

D. 84-04-052, A. 82-02-40 et al.

(April 18, 1984)

Order denying petition for modification of tariff capacity factors established in a preliminary decision (*Southern California Edison Co.*).

Re Moore Universal Telephone Service Act

Decision 84-04-053

OII 83-11-05

California Public Utilities Commission

April 18, 1984

ORDER implementing the Moore Universal Telephone Service Act and establishing rules for the provision of lifeline telephone service.

1. SERVICE, § 21 — Powers of states and legislatures — Moore Universal Telephone Service Act — Lifeline service — Purposes.

[CAL.] The Moore Universal Telephone Service Act became law in September 1983, and is the legislature's response to potential increases in telephone bills due to the breakup of American Telephone and Telegraph Company's Bell system; the act is intended to provide affordable local telephone service for the needy, the invalid, the elderly, and rural customers, through a commission-established subsidized telephone service funded by a limited tax on suppliers of intrastate telecommunications service.

2. SERVICE, § 433 — Telephones — Lifeline service — Criteria for eligibility.

[CAL.] Eligibility for subsidized lifeline telephone service pursuant to the Moore Universal Telephone Service Act was established based upon the following three criteria: (1) the

residence at which the service is requested must be the principal place of residence within the state for the applicant; (2) there may be no more than one telephone line serving that residence; and (3) the total income of the applicant's household may not exceed \$11,000.

3. SERVICE, § 433 — Telephones — Lifeline service — Self-certification — Customer privacy.

[CAL.] Self-certification was adopted as the means of application for lifeline telephone service pursuant to the Moore Universal Telephone Service Act in order to preserve the dignity and privacy of customers, encourage enrollment by eligible parties, and minimize administrative costs.

4. SERVICE, § 433 — Telephones — Lifeline service — Equipment included — Number of telephone calls.

[CAL.] Lifeline telephone service under the Moore Universal Telephone Service Act will include (1) installation of a telephone including one modular jack if required, (2) an allowance for an instrument, (3) basic dial-tone service, (4) unlimited incoming telephone calls, and (5) where measured service is available, 30 to 60 calls per month, but where it is not available, unlimited local calling within the customer's exchange area, including any extended area service regularly provided for that particular exchange.

5. RATES, § 125 — Reasonableness — Factors — Ability to pay — Lifeline telephone service — Schedule.

[CAL.] Service charges for lifeline telephone service under the Moore Universal Telephone Service Act will be pursuant to a schedule based on one-half of the basic flat or measured rate including mileage charges of the telephone company providing service, plus a call allowance where measured service is offered; if recipients reside in a service area where mileage rates are not included in the basic rate, they will be charged one-half the normal mileage

rate in addition to one-half the basic rate.

6. TAXES, § 3 — Commission authority — Lifeline telephone service — Funding — InterLATA toll service.

[CAL.] Funding for lifeline telephone service provided pursuant to the Moore Universal Telephone Service Act was ordered supported by a 4% tax on intrastate interLATA (local access and transport area) toll calls, and although the commission has the power to tax intralATA toll calls as well, it declined to do so at this time; the commission said that it will carefully monitor program revenues and expenses before perhaps adjusting the 4% tax on interLATA toll calls downward, or before assessing a tax on intralATA toll service.

(See Appendix A for appearances.)

By the COMMISSION:

INTERIM OPINION**Decision Summary**

[1] This decision implements the Moore Universal Telephone Service Act¹ which became law in September 1983. The Act is the legislature's response to potential increases in telephone bills due to the breakup of American Telephone and Telegraph Company's (AT&T) Bell System. The Act is intended to provide affordable local telephone service for the needy, the invalid, the elderly, and rural customers. The Act mandates that this Commission establish a subsidized telephone service funded by a limited tax on suppliers of intrastate telecommunications service.

As permitted by this new law, the Commission, by this decision, establishes eligibility for the subsidy based on a household income test of approximately \$11,000 or less per year; the subsidy, as provided by law, applies only to service to the recipient's principal place of residence, and only to a single telephone line to that

residence.

The Commission establishes procedure for determining eligibility based on self-certification as permitted by the Act. The certification will be a simple statement filed by the customer-applicant with the applicant's local telephone company. Telephone companies will provide all their customers with information on the program including a form to be returned by those who qualify. This will be done once per year or at any time the qualifying criteria for recipients change.

The Universal lifeline service provider will include installation of service, limited to once per year, an allowance for a telephone instrument, a dial tone including access line and any mileage rate increment charges, unlimited incoming calls, and local calling based on whether a recipient is in a measured or unmeasured service area. In areas where measured service is offered the recipients will receive a local calling allowance; if only flat rate service is available customers will receive unlimited local calling.

