth RFP (#06PS5590) Braille Services was recently issued to obtain responses to provide services for the production of Braille and alternative formats (Large Print, Cassette Tape, and Compact Disc) for the Deaf and Disabled Telecommunications Program (DDTP). These materials will primarily be used by vision impaired members of the DDTP's consumer advisory committees appointed by the CPUC. Dolphin Press, the incumbent, successfully won the bid and will be awarded this Contract which has a two year term agreement.

C. *ULTS Call Center and Outreach Contracts*

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
				Mary Jo Borak
Next Milestone: Department of General Services approval of 2006-7 Marketing contract				

In 2003, the Department of General Services (DGS) approved a one-year marketing plan (outreach) contract for \$5 million and a 36-month contract for the operation of a call center for \$1.5 million with Richard Heath and Associates (RHA). On September 8, 2003, RHA launched Phase II of the ULTS (Universal Lifeline Telephone Service) marketing outreach program to increase subscribership among the following target groups: African American, Cambodian, Chinese, Filipino, Hispanic, Hmong, Korean, Laotian, and Vietnamese, Russian, and Armenian. The Call Center provides in-language service to callers in the following languages: English, Spanish, Cambodian, Cantonese, Hmong, Korean, Lao, Mandarin, Tagalog and Vietnamese. In 2004, the Commission released a Request for Proposals for a new ULTS Marketing and Outreach Contract. Three proposals made it to the bid opening stage. The contract was awarded to RHA for the amount of \$4,078,688. The contract was for one year, with the option to extend for two additional one-year periods. The contract was reviewed and approved by DGS in August 2004 and a one year extension was approved in 2005. TD is currently preparing a contract extension for approval by DGS for the second extension.

- The first year marketing efforts have achieved notable results. The ULTS Call center received a total of 23,229 calls. Of the 23,229 total calls received, 72% were determined eligible for ULTS and were referred to a carrier to sign up for phone service.
- The second year marketing campaign targets women, since women make most of the calls into the Call Center. The campaign stresses how affordable the plan is, as well as how important it is to families to be connected to schools, family members, and public safety providers.

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- The ULTS logo has also been updated. It emphasizes the “Lifeline” word and incorporates artistic figures, a telephone, and connectivity.
- A new marketing campaign and more extensive television media buys produced outstanding results. For the entire marketing contract year ending August 30, 2005, the Call Center’s number of successful transfers totaled 21,054, exceeding their target of 18,000 successful transfers.
- The marketing contract was renewed for an additional year. The 2005-06 contract amount totals \$4,855,000 and was approved by the Department of General Services on November 1, 2005.
- The second contract extension is in process with DGS and will extend the marketing efforts for one more year in the amount of \$4,975,000.

D. Advisory Boards

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
				Shantz, Gustafson, Mirza, Kumra, Carlin, Fua
Next Milestone: Ongoing program responsibility (SB 669 and AB 1734)				

TD provides principal liaison support to each of the five boards whose composition was recently addressed by legislation and Commission decision. The duties and responsibilities of the liaisons for CHCF-A, CHCF-B, CTF, and ULTS include but are not limited to:

- Facilitate advisory board meetings by scheduling the room for such meetings;
- Preparing agendas and meeting information packages;
- Taking and preparing minutes of the meeting;
- Assisting in the development of the proposed fiscal year program budgets; and
- Assisting in the preparation and filing of advisory boards’ annual reports.

TD’s liaison/representatives for the DDTP are committees’ (TADDAC; CRASC—Relay; and EPAC—Equipment) non-voting members whose duties and responsibilities are to assist the DDTP advisory boards in the development of each proposed fiscal year program budget and in the preparation and filing of the annual report, and to represent the Commission/TD on policy and program issues.

V. REPORTS TO THE LEGISLATURE

A. SB 396 (Battin Bill – 2005)

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
				Low, Shiu, Maniscalco
Next Milestones: Final Report for Legislature.				

