STATE OF CALIFORNIA — Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: June 24, 2013

To: The Commission
(Meeting of June 27, 2013)

From: Lynn Sadler, Director
Office of Governmental Affairs (OGA) – Sacramento

Subject: **AB 1407 (Bradford) – Public Utilities : Voice Communication Services: Lifeline Program**
As amended: June 10, 2013

RECOMMENDED POSITION: OPPOSE

SUMMARY OF BILL

AB 1407 amends the Moore Universal Service Act (Moore Act) in the following ways:

(1) To permit wireless and other non-traditional voice service providers to voluntarily offer state LifeLine service, if they offer "voice telephony service" as defined by the FCC and collect lifeline surcharges (intended to include interconnected VoIP).

(2) To revise the state LifeLine program requirements to be more in line with the FCC Lifeline program, essentially repealing the requirement that LifeLine providers offer "lifeline basic service" as defined by the CPUC, and replacing it with a requirement that the providers offer "voice telephony service" as defined by the FCC.

(3) To repeal CPUC authority to set a lifeline rate. It would instead codify the LifeLine discount at $11.85, which a lifeline customer could apply toward any voice service offered by a lifeline provider. It would also codify the connection charge at $10.00 (with the CPUC given the ability to increase both the discount and the connection charge based on increases in CPI-U).

CURRENT LAW

Below is a list of relevant state and federal statutes and regulations:

- PU Code § 224(d) [Definition of "mobile telephony service"].

- PU Code § 270 (a) [States that only telephone corporations may receive LifeLine subsidy].
- PU Code § 285 (e) [List methods that an iVoIP service provider can use to calculate intrastate revenues for purposes of LifeLine surcharge collection/remittance].
- PU Code § 710 [Prohibits CPUC regulation of iVoIP unless explicitly authorized by statute].
- PU Code §§ 871 *et. seq.* [Moore Universal Service Act].
- Govt. Code § 10231.5 [Sunsets agency report to the legislature requirements after four years].
- CPUC G.O. 153 [Regulations governing the LifeLine program].
- CPUC D.12-12-038 [Basic Service].
- 47 U.S.C. § 254 [Federal Universal Service Mandate].
- 47 U.S.C. § 214(e) [State designation of Eligible Telecommunications Carrier (ETC)].
- 47 U.S.C. § 332 (c)(3) [Prohibits state rate regulation of wireless carriers].
- 47 C.F.R. § 54.101 [Definition of “voice telephony service’’].
- 47 C.F.R. § 54.201(d) [Requires ETCs to advertise the availability of universal service throughout the ETC’s service area].
- 47 C.F.R. § Part 54, Subpart E. [ETC Eligibility Requirements].
- 47 CFR 54.416(c) [Permits states to impose additional conditions on ETCs].

AUTHOR’S PURPOSE

The author’s intent is to “modernize” the Moore Act to encourage mobile telephony service providers and interconnected VoIP service providers to voluntarily offer state LifeLine service so that eligible customers may, if they wish, choose a cellular or interconnected VoIP voice service provider for LifeLine service. The bill finds that the Moore Act needs to be modernized “in order to maintain the vitality of its original policy goals”, however, the amendments remove the essential elements of the Moore Act. In particular, the author intends to only require carriers of last resort (COLRs) to offer “basic service” as defined by the CPUC. Currently all LECs offering LifeLine service must offer basic service.

The bill is not necessary to accomplish author’s purpose. The CPUC has the authority to modernize the LifeLine program and is currently conducting a rulemaking for that purpose.

A CPUC rulemaking is a better vehicle for consideration of major changes to the LifeLine program for the following reasons:

(1) The CPUC has intimate knowledge of the LifeLine Program and the expertise to properly analyze proposed revisions;

(2) The CPUC rulemaking process provides a transparent forum for discussion of proposed changes, including consideration of the views of all stakeholders and all relevant issues, in a deliberate and thorough manner;

(3) The CPUC process helps to ensure that revisions to the program are reasoned and sound.