Rates for the service will be one-half of the measured service rate, or flat rate if that is not available, of the telephone company serving the recipient's exchange area. For installation recipients will be charged one-half of the normal required installation charges limited to one subsidized installation per year. Recipients will have three months to pay the reduced installation charges. No deposit will be required for establishment of service if no bills are outstanding. Details on how to establish service will be developed by the Commission through a general order which is expected generally to follow tariff rules and regulations now in effect for most telephone companies.

As provided for under the Moore Act the program will be supported by a 4% tax on intrastate, interLATA toll calls. The Commission determined that although it has the power to do so it will not at this time tax intralATA toll calls. The Commission will carefully monitor program revenues and expenses before perhaps adjusting the 4% on interLATA downward or assessing a tax on intralATA toll service.

Based on the records in this proceeding and those in Pacific Bell's and Genera

Telephone's current general rate cases, the Commission has determined that the present lifeline service, offered in particular by Pacific Bell, should be discontinued July 1, 1984 and replaced with the lifeline service adopted by the Commission under the Moore Act. This will be tariffed as a lifeline service in a manner similar to the present lifeline service but limited to those households that meet the criteria previously outlined. This discontinuance of present lifeline service will be accomplished through decisions in the current general rate cases of Pacific Bell and General Telephone.

The subsidy program will start July 1, 1984. A program will start immediately to notify all telephone customers of the possibility that they may qualify for lifeline service. This notification will be through the regular billing procedures. Customers will assess whether or not they qualify and return the self-certification forms to the telephone companies so that service may commence on July 1.

The Commission does not expect tax funds to be available from the program prior to December 1984. Telephone companies, in the meantime, will carry the expenses of the program until they are reimbursed through Moore Act tax funds at a later date. Administrative details of the program will be developed in workshops to be held among the various parties to the proceedings, including respondents, the Commission staff, and staffs of the Board of Equalization and the Controller; the specific purpose of the workshops will be to develop a Commission general order to administer the program.

Included in this order is a sample notice to customers concerning the program.

Introduction

During the last two years there have been tremendous changes in the regulation and structure of the telecommunications industry. AT&T, the historic telephone monopoly, was divested of its local operating companies on January 1, 1984 in order to allow increased competition in the long distance telephone market and entry of AT&T into the competitive telecommunications arena. Traditional rate structures, which had

allowed higher cost local service to be supported by long distance service charges, may require modification. The independent Bell Operating Companies are thus divorced from long distance telephone service revenues, except through the levying of exchange access charges, and face a difficult period of adjustment. Inevitably, customers will be required to absorb a higher portion of the actual costs of local service through basic monthly rates.

Higher prices for local phone service will create a serious financial obstacle for many customers. Customers who are unable to reallocate their existing resources to pay higher phone charges may choose or be forced to give up telephone service. This could result in the loss of universal telephone service in California. Recognizing this problem, the California Legislature enacted AB 1348, the Moore Universal Telephone Service Act. The Act became law in September 1983 with the stated purpose of ensuring "availability of basic local minimum telephone service to all Californians" and to "encourage the equitable sharing of the costs of that service among all users of telecommunications services." The Moore Act mandates the institution of a subsidy program for customers who, because of their particular characteristics, are most vulnerable to the rising costs of phone service. Those customers fall into four categories: the needy, the elderly, the handicapped or infirm, and rural residents. These beneficiaries contemplated by the Act will be eligible to receive a reduction in their phone bills to help offset increased rates; the subsidy is to be funded by a tax on selected intrastate toll telephone services.

Table 1 outlines the actions required of the Commission to comply with the Moore Act. The Act also requires the Commission to issue a decision by May 1, 1984 implementing the provisions of the Act.

Table 1
Moore Universal Telephone Service Act
Required Commission Actions

1. Establish eligibility criteria. (739.2(a))
2. Establish procedures for determining eligibility. (739.2(c))
3. Define the characteristics of universal service. (739.2(a), (b))
4. Decide if intra-LATA service is subject to the tax. (44016(2), (3))
5. Set universal service rates which "shall be not greater than" 50% of the "basic rate for measured service" or the "rates for basic flat rate service." (739.2(a), (b))
6. Set the tax rate considering:
 - (1) Universal Service Subsidy,
 - (2) Number of Recipients,
 - (3) Fund Balance,
 - (4) Administrative Costs,
 - (5) Taxable Revenues. (44040)
7. Decide if lifeline service should be continued. ((739.2(e))
8. Establish start date for service (tax starts 7/1/84 with first funds due 11/30/84). (739.2(e), 44030, 44183)
9. Report to the Legislature. (44042)
10. Determine service suppliers and send list to B of E with the tax rate. (44042)
11. Establish rules for submittal of claims against the fund by service suppliers. (44181(e))
12. Certify to the State Controller amounts to be paid to service suppliers from the fund. (44181(e))

Note: Parentheses indicate applicable sections of the Public Utilities and Revenue and Taxation Codes.