- SB 396 (2005) directs the state Public Utilities Commission to examine the impact of toll call pricing in the Coachella Valley and to consider whether additional options are needed to serve that area. The bill requires the commission to consider whether any additional steps are necessary to encourage innovative pricing plans by incumbent and competitive carriers and would authorize the commission to consider whether customer education efforts or other measures that are in the public interest

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are necessary. The bill requires the commission to prepare and submit a report to the Legislature on or before July 1, 2007, regarding these issues.

- Data requests have been sent to Verizon, the ILEC for communities in the Coachella Valley, for information about calling plans, local toll patterns, consumer education, consumer complaints, etc. Contact has also been made with the Office of Governmental Affairs (OGA) and Senator Battin's Office and all parties now concur that a scaled down report, from the one originally proposed, should now be prepared.
- Data Requests have been sent to the CLECs, which operate in the Coachella Valley area, to ascertain the level of competition for local toll calling.
- Staff is awaiting monthly customer billing information, due by February 15, 2007, from Verizon.
- A draft report for review is anticipated to be completed by March 7, 2007.

VI. FCC PROCEEDINGS AND FEDERAL LEGISLATION

A. *FCC Proceedings*

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
Various FCC dockets		n/a	Dumas	King, Scott, staff
Next Milestones: See each item below.				

Because of the increasingly rapid change of technology and regulatory frameworks and jurisdictions, Telco staff continuously monitors FCC proceedings and rulings, coordinating with the Legal Division, the staff assesses proceedings and rulings for issues relevant to California, and participates in those proceedings through direct comments, through NARUC, or other means relevant to a particular proceeding. Current proceedings of interest include:

- **FNPRM In the Matter of Developing a Unified Intercarrier Compensation Regime, Missoula Plan Proposal, CC Dkt. No. 01-92, DA 06-1510.** CPUC filed comments on October 25, 2006. TD staff is reviewing and summarizing the pertinent filings of other parties to determine if the CPUC should file Reply Comments which are due February 1, 2007.
- **Verizon's Petitions For Forbearance Pursuant To 47 U.S.C. 160(C) In The Boston, New York, Philadelphia, Pittsburgh, Providence, And Virginia Metropolitan Statistical Area., WC Docket No. 06-172, DA 06-1869; filed September 6, 2006.** CPUC will file comments on December 15, 2006 asking FCC to act on the petitions as opposed to letting the petitions be deemed granted through inaction.
- **In the Matter of IP-Enabled Services, NPRM, WC Dkt. No. 04-36, FCC 04-28, rel. March 10, 2004.** CPUC filed comments on May 28, 2004. Awaiting FCC action.

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- **Bell South Petition to FCC to Change the Distribution Methodology for Shared Local Number Portability (LNP) and Thousand-Block Number Pooling; RM Dck. No. 11299, DA 05-3008.** The CPUC filed Reply Comments on February 6, 2006, stating the CPUC's concern that a methodology change could result in carriers' passing through the shared LNP and number pooling costs to customers. Awaiting FCC action.
- **Consumer Protection in the Broadband Era, Report and Order and NPRM; WC Dck. No. 05-271, FCC 05-150 (rel. Sept. 23, 2005).** The CPUC filed Reply Comments on March 1, 2006, voicing support for the principles of Network Neutrality and a Stand-alone DSL requirement. Awaiting FCC action.
- **NPRM re: Petition for Rulemaking to Enhance Security and Authentication Standards for Access to Customer Proprietary Network Information (CPNI), CC Dck. No. 96-115; RM-11277; FCC 06-10 (rel. February 14, 2006).** CPUC filed Comments on April 28, 2006. Awaiting FCC action.
- **Numbering Resource Optimization, Order and Fifth FNPRM, CC Dck. No. 99-200; FCC 06-14, (rel. February 24, 2006).** The CPUC filed Comments on May 15, 2006, supporting the FCC's proposal to delegate to states the authority to order implementation of number pooling outside the top 100 MSA's. Awaiting FCC action.
- **Embarg and other "Me Too" Forbearance Petitions; WC Docket No. 06-147, DA 06-1671, August 2006.** ILECs are seeking forbearance from Title II and Computer Inquiry Rules with respect to their broadband services. CPUC filed Reply Comments on September 27, 2006, urging the FCC to take action on these petitions one way or the other, and not just let the petitions become effective through inaction. Awaiting FCC action.
- **Universal Service Contribution Methodology, NPRM, WC Docket No. 06-122; FCC 06-94; rel. June 27, 2006.** CPUC filed late-filed Comments with the FCC on September 29, 2006, questioning the interstate/intrastate ratio assumed in the new safe harbor percentages for wireless and VOIP and seeking clarification on FCC footnote regarding state jurisdiction over VOIP. Awaiting FCC action.
- **In the Matter of Jurisdictional Separations and Referral to the Federal-State Joint Board, Order and FNPRM, CC Dck. No. 80-286, FCC 06-07 (rel. May 16, 2006).** CPUC filed Reply comments on November 20, 2006, supporting the FCC's proposal to seek data from carriers to help the FCC in its deliberations on the separations process. Awaiting FCC action.