In order to gather input from the public on the proposed revisions to the LifeLine program and how the program may be improved, CPUC is holding public participation hearings (PPHs) throughout the state as follows:

(1) Rancho Cordova	May 14, 2013
(2) San Francisco	May 15, 2013
(3) San Diego	June 12, 2013
(4) Riverside	June 17, 2013
(5) Los Angeles	June 18, 2013
(6) Eureka	July 16, 2013
(7) Fresno	July 31, 2013
(8) Salinas	August 13, 2013

At PPHs, the public will have an opportunity to comment on the following issues:

- What would be a simpler, more convenient type of California LifeLine discount, a flat monthly service fee or a fixed discount?
- Should the California LifeLine Program give discounts on wireless phone service? If there was a California LifeLine discounted wireless phone service, what should it offer?
- Should the CPUC require one specific California LifeLine discounted wireless phone service plan of the wireless service providers voluntarily opting to join the program?
- Should the California LifeLine discounted wireless phone service work inside the home similar to landline phone service?
- Altering the application and renewal processes to increase efficiency and to be more consumer friendly; and
- Exploring the reimbursement process for service providers.

DIVISION ANALYSIS (Communications Division)

A. <u>AB 1407 would supersede the CPUC's pending rulemaking on the LifeLine program</u>

On March 30, 2011, the Commission opened a rulemaking proceeding - Order Instituting Rulemaking (Rulemaking) 11-03-013 – to make revisions to the California LifeLine program. On April 10, 2013, the CPUC issued an Assigned Commissioner Ruling and Scoping Memo) to seek comment on issues such as:

1. Definition of California LifeLine service elements
2. Program administration and General Order 153
3. Whether to extend the cap on LifeLine rates and carrier lifeline subsidies; and
4. How wireless and VoIP carriers might participate in the LifeLine program.

Unlike AB 1407, the CPUC process will include a thorough review of the program, including consideration of the comments of all stakeholders, thus leading to reasoned and sound revisions to the program that ensure that consumers have access to high quality voice services.

A full list of issues that are being considered in the Rulemaking can be found at: (http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=63547049

B. AB 1407 would make sweeping restrictions on the CPUC's authority to implement and administer the LifeLine program

The bill would prohibit the CPUC from adopting any obligations, rules, or standards that exceed, or otherwise add to, those that are expressly required by AB 1407. [Section 21 of AB 1407 at p.16].

- This sweeping prohibition would severely restrict the CPUC's ability to properly implement and administer the state LifeLine program, and specifically, to modify the program as needed to respond to on-going changes in telecommunications technology and the telecommunications marketplace.

C. AB 1407 changes LifeLine provider definition and requirements [proposed new § 872 (c)]

Would eliminate the requirement in the Moore Act that LifeLine providers must offer "basic service", as defined by the CPUC, to residential customers**. [Amendments to current PU Code §871.5 and repeal of current PU Code § 871.7]**

Would define "LifeLine provider" as any telephone corporation or "alternative provider" that:

1) provides "voice telephony service" as defined by the FCC in 47 CFR § 54.101(a), i.e., voice service that provides the following:
   - voice grade access to the public switched network or its functional equivalent,
   - minutes of use for local service provided at no additional charge to end users,
   - access to 911/E911, and
   - toll limitation services;

2) collects and remits state lifeline surcharges;

3) is mandated to offer basic service as of 1/1/13 (COLRs/LECs providing Lifeline service) or voluntarily chooses to participate in lifeline program; and

4) agrees to comply with and be held liable for any violations of the Moore Act or CPUC rules implementing the Moore Act. **[New PU Code §872 (c)]**

- Today telephone corporations – wireline and wireless service providers- as well as, interconnected VoIP providers must collect and remit the LifeLine surcharge on their intrastate revenues. Traditional wireline providers are telephone corporations, and the CPUC has determined that wireless providers also are telephone corporations. Neither the CPUC nor the Legislature has deemed VoIP providers to be telephone corporations.