In response to the Act, the Commission issued Order Instituting Investigation (OII) 83-11-05 (Rulemaking) on November 30, 1983.

The Commission, in addition to outlining a hearing procedure, requested certain information from respondent communication companies and solicited comments from all interested parties concerning means of implementation.

These responses were received in January and February, 1984. Hearings were held in San Diego, Los Angeles, Sacramento, San Francisco, and Fresno during March before assigned Commissioner Leonard M. Grimes, Jr. and ALJ Albert C. Porter. Commissioners Priscilla C. Grew, Victor Calvo, and Donald Vial attended most of the sessions. The Commission's Public Advisor aided the public during the hearings, acquainting them with Commission procedures and assisting them with their presentations. During the hearings, over 60 persons appeared and offered comments and suggestions to the Commission including the author of the bill, Assemblywoman Gwen Moore, who appeared in both Los Angeles and Sacramento. On April 2, in an en banc deliberative session, the Commission considered recommendations of the ALJ on ways and means of implementing the Act.

The matter is now ready for an initial decision.

Eligibility Criteria

[2] The development of eligibility criteria for the program received considerable attention from hearing participants. Most parties believe eligibility should be limited to the economically disadvantaged based on a household income test. It was suggested that any eligibility test be adjusted to reflect the greater telephone dependency of handicapped and elderly compared to other users. Others suggested that income should be only one of two factors used in determining eligibility, the other being communication dependency. Assemblywoman Moore, the author of AB 1348, stated that the Commission should take into account differences in communication needs, cost of providing service caused by geographical differences, household income, and other appropriate factors.

Recommendations for the household income level ranged from \$7,500 to \$15,000 per year. Some recommended that the income test be linked to the federal poverty level or some other well known index. Welfare Rights Organization recommended that households with income at or below 150% of federal poverty guidelines should be eligible.

Toward Utility Rate Normalization (TURN) recommended there be no eligibility test for the service, but that a comprehensive publicity campaign be conducted to indicate to the public the purpose of lifetime under the Moore Act. The campaign would attempt to eliminate those people who do not qualify by emphasizing that the program is designed for those in need. TURN suggested that the only eligibility check needed could be done by the telephone companies. Phone companies would determine whether there was only one phone line to the primary residence of the person applying, and that that residence was the single state residence for that person.

We will establish three criteria for eligibility which we believe reflect the intent and the legal requirements of the Act. These criteria are (a) the residence at which the service is requested is the principal place of residence in California for the applicant, (b) there is only one telephone line serving that residence, and (c) the total income of the applicant's household does not exceed \$11,000² for the fiscal year for which service is furnished. We believe the income test will also take care of the most pressing needs of the needy, the handicapped, the elderly, and the rural customers. Defining eligibility by an income threshold will protect those customers who are most vulnerable to rising costs. Statements made during the hearings indicate that handicapped, elderly, and rural customers, on the average, have lower incomes than the general population. Therefore, they will, proportionately, be participating in the program in greater numbers than the average customer because of their lower-than-average income. Most persons in those three groups who have incomes above the level we have set should not require a subsidy in order to retain telephone service. The subsidy procedure we adopt recognizes the higher rates that rural

customers generally pay, and provides a proportionately higher subsidy to those rural customers who are eligible for the new lifetime rate. There was little discussion in the hearings we held regarding the extent to which lower income handicapped or elderly customers may require higher subsidies to maintain telephone service than does the general customer who is eligible for the new lifetime rate. While we do not at this time provide any explicit consideration of the needs of handicapped or elderly persons beyond that contained in the income test, we are specifically interested in evaluating the success of the lifetime rates adopted today in meeting these customers' needs. If appropriate, we may consider modifications to the eligibility criteria or the subsidy level for elderly or handicapped customers.

We reject TURN's suggestion that no means test be applied. Without a means test, a large response by non-low-income customers could severely deplete the funds. If funds are short, eligible customers could be denied service. Although a publicity campaign could cut down the number of affluent persons legally signing up for the service, experience with the present lifetime service indicates otherwise. If it is legal to choose lifetime, and rates continue to rise, many customers who do not need the subsidy will sign up. Finally, we interpret the intent of the Act as requiring some sort of means test in order to target the most amount of help to the at-risk population. The means test we are adopting is reasonable.

Establishing Eligibility

There were three primary means suggested for establishing eligibility. First, self-certification. Second, establishing eligibility through the phone companies or the Commission, including investigations and follow-up. And, third, designating a program administrator who would determine and monitor customer eligibility.

[3] There was considerable support during the hearings for self-certification, primarily from parties who wish to conserve available program funds for phone bill subsidies. This

approach would preserve the dignity and privacy of customers, encourage enrollment eligible parties, and minimize administrative costs. It is imperative that application procedures remain simple for eligible persons who might otherwise be discouraged from seeking essential benefits. Also, the time needed self-certify eligibility would not delay the inception of Moore Act services.