B. Federal Telecommunications Legislation

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
109 th Congress		n/a	Dumas	King, Scott, staff
Next Milestones: With the changes in the Congressional power balance in the Nov. election, these bills are not likely to pass in this Congress.				

Two bills the CPUC is actively involved in are:

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- H.R. 5252 (S.2686) Advanced Telecommunications and Opportunities Reform Act (ATOR) or the Communications Act of 2006 (Barton, R-TX)** Senate version of Communications Act reform legislation. While the original purpose of the consolidated legislation was to update universal service law and regulation and to establish a national video franchising process to replace the current municipality-based process, other issues relevant to the CPUC have been added to the bill, such as federal preemption of state jurisdiction over wireless “terms and conditions” of service. In comments Commissioner Chong’s office sent to the Senate Commerce Committee, the CPUC suggested some clarifying changes to universal service language and on 6/20/06 Commissioner Peevey sent a letter to Senator Boxer strongly opposing language that would preempt state jurisdiction over wireless terms and conditions of service. Staff also participated in NARUC’s efforts on behalf of states’ interests. Status: Pending on Senate floor.
- S. 2389 Protection Consumer Phone Records Act (Allen, R-VA).** Among other things, would preempt state laws regulating carrier use of CPNI. Commissioner Chong sent a letter to Senator Boxer opposing preemption of state criminal statutes related to the use of and access to CPNI. The letter also requested that the bill be amended to include language prohibiting wireless carriers from listing subscriber numbers in public directories without the subscriber’s authorization. Boxer did offer this amendment and it was approved in Committee. Status: Pending on Senate floor

C. Developing a Unified Intercarrier Compensation Regime

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
CC Docket No. 01-92	N/A	N/A	Dumas	Bañuelos, Fua, Kumra, Lazaro, Scott
Next Milestone: Reply Comments due February 1, 2007				

On March 3, 2005, the FCC issued a Further Notice of Proposed Rulemaking on intercarrier compensation and established a comment cycle. The FCC is requesting input on the methods by which carriers compensate each other for exchanging telecommunications traffic on the public switched telephone network. The FCC is also seeking comments on the type and degree of reform to both intrastate and interstate intercarrier compensation paradigms that have been suggested by various interests including NARUC. At issue in this proceeding are potential changes to not only the intercarrier compensation regimes that govern telecommunications but fundamental changes to long-standing universal service funding policies that rely on these regimes.

- NARUC staff and stakeholders met on NARUC’s proposal in Washington, D.C., on April 21-22, 2005. The NARUC task force group is working to further refine its proposal to submit to the FCC.
- Legal and Telecommunications Division staff participated in NARUC meetings in Austin, TX, July 24-27, 2005 on NARUC’s proposal to the FCC regarding the rationalization of all carrier compensation under CC Docket No. 01-92.
- Legal and Telecommunications Division staff designated by Commissioner Kennedy to conduct work on the NARUC subcommittee defining network boundaries that determine

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- how compensation flows to interconnected carriers. Proposal to be presented at NARUC meeting in Palm Springs, CA November 13-16, 2005.
- Working cooperatively with the FCC and NARUC, Td and Legal Division staff has authored a network segmentation and compensation proposal. The proposal was presented at NARUC's conference in Palm Springs on November 11, 2005. Industry stakeholders met to discuss this proposal for possible use in developing a unified intercarrier regime under the FCC's Intercarrier Compensation Docket (CC Docket No. 01-92).