- It is unclear from the bill language whether COLRs or LECs offering residential service would still be mandated to offer Lifeline service if this bill is enacted.

Would prohibit from requiring additional service elements beyond the above elements. **[Sec. 21 of the bill, page 16.]**

Would permit a "lifeline provider," including a local exchange carrier, to provide LifeLine service using any technology, or multiple technologies, within the provider's service territory. **[New PU Code § 872(c) (2)]**

- It is unclear whether this language would permit local exchange carriers to retire copper lines without permission from the CPUC as required under current PU Code § 851.

Would require the CPUC, upon the request of a provider, to designate the provider as a lifeline provider if the provider meets the requirements of new § 872(c) noted above. [**New PU Code § 876 (a)].**

- This requirement would prohibit the CPUC from denying lifeline subsidies to a provider that the CPUC determines is a bad actor or a fly by night provider etc.

D. <u>AB 1407 would have an impact on elements of California LifeLine service</u>

Would eliminate the requirement in the Moore Act that LifeLine providers must offer to LifeLine subscribers the "basic service" elements as determined by the CPUC. These elements are set forth in Appendix A of General Order 153 as follows:

1. Access to (a) single party local exchange service, or (b) service that is equivalent, in all substantial respects, to single party local exchange service.

2. Access to all interexchange carriers offering service in the California LifeLine subscriber's local exchange.

3. Ability to place calls.

4. Ability to receive free unlimited incoming calls.

5. Free touch-tone dialing.

6. Free unlimited access to 911/E-911.

7. Access to local directory assistance (DA). Each California LifeLine Service Provider shall offer to its subscribers the same number of free DA calls that the California LifeLine Service Provider provides to its non- California LifeLine residential customers.

8. Access to foreign Numbering Plan Areas.

9. California LifeLine rates and charges.

10. Customer choice of local Flat-Rate Service or Measured-Rate Service. The 14 small ILECs identified in D. 96-10-066 do not have to offer subscribers the choice of local Flat or Measured-Rate Service, unless the small ILEC offers this option to its non- California LifeLine residential customers.

11. Free provision of one directory listing per year as provided for in D. 96-02-072.

12. Free white pages telephone directory.

13. Access to operator service.

14. Voice grade connection to the public switched telephone network.

15. Free access to 800 or 800-like toll-free services.

16 Access to telephone relay services as provided for in Public Utilities Code §2881 et seq.

17. Toll-free access to customer service for information about California LifeLine, service activation, service termination, service repair, and bill inquiries.

18. Toll-free access to customer service representatives fluent in the same language (English and non-English) in which California LifeLine was originally sold.

19. Free access to Toll-Blocking Service.

20. Free access to Toll-Control Service, but only if (i) the California LifeLine Service Provider is capable of offering Toll-Control Service, and (ii) the California LifeLine subscriber has no unpaid bill for toll service.

21. Access to two residential telephone lines if a low-income household with a disabled person requires both lines to access California LifeLine.

22. Free access to the California Relay Service via the 711 abbreviated dialing code.

The CPUC does permit limited modifications of the elements for wireless carriers wishing to participate in the LifeLine program.

E. AB 1407 would change the eligible telecommunications carrier determination

In order to qualify to receive federal universal service Lifeline subsidies, a telecommunications carrier must be designated as eligible. California determines ETC eligibility for requesting carriers operating in California. The carriers must meet all of the FCC ETC requirements, but California can adopt additional requirements not in conflict with the FCC requirements. Under federal law, only telecommunications service providers can be designated as ETCs.