Direct application to telephone companies or the Commission would require questions to be filled out by applicants subject penalty for perjury, and require the provision of evidence of current eligibility for one of several income assistance programs. This suggestion would also anticipate monetary penalties together with appropriate warning and a repayment of any subsidies which were gained unlawfully.

In our opinion, the idea of a program administrator would create an additional unnecessary layer of bureaucracy. It would drain needed funds from the program for administration and delay the program's start date.

Other suggestions were that applicant apply to appropriate state agencies such as the Department of Social Services, the Commission's Consumer Affairs Branch, or the California Department of Consumer Affairs. Another suggestion was some sort of proof issued by a social agency or the Commission. TURN suggested that since no income test would be imposed under its proposal, eligibility could be established by phone companies checking a customer's service records for basic service at a principal residence against additional addresses or services provided. No application for service or further investigation would be required.

We will authorize self-certification, which will be easy to comply with for applicants and administratively simple for the telephone companies. This will also satisfy a criticism made concerning potential abuse of information provided to the telephone companies. We realize there may be some recipient abuse of the program by using this method. In the long run, those abuses will not cost nearly as much as a large-scale, bureaucratic administrative program. Self-certification coupled with the three

simple eligibility criteria we are adopting should help those who are eligible maximize their participation.

The self-certification should take place once per year or if eligibility criteria change. The certification will be filed with the telephone company providing service to the applicant and will be all that is required by the telephone company to institute lifeline service. We will require the telephone companies to send a notice describing the program and the self-certification form each month for the first three months of the program and yearly thereafter to all subscribers. Appendix B is a sample of the first notice and form required.

Service Characteristics

Suggestions on what should constitute basic minimum service ranged from only the subsidization of access, so that a phone would be available for true life and death emergency calls, to the provision of complete local service including installation and some long distance calling. Most participants recommended the installation of simple basic service with a reasonable local calling allowance. This service would be similar to the current lifeline offering of Pacific Bell. Many persons opposed subsidizing long distance calls, claiming this was not the intent of the Act. Welfare Rights Organization and others advocated a subsidy or credit to eligible customers which would be fixed and applicable to any services the eligible customer chose. There was considerable support for a toll call allowance for rural eligibles and the provision of enhanced or optional services if eligibles could show special needs such as a hearing impairment.

[4] Considering all of the recommendations, we have decided a basic lifeline service will include (1) installation of a telephone including one modular jack if required, (2) an allowance for an instrument, (3) basic dial tone service, (4) unlimited incoming calls, and (5a) calls per month, or (5b) where it is not available, unlimited local calling within the customer's exchange area including any extended area service regularly provided for

that particular exchange.

The potential use of Moore Act funds to subsidize line extensions was suggested by two parties during the hearings. Line extension charges reflect the high cost of installing new phone lines to outlying areas. Extensions of 40,000 to 50,000 feet are not uncommon and, at a \$1.10 per foot, present a formidable cost to potential customers. Blake Streton of Bridgeville believes the Moore Act funds might be a means of paying the high line extension cost for his area which has about 350 homeowners without telephone service. In a similar vein, Daniel Falk, representing the Buck Mountain Coop in Northwestern California, described the high cost of extensions of phone service into his area and requested that the Commission consider using Moore Act funds to subsidize extensions. He emphasized the need of residents for emergency calling.

We interpret the Act as an attempt to mitigate the price effects of divestiture on basic telephone service for low income and other vulnerable groups. The Act seems to implicitly mandate maintenance of the current level of telephone saturation through special attention to those customers vulnerable to rising service rates. The costs and prices of service extensions have not suddenly become unaffordable due to divestiture. It is obvious that middle and high income households have chosen not to purchase line extensions because the benefit to be gained is less than the cost. We are concerned with the financial limits of the Moore Act. Expanding funds on line extensions could require lowering the household income criterion thereby excluding a large number of individuals from the program.

We do not believe it appropriate or desirable to apply Moore Act funds to line extensions.

Service Rates

The Commission has many options available to it under the Moore Act for setting lifeline rates. The primary requirement of the Act is that universal service rates be not greater than 50% of the basic rate for measured service exclusive of any federally mandated access

charges. In the event measured service is not offered in a subscriber's service area, then the universal service rates shall be not greater than 50% of the rate for basic flat rate service, again exclusive of federally mandated access charges. The Act also provides that the universal service rate shall not apply to any other service or charge except the basic rate. We consider installation to be a mandatory part of basic service. Therefore, it is a part of the basic rate and reimbursable from Moore Act funds.

The assigned ALJ recommended that a fixed rate be established that would apply statewide. For continuity the rate would be set at one-third of Pacific Bell's rate for basic flat rate service or one-half of the basic flat service rate of the local telephone company providing the service, whichever provided the higher subsidy. In addition, the fund would finance one-half of the installation charges with up to three months to pay and a limit of one installation per year.