On July 24, 2006, a new ICC plan was released to the public, known as the "Missoula Plan". The Missoula Plan attempts to unify intercarrier charges and moves all intercarrier rates charged for all traffic closer together. The Plan proposes to reduce intercarrier compensation rates and allows carriers to recover lost intercarrier compensation revenues through supplemental sources of recovery to make carriers whole. This cost recovery is shifted from intercarrier charges to an increase in the end user subscriber line charge and a new Restructure Mechanism, which is designed to replace the intercarrier revenues lost by carriers not otherwise recovered through increased SLC rates. The Plan helps alleviate the phantom traffic problems. The Plan proposes comprehensive interconnection rules. The Plan also makes changes to a number of existing universal service mechanisms, including the rural and non-rural high-cost loop support mechanism and the safety-valve support mechanism.

- Comments on the support or disapproval of certain aspects of the Missoula Plan were filed by the CPUC to the FCC on October 25, 2006.
 - CPUC agrees with the Missoula Plan's following proposals:
 - The proposed rules set forth to resolve the phantom traffic problem.
 - Establishing mechanisms for both interim and formal interconnection agreements for the exchange of Non-Access Traffic in cases where arrangements do not already exist.
 - CPUC is concerned with the following Missoula Plan issues:
 - Unified intercarrier rates are not cost-based and therefore recommend adopting California TELRIC rates.
 - States should be granted the flexibility to implement intrastate rate changes to meet the standards set by the FCC and allow eligible carriers to draw from the RM to compensate for any intrastate revenue deficit not met through state rate rebalancing.
 - The Early Adopter Fund proposal is not fully developed in the Plan. Some areas which have been left unanswered are the appropriate size of the EAF and the manner in which the EAF would be funded.
 - The re-indexing of the HCLF as proposed by the Plan would increase HCLF support received by large carriers and thus increase the costs of the Fund without justification.
 - Appropriate allocation of the SLC and RM funds should be made to intrastate revenues because the SLC and RM are supposed to recover both intrastate and interstate revenue deficits.
- Reply comments to the FCC on the Missoula Plan are due February 1, 2007.

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VII. OTHER PROJECTS

A. Public Program Audits

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
N/A	N/A	N/A	N/A	Christiansen, Schein
Next Milestone: Roseville audit report.				

- PU Code Section 274 requires the Commission to conduct, at least every three years, a financial audit and a compliance audit of the program-related costs of the following six funds:
 - California High Cost Fund – A
 - California High Cost Fund – B
 - Universal Lifeline Telephone Service Fund
 - Deaf & Disabled Telecommunications Program Fund
 - Payphone Service Providers Fund
 - California Teleconnect Fund
- Consistent with past practice, the Commission has engaged the Department of Finance to conduct some of these program audits and is performing others in-house.
- The Telecommunications Division recently utilized the hiring freeze exemption process to hire two Financial Examiners (FE IIIs) to work on some of these audits. One auditor has since left the Commission, leaving only one FE III to conduct Public Programs Audits.
- Audit reports have been completed for 5 small LEC's.
- Audit fieldwork by the remaining FE III has been completed for four additional small LECs, and draft reports have been prepared and are being reviewed.
- A contract with the Department of Finance (DOF) to perform audits on some larger carriers beginning early this fiscal year was approved in July 2003.
- The DOF work will focus on a mid-sized LEC, a large inter-exchange carrier, and a large LEC.
- Fieldwork for the audit of Roseville has been completed, and the staff has received a draft report for its review. Staff has also received comments to the draft report. DOF is reviewing and considering TD's suggested changes.
- Fieldwork for SBC and MCI audits is underway. A DRAFT report on the MCI audit is expected to be released for TD review in July 2005.
- MCI audit report released October 21, 2005, finds that MCI over collected approximately \$4 million (on a sample basis).

Earlier this year, the Telecommunications Division's audit function was transferred to the Utility Audit, Finance and Compliance Branch (UAFCB) of the Commission's Water Division. The UAFCB is currently examining three small to mid-sized Competitive Local Carriers (CLCs).

