

AMENDED IN ASSEMBLY AUGUST 23, 2002

AMENDED IN ASSEMBLY AUGUST 7, 2002

AMENDED IN ASSEMBLY FEBRUARY 12, 2002

SENATE BILL

No. 230

Introduced by Senator Polanco

(Coauthors: Assembly Members Cardenas, Cedillo, Chavez, Firebaugh, Frommer, Lowenthal, Negrete McLeod, Oropeza, Pescetti, Runner, and Strickland)

February 14, 2001

An act to add Section 879.3 to the Public Utilities Code, relating to telecommunications.

LEGISLATIVE COUNSEL'S DIGEST

SB 230, as amended, Polanco. Universal lifeline telephone service.

The Moore Universal Telephone Service Act requires the Public Utilities Commission to establish a class of universal lifeline telephone service necessary to meet minimum residential communications needs and establish rates and charges for that service.

This bill would make findings and declarations pertaining to the need to provide a fair reimbursement mechanism for recovery of the lost revenues and operating expenses of competitive local exchange carriers in providing universal lifeline telephone service. The bill would require the commission, not later than July 2, 2003, to implement a 3-year universal lifeline telephone service pilot project designed to encourage competitive local exchange carriers, as defined, to aggressively market and provide lifeline telephone service to eligible subscribers. The bill would require the commission, at the end of the pilot project, to initiate a proceeding to review the effectiveness of the pilot project.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares the
2 following:

3 (a) The Moore Universal Telephone Service Act (Article 8
4 (commencing with Section 871) of Chapter 4 of Part 1 of Division
5 1 of the Public Utilities Code) established the Universal Lifeline
6 Telephone Service (ULTS) program in order to provide
7 low-income households with access to affordable basic residential
8 telephone service.

9 (b) Section 871.5 of the Public Utilities Code sets forth
10 findings and declarations of the Legislature that every means
11 should be employed by the Public Utilities Commission and
12 telephone corporations operating within service areas that furnish
13 lifeline telephone service to ensure that every person qualified to
14 receive lifeline telephone service is informed of and afforded the
15 opportunity to subscribe to it.

16 (c) Data released by the Federal Communications Commission
17 in October 2001, shows that nearly 10 percent of households in
18 California earning below ten thousand dollars (\$10,000) per year
19 do not have residential telephone service.

20 (d) Currently, lifeline telephone service subscribers are served
21 primarily by the incumbent local exchange carrier in their area.
22 However, in enacting Section 709 of the Public Utilities Code, the
23 Legislature declared that its telecommunications policy for the
24 state includes a commitment to universal service and widespread
25 availability of telecommunications service to all Californians
26 through broader consumer choice. Further, Section 871.5 of the
27 Public Utilities Code provides that the furnishing of universal
28 lifeline telephone service should be implemented by the Public
29 Utilities Commission in a way that is equitable,
30 nondiscriminatory, and without competitive consequences for the
31 telecommunications industry in California.

32 (e) Consistent with Sections 709 and 871 of the Public Utilities
33 Code, universal lifeline telephone service subscribers must be
34 afforded the benefits of consumer choice, for it is the universal
35 lifeline telephone service subscriber, and not the Public Utilities



1 Commission or the Universal Lifeline Telephone Service Trust
2 Administrative Committee Fund, that is the ultimate consumer of
3 universal lifeline telephone service.

4 (f) In April 2001, the Public Utilities Commission proposed a
5 reimbursement methodology for those competitive local exchange
6 carriers serving universal lifeline telephone service subscribers
7 that arbitrarily attempted to tie reimbursement to the basic rate
8 telephone service offered by incumbent local exchange carriers.

9 (g) In order to encourage competitive local exchange carriers
10 to aggressively market and provide universal lifeline telephone
11 service to all eligible subscribers, it is essential that the
12 commission develop a fair reimbursement mechanism for
13 recovery of the lost revenues and operating expenses these carriers
14 incur in the process.

15 SEC. 2. Section 879.3 is added to the Public Utilities Code, to
16 read:

17 879.3. (a) The commission shall, not later than July 2, 2003,
18 implement a three-year Universal Lifeline Telephone Service
19 outreach pilot project designed to encourage competitive local
20 exchange carriers to aggressively market and provide lifeline
21 telephone service to all eligible subscribers. The pilot project shall
22 be consistent with all of the following requirements:

23 (1) ~~Five~~ *To the extent that competitive local exchange carriers*
24 *participate in, and meet the requirements of, the pilot project*
25 *established by this section, the commission may subject to Section*
26 *270 expend up to 5 percent of the total amount of the Universal*
27 *Lifeline Telephone Service Trust Administrative Committee Fund*
28 ~~shall be used~~ *to fund the pilot project each fiscal year.*

29 (2) Competitive local exchange carriers participating in the
30 pilot project shall be reimbursed for providing lifeline telephone
31 service pursuant to a formula established by the commission that
32 recognizes the additional costs incurred by competitive local
33 exchange carriers for delivery of that service and allows a
34 participating competitive local exchange carrier to recover actual
35 lost revenues and operating expenses.

36 (3) No competitive local exchange carrier that is directly or
37 indirectly controlled by, or under the direct or indirect common
38 control with, another competitive local exchange carrier or an
39 incumbent local exchange carrier, or that directly or indirectly
40 controls another competitive local exchange carrier, may be



1 eligible to participate in the pilot project. “Control,” for purposes
2 of this section, means ownership of 20 percent of more voting
3 interest as determined in accordance with the attribution rules set
4 forth in subsection (d) of Section 20.6 of Title 47 of the Code of
5 Federal Regulations.

6 (4) Competitive local exchange carriers participating in the
7 pilot project shall demonstrate a growth rate not less than 20
8 percent in their lifeline telephone service subscriptions every six
9 months through sworn filings with the commission. If a
10 competitive local exchange carrier fails to comply with this
11 requirement, the carrier shall be governed by the lifeline telephone
12 service reimbursement rules applicable to nonparticipating
13 carriers.

14 (b) (1) At the end of the pilot project, the commission shall
15 initiate a proceeding to review the effectiveness of the pilot
16 project. The proceeding should evaluate all of the following:

17 (A) The growth in lifeline telephone service subscriptions as a
18 result of the pilot project compared to the growth achieved through
19 the Universal Lifeline Telephone Service Marketing Board’s fiscal
20 year 2002 marketing campaign.

21 (B) The number of consumer complaints registered by the
22 participating competitive local exchange carriers’ subscribers to
23 lifeline telephone service.

24 (C) The average cost per customer for a competitive local
25 exchange carrier to provide basic residential telephone service to
26 lifeline telephone service subscribers.

27 (2) If the commission’s evaluation determines that
28 involvement by the competitive local exchange carriers enhances
29 the marketing of lifeline telephone service, ensures an appropriate
30 level of customer service, and effectively uses lifeline telephone
31 service funds, the commission shall initiate a proceeding to
32 implement a permanent program in this area.

33 (3) To avoid any disruption in services to lifeline telephone
34 service subscribers, the pilot project shall be continued until the
35 permanent program is in place.

36 (c) As used in this section, the following terms have the
37 following meanings:

38 (1) “Incumbent local exchange carrier” has the same meaning
39 as that term is defined in Section 251(h)(1) of Title 47 of the United
40 States Code.



1 (2) “Competitive local exchange carrier” has the same
2 meaning as the term “local exchange carrier,” as defined in
3 Section 153(26) of Title 47 of the United States Code.

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