Some of the other options we have are (1) set the lifeline rate at one-half of the basic flat or measured rate of the telephone company providing service plus a call allowance for measured service, (2) provide a credit of one half of the basic flat rate of the telephone company providing the service, and (3) set a rate similar to the present lifeline service. In addition to the above, provide an extra allowance for special purposes such as toll calls for emergency service.

[5] Our primary concern with a single statewide rate is that there would be reductions much greater than 50% in phone bills for those persons taking service in areas where local basic rates are substantially higher than the statewide average. For instance, the record shows that in the Fresno area, basic service in some rural localities is \$23 per month. The record also shows that mileage charges can range up to \$60 or \$70 per month. An eligible person with that kind of a bill would be getting a very large dollar reduction in the bill. For instance, in the case of \$23, a statewide rate of \$3.50 would give that person a reduction of \$19.50 on the \$23 bill. We fear this would create serious problems among neighbors, some of whom would be eligible and some of whom would not be eligible for the lifeline service.

Therefore, we think it more appropriate to add a charging schedule based on one-half of the basic flat or measured rate including mileage charges of the telephone company providing service plus a call allowance where measured service is offered. If recipients reside in a service area where mileage rates are not included in the basic rate, they would be charged or half the normal mileage rate in addition to one-half the basic rate. Recipients would always have the option of choosing party line service for which they would be charged one-half of the rate for that service plus one-half of any applicable mileage charges.

We note that where measured service offered the lifeline eligible should not have the option of flat rate service. This is because measured service is priced well below flat rate and the Act requires that lifeline rates shall be no greater than 50% of measured service where is available. (Public Utilities (PU) Code 739.2(b).)

We believe the current tariff provision concerning the establishment of service should generally apply. However, any special circumstances of installation for lifeline customers should be included in the general order to be developed covering the administration of lifeline service.

There was some concern about providing for the cost of a telephone instrument. We recognize there is a definite move toward owning an instrument; the Commission has permitted purchasing for some time. In order to simplify the required credit for the telephone companies and the eligible recipients, we will authorize a 75 cents per month discount on recipients' phone bills. That way it can be used by them either to offset the lease charge for telephone, assist with the purchase of one, or maintain one already purchased.

Tax Base and Tax Rate

[6] The Moore Act authorizes the Commission to set a tax of up to 4% on intrastate intrastate telecommunications services, intrastate telecommunications services on a basis not defined by LATA boundaries and, if needed, a tax on intrastate telecommunications services. The Act defines intrastate

telecommunications service as primarily service for which there is a toll charge plus certain limited telecommunications between exchanges. From information filed with us by the telephone companies, primarily Pacific Bell, General Telephone, and Continental, it appears that Moore Act services can be financed with a tax on only intralATA intrastate services plus intrastate services not defined by LATA boundaries. During the first year, however, we will set the tax at the maximum 4% so that we can be reasonably assured the program will support itself. We recognize that we may later have to include intralATA intrastate services if the tax does not generate enough to fund the program. We also anticipate that some eligible households will not choose to apply for the service, which will reduce the potentially required funding.

Present Lifeline Service

Pacific Bell has the most extensive lifeline service at the present time. It is available to anyone who applies for it, and costs \$2.67 a month. This includes up to 30 local untime calls; after 30 calls there is a charge for each individual call ranging from 10 to 15 cents. General Telephone has a form of lifeline which is primarily a reduced-cost, measured rate service. In both Pacific Bell's and General Telephone's current general rate cases, there are alternate proposals for revising lifeline service. However, these were made prior to the Commission's OII in this proceeding. At our April 2 en banc hearing we agreed to discontinue current lifeline which we will do July 1, 1984.

If we were to continue lifeline service, which is a bargain-rate measured rate service, we would have to set the service and the charges somewhere between full rate service and the lifeline service we are instituting in this decision. We see no need to do that. There are many service options for people today who do not use the telephone extensively. More than 80% of Pacific Bell's customers have optional measured rate service available, which can be used to reduce one's telephone bill.

Starting the Program

We will order the program started July 1, 1984. We recognize this will create some difficulties for the telephone companies in informing customers of the program. Also, there will be a delay in the receipt of revenues from the Moore Act Fund, revenues required to reimburse the telephone companies. In the general order which will be established to administer the program, we will provide a procedure for the revenue reimbursement lag to be recovered as an administrative cost from the Moore Act Fund.

Attached as Appendix B is a sample notice which we will order sent to all customers after approval by the Executive Director, in the first regular billing possible after the date of this decision. We expect, after consultation with the telephone companies, that the first notices will go out between 30 and 45 days from today. Most customers, therefore, will be notified prior to July 1. If they respond prior to October 1, adjustments to their bills can be made retroactively to July 1 if they qualify for the subsidy. Applicants responding after October 1 will receive the new lifeline service at the beginning of the next billing period. Again, the contemplated general order can contain guidelines for that situation.