The Telecommunications Division will continue for the foreseeable future to oversee the contract with the DoF for audit services.

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B. Number Pooling Administration

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
R. 95-04-043 & I.95-04-044	TBD	Pulsifer	Mickiewicz	Conner, Pangilinan
Next Milestones:				
<ul style="list-style-type: none"> ➤ Monitor pooling blocks by rate center. ➤ Review code openings to replenish pools and to establish LRNs (Location Routing Number). ➤ Review applications for waivers from carriers to obtain additional blocks. 				

Number pooling enables the allocation of numbers to carriers in blocks of 1,000 numbers. Prior to pooling, carriers could only receive numbers in blocks of 10,000 numbers (whole prefixes).

- On September 15, 1999, California received authority from the FCC to conduct mandatory number pooling trials for carriers with LNP (local number portability) capability in areas designated within the top 100 MSAs (Metropolitan Statistical Area).
- The first pooling trial began in the 310 area code on March 18, 2000. By April 2002, when National Pooling began, California implemented a total of 16 pooling trials. As of April 2003, all area codes in California are in pooling.
- TD staff routinely monitors the number of blocks available in each area code by rate center, works with the Pooling Administrator to determine the need to replenish the pools (provide new numbering resources), approves carrier requests for assignment of thousands-blocks, and reclaims thousands-blocks, when not used, from carriers.

C. Number Code and Thousands Block Reclamations

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
R. 95-04-043 & I.95-04-044	TBD	Pulsifer	Mickiewicz	Conner, Wong, Pangilinan
Next Milestones:				
<ul style="list-style-type: none"> ➤ Monitor the Code Reclamation List monthly; reclaim codes as necessary. ➤ Monitor the Thousands-block Reclamation List monthly; reclaim thousands-blocks as necessary. ➤ Investigate carriers for accurate Part 4 reporting. 				

NXX Code (prefix) Reclamation:

- The North American Numbering Plan Administration (NANPA) assigns prefixes (NXX codes) to carriers based on FCC rules and industry guidelines. Once a prefix is assigned to a carrier, that carrier is required to submit a Part 4 form to NANPA within a six-month time frame to verify that the carrier has activated the code. On a monthly basis, NANPA provides the Commission a list of all the codes for which Part 4's were not submitted within the six-month period.

Thousands-Block Reclamation:

- The Pooling Administrator (PA) approves carriers' request for thousands-blocks from the number pools. Similar to NXX code approval, carriers must submit Part 4 forms notifying the PA that the thousands-block is in use.
- TD reviews the monthly list of delinquent Part 4s provided by the PA and reclaims blocks as appropriate. TD has found that for most of the thousands-blocks listed, the carrier just neglected to submit the Part 4 form or will return the blocks once prompted by TD.

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D. Emergency Code Requests/Lotteries/Safety Valve Process

Proceeding No.	Commissioner	ALJ	Counsel	TD Staff
R. 95-04-043 & I.95-04-044	TBD	Pulsifer	Mickiewicz	Conner, Pangilinan
Next Milestone:				
<ul style="list-style-type: none"> ➤ Continue to review requests for numbering resources via the emergency code and safety valve processes. ➤ Continue to hold lotteries. 				

In December 1998, the FCC granted the Commission authority to continue to use NXX code (prefix) rationing measures prior to the implementation of area code relief, including the authority to determine all aspects of how NXX codes shall be assigned pursuant to rationing.

- TD administers the NXX Code Lottery for the allocation of NXX codes for area codes in jeopardy of exhaustion. Twenty-one of the 26 area codes in California are in rationing. Prior to area code relief planning, and with industry participation, NANPA determined the code allocation for each area code in jeopardy.
- In 1998 TD began proactively evaluating the remaining lives of California area codes and designated the lottery allocations. Today, TD allocates two NXX codes per month in all rationed NPAs except the 310 area code, which remains at two NXX codes every other month.
- The emergency code and safety valve processes allow carriers to acquire numbering resources outside of the lottery process and number pooling rules.
- The TD continues to review applications for numbering resources through the emergency code and safety valve processes dependent on carriers' needs.