Program Administration

Administration of the program will involve this Commission, telephone companies providing service, service suppliers designated by the Commission who will be paying the tax, the State Board of Equalization, and the State Controller. Respondents indicated during the hearings that a Commission general order to cover administrative procedures was the desired vehicle for administrative purposes. Therefore, we will order establishment of workshops to be conducted by our staff with oversight by the assigned Commissioner and ALJ to develop such a general order. The first one will be held May 10, 1984 at 10 a.m. in San Francisco at the State Building.

Service Suppliers

The Moore Act defines those

telecommunications companies subject to the tax as "service suppliers," (Revenue and Taxation Code (RT Code) § 44016), and requires the Commission to send a list of service suppliers to the Board of Equalization together with the tax rate immediately upon making its determination of the tax rate. (RT Code § 44042.) Appendix C [omitted herein] is the list of service suppliers as determined by this Commission's Communications Division.

Serving Telephone Companies

The Moore Act requires the Commission to order every telephone corporation providing local service to file a schedule of rates and charges for the universal telephone service adopted by the Commission; and those corporations are required to accept applications for universal service according to a procedure specified by the Commission, including informing their subscribers how they may qualify for and obtain the service. (PU Code § 739.2(c).) Appendix D [omitted herein] is the list of those telephone corporations providing local service as determined by this Commission's Communications Division and Appendix B is the suggested notice.

It will be noted that we have not included cable television corporations (Cable TV) or radiotelephone utilities (RTUs) in Appendixes C and/or D [omitted herein]. On December 29, 1983 the Allied Radiotelephone Utilities of California filed a motion to sever or dismiss OII 83-11-05 as to RTUs. By intermediate ruling of the ALJ the motion to sever was denied; we concur. Concerning the motion to dismiss, we join it in the ruling we hereby make that Cable TV and RTU companies, as they are operating at the present time, are not subject to the Moore Act because they are neither service suppliers nor telephone corporations providing local service as those terms are defined in or intended to be applied by the Act. However, their status could change as the telecommunications industry evolves in this period of transition; this OII will be kept open to reconsider that status should operational changes of Cable TV and RTU companies bring them under the Act.

Findings of Fact

1. The divestiture of AT&T's local operating companies on January 1, 1984 will result in customers of the local operating companies paying higher rates for local service.
2. The higher rates faced by local phone service ratepayers in California result in the loss of universal telephone service in the state.

3. The California Legislature enacted 1348, Moore Universal Telephone Service which became law in September 1983 with stated purpose of ensuring availability of local minimum telephone service for all Californians.

4. It is the intent of the Moore Act that phone customers who are needy, elderly, handicapped or infirm, or rural residents should be eligible to apply to receive a reduction in phone bills to offset increased rates, so that universal telephone service can be maintained.

5. To support the subsidy program noted in Finding 4, a fund supported by a tax on selected intrastate toll services in California is to be imposed.

6. The Commission issued OII 83-11 (Rulenaking) as a means of implementing Moore Act.

7. The Commission has received certain requested information from respondent communication companies and written comments from other interested parties concerning implementation of the Act.

8. In order to receive comments from public on the implementation of the Act, Commission held hearings in several California cities at which all parties were given the opportunity to appear and be heard.

9. The adoption of the following three criteria, the first two required by law, for eligibility to receive subsidies under the Act is reasonable:
 - a. The residence at which the service requested is the applicant's principal place of residence in California.

- b. There is only one telephone line serving that residence.

c. Based on current income the applicant's total household income does not exceed \$11,000 for the fiscal year for which the service is furnished.

10. The income test noted in Finding 9 will give special consideration to the poor, the handicapped, the elderly and rural customers because, for those four groups, incomes, on the average, are lower than the general population and they will, therefore, participate in the program in proportionately greater numbers than the average California telephone customer.

11. Rural customers will generally enjoy higher benefits from the program through a higher dollar subsidy because telephone rates are generally higher in rural areas than they are in urban areas.

12. A reasonable means of establishing eligibility is self-certification which will preserve the dignity and privacy of customers and encourage eligible customers to enroll.

13. The self-certification eligibility program will minimize administrative costs and be easy to administer by telephone companies.

14. Basic lifeline service includes:

a. Installation of a telephone including one modular jack, if required.

b. Provision of or allowance for an instrument.

c. Basic dial tone service.

d. Unlimited incoming calls, and

e. Measured service where it is available with an allowance of 30 to 60 calls per month or where measured service is not available, unlimited local calling within the customer's area including any extended area service regularly provided for that exchange.

15. It is not appropriate or desirable to apply Moore Act Funds to line extensions because it could require lowering the household income criteria and thereby exclude a large number of individuals from the program.

16. Installation is a mandatory part of basic

service and therefore is a part of the basic rate and one subsidized installation per year is reasonable.

17. Reasonable rates for lifeline service under the Moore Act are one-half of the basic flat rate or measured rate of the telephone company providing service, plus a call allowance where measured service is offered.

18. Seventy-five cents is a reasonable allowance per month to cover the cost of a telephone instrument for eligible recipients.

19. The services, together with the rates for that service as established by this decision, can be financed with a tax of 4% on only interLATA intrastate services plus intrastate services not defined by LATA boundaries. It will not be necessary to tax intralATA services at this time.

20. The present lifeline service offered by telephone companies will not be required when the Moore Act lifeline service is instituted on July 1, 1984.

21. The sample notice contained in Appendix B will provide customers with reasonable notice of the new lifeline program.

22. A Commission general order is the most reasonable administrative procedure for the program.

23. Because the Act requires the Commission to issue its decision in this matter by May 1, 1984, this decision should be effective on the date signed.

Conclusion of Law

Under § 739.2 of the PU Code and § 44041 of the RT Code, the Commission may order establishment of universal telephone service provided by the following order, which is just and reasonable.

INTERIM ORDER

IT IS ORDERED that:

1. By June 1, 1984, every telephone corporation listed in Appendix D [omitted herein] shall file a schedule of rates and charges for universal telephone service to become effective July 1, 1984, and in accordance with General Order 96-A.

2. The service and the rates and charges of

the filing required by Ordering Paragraph 1 shall be as outlined in Findings 9, 12, 14, 16, 17, and 18 of this decision.

3. On the first billing cycle practicable, every telephone corporation listed in Appendix D [omitted herein] shall notify each of its customers of the availability of universal telephone service with a notice that is similar in content and intent to that shown in Appendix B. Utilities shall submit the draft of their notice to the Executive Director for approval prior to mailing.

4. The tax rate required by RT Code § 44041 is set at 4% and shall apply to interLATA intrastate telecommunications services and intrastate telecommunications services not defined by LATA boundaries.

5. The list of service suppliers required by RT Code § 44041 is set forth in Appendix C

6. The Commission's Executive Director shall immediately notify the Board of Equalization that the Commission has set the tax rate, the telecommunications service to which it applies, and the service suppliers to be taxed and serve this decision on the Board of Equalization.

7. The staff of the Commission shall convene and conduct meetings with all respondents and interested parties who wish to attend to develop and file with the Commission for its consideration a proposed general order to govern administration of the Act. The first meeting shall be May 10, 1984 at 10 a.m. in the State Building, San Francisco.

8. Each telephone corporation shall comply with above Ordering Paragraphs 1, 2, and 3. This proceeding shall be held open to consider the general order referred to in Ordering Paragraph 5, amend Appendixes C and D as required and adjust the tax base and rate if required.

This order is effective today.
Dated April 18, 1984, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL

WILLIAM T. BAG
Commissioner

I will file a concurring opinion.
/s/ DONALD VIAL
Commissioner

APPENDIX A

LIST OF APPEARANCES

Respondents: Daniel J. McCarthy, Attorney at Law, for Pacific Bell; Ann C. Pong, Attorney at Law, by Nelson J. Werner, for Sprint Communications Corporation; Ric E. Potter, Attorney at Law, and Thomas Quainance, for General Telephone Company of California; Hathaway Watson III, Attorney at Law, for AT&T Communications; Palme Willoughby, by Warren A. Palmer, Attorney at Law, for RTUs-ICS Communications, Autophone, Repco Desert Mobilphone, Valley Dispatch, and High Sierra Mobilphone
Interested Parties: F. E. John and T. Clarke, Attorneys at Law, and R. A. Coet for Southern California Gas Company; John Witt, by William S. Shaffan, Attorney at Law, for City of San Diego; Richard A. Eldor, Attorney at Law, and Marie Shibuya-Snell, California Department of Consumer Affairs; Edward Duncan, for himself, and Jaquie Valenzuela, Attorney at Law, for Welfare Ri Organization.
Commission Staff: Catherine A. John, Public Advisor, and Denise S. Mann.

(END OF APPENDIX A)

APPENDIX B

IMPORTANT NOTICE ABOUT LIFELINE
CHANGES ORDERED BY THE CALIFORNIA PUBLIC UTILITIES COMMISSION

EFFECTIVE JULY 1, 1984 PRESENT LIFELINE SERVICE WILL BE DISCONTINUED. HOWEVER, A NEW DISCOUNT SERVICE WILL BE AVAILABLE TO ALL PACIFIC BELL RESIDENCE CUSTOMERS WHO MEET NEW ELIGIBILITY RULES ESTABLISHED IN COMPLIANCE WITH CALIFORNIA LAW.

CUSTOMERS MEETING THE ELIGIBILITY RULES WILL BE OFFERED STANDARD MEASURED SERVICE OR BASIC FLAT RATE SERVICE, IF MEASURED SERVICE IS NOT AVAILABLE, AT ABOUT A 50 PERCENT DISCOUNT. ELIGIBILITY RULES ARE:

1. THE DISCOUNT SERVICE MUST BE THE ONLY SERVICE AT YOUR RESIDENCE AND IT MUST BE YOUR PRINCIPAL PLACE OF RESIDENCE.
2. TOTAL HOUSEHOLD INCOME MUST NOT EXCEED \$11,000 ANNUALLY.

IF YOU QUALIFY AND WISH THIS SERVICE, PLEASE SIGN THIS PAGE, AND RETURN IT WITH YOUR BILL PAYMENT. CAUTION, IF YOU ARE NOW A LIFE-LINE CUSTOMER, YOU STILL MUST CERTIFY YOUR ELIGIBILITY OR YOU WILL BE CHARGED THE FULL MEASURED SERVICE RATE FOR YOUR SERVICE OR YOU WILL BE GIVEN THE OPTION TO CHANGE TO FLAT RATE SERVICE.

I CERTIFY THAT I MEET THE ABOVE ELIGIBILITY RULES AND APPLY FOR THE NEW LIFELINE DISCOUNT SERVICE. I UNDERSTAND THAT THE PUBLIC UTILITIES COMMISSION MAY AUTHORIZE VERIFICATION OF MY ELIGIBILITY.

SIGNATURE _____

DATE _____

(END OF APPENDIX B)

DONALD VIAL, Commissioner, Concurring:

I concur in the decision, but disagree with the way the schedule of adopted charges builds into the Moore lifeline rate the discriminatory impact of the restructuring of the telephone industry on rural areas.

It is clear that rural ratepayers have experienced greater increases in basic rates than urban areas — and are continuing to do so — as a result of the introduction of long lines competition and the dismantling of the Bell System. Further, at hearings in both Fresno and Sacramento, we repeatedly were reminded that many of the toll calls in rural areas are necessary rather than discretionary-type calls. We were urged to take this fact into account in implementing the Moore bill. Yet the schedule of charges adopted today provides that the Moore lifeline rate in both rural and urban areas will be 50% of applicable basic or measured rate, as the case may be, of the telephone company providing service, thus integrating the differential rate increases in rural areas into the Moore lifeline rate itself, now and into the future. For example, if the basic rate in a rural area has gone up 100% and the comparable rate in an urban area has gone up 50% since restructuring, that differential rate increase would be reflected in the Moore lifeline charges for the rural and urban areas involved.

One of the very purposes of the Moore Universal Telephone Service Act was to help overcome this kind of discriminatory impact. Section 739.2(a), in fact, specifically mandates that we take into account differentials in the cost of providing service caused by geographical differences. While we do allow a 50% reduction in so-called "mileage rates" as part of the schedule of charges, that alone does not confront the more basic problem that exists in rural areas where mileage rates are not applicable.

I would have preferred that we had adopted the recommendation of our Administrative Law Judge, who urged us to adopt a fixed lifeline rate, applicable statewide in both urban and rural areas. His recommendation also would have applied the 50% reduction to mileage rates contained in the schedule of adopted

charges. By pegging the amount to Pacific's basic rate the ALJ's approach would have protected rural ratepayers qualifying for the Moore lifeline rate from the discriminatory consequences of the demise of our national, integrated telephone system. At the same time his straightforward approach would have provided more of a cushion to rural low-income families in connection with their toll call problems.

Lacking support for this preferred approach, I proposed a second alternative which was also rejected by the majority. It would have provided simply that no Moore lifeline rate may exceed 150% of Pacific's comparable Moore lifeline rate. In offsetting to some extent the adverse impact of the industry's restructuring on rural areas, the effect of this latter proposal would have been to "cap" the growing differential between urban and rural rates for purposes of implementing the Moore Universal Telephone Service Act.

In short, we could have done a lot better job in dealing with the special problems of rural ratepayers without affecting in any significant way the amount of funds being generated by this decision for use in non-rural areas to preserve our universal telephone system.

/s/ Donald Vial

April 18, 1984
San Francisco, California

FOOTNOTES

¹ AB 1348, Ch. 1143, Stats. 1983.

² While we are not tying our income test to any particular index at this time \$11,000 is approximately 150% of current federal poverty level guidelines for a 2-3-person household, which is \$7,242.

³ The number per month will have to await our decisions in Pacific Bell's and General Telephone's rate cases. For example, if we adopt the staff proposal in Pacific Bell's case of continuing the present \$3 allowance for local calling, this could be applied to the lifeline customer and equates to about 42 calls per month. In no case will we include less than the present lifeline number of 30 calls of unlimited duration.