AB 1407 would require the CPUC, upon the request of a provider, to designate the provider as an ETC if the provider meets the new § 872 (c) requirements of AB 1407 noted above **[new PU Code § 876].** This proposed provision would require the CPUC to violate federal law:

1) FCC requires a carrier to meet all the FCC ETC requirements in order to be designated an ETC;
2) Federal law also requires that before designating an additional ETC for an area served by a rural telephone company, the State commission must find that the designation is in the public interest; and
3) Interconnected VoIP providers have not been designated as "telecommunications carriers" and thus are not eligible under federal statutory law to be designated as an ETC.

AB 1407 would prohibit the CPUC from adding ETC requirements beyond the FCC requirements.

- Currently the CPUC does not require more that the FCC ETC requirements**.**

F. AB 1407 would modify LifeLine rate/customer charges

Would repeal current PU Code Subsections 873 (a)(1)(A)and(B) which require the Commission to annually designate a class of lifeline service necessary to meet minimum current communications needs and to annually set the rates and charges for that service.

Current PU Code § 874 mandates that the LifeLine rates shall not be more than 50 percent of the rates for basic flat rate service in a service area (or 50 percent of the measured rate in areas where measured service is available), exclusive of federally mandated end user access charges, available to the residential subscriber. Section 874 also provides that the installation or connection charge shall not be more than 50 percent of the charge for basic residential service installation or connection.

In place of §874, AB 1407 would not mandate a particular lifeline "rate". Instead it would:

- Codify a monthly lifeline customer discount of $11.85, in addition to any federal lifeline discount, which the lifeline eligible consumer could apply to any voice service plan of a lifeline provider that the consumer wishes. CPUC could annually adjust the support amount in proportion to any increase in the CPI-U. **[New PU Code § 875**]
    - Currently the CPUC applies a discount up to $11.85 (based on 55% of Frontier's basic service rate of $21.50 as of July 31, 2012) on a carriers' LifeLine service. The CPUC also currently applies the federal discount in determining the state reimbursement to carriers.

- Mandates that the nonrecurring service charge for commencing service for a single voice connection for a lifeline customer shall be no more than $10 and requires ULTS to reimburse the provider for the difference between $10 and what the provider charges for the identical service to non-lifeline customers, but no more than $40.00. CPUC could annually increase the non-recurring service charge by an amount in proportion to any increase in the CPI-U. **[New PU Code § 874]**
    - Currently the CPUC only permits a $10.00 connection/installation charge and reimburses the carrier up to $39.00.

    - The above subsections on installation charges violate federal law as they pertain to commercial mobile service providers. 47 U.S.C. § 332 (c) (3) prohibits state rate regulation of commercial mobile service providers.

Would repeal of current PU Code § 874, which prohibits incumbent LECs from charging LifeLine customers the Subscriber Line Charge and the Access Recovery Charge -- federal charges incumbent LECs are permitted to charge subscribers to help recover lost revenue due to federally-mandated decreases in access charges.

Would repeal current PU Code § 879(c) which prohibits providers from imposing the LifeLine surcharge on the bills of LifeLine subscribers.

Would repeal the current prohibition on a lifeline provider charging a customer for discontinuing lifeline service because the customer is no longer eligible**. [Repeal of current PU Code § 874 (d)].**

- Deletion of this prohibition could discourage lifeline subscribers from timely informing their providers when they no longer qualify for lifeline service.

G. <u>AB 1407 changes the tariff requirement</u>:

AB 1407 would repeal the requirement that telephone corporations tariff their LifeLine service. [**Repeal of current PU Code § 876].**

H. <u>AB 1407 changes the determination of eligible subscribers/administration of the program</u>

Would adopt the FCC definition of "household". Would define "household" to mean any individual or group of individuals who are living together at the same address as one economic unit, whether related or not. "Economic unit" defined as all adult individuals (18 yrs. or older) contributing to and sharing in the income and expenses of a household and their dependents. [**New PU Code § 872(b)]**

- o The definition comports with the current state LifeLine program.

Would limit LifeLine discounts to one per household, but a medically- certified deaf or hard of hearing person in the household may get an additional lifeline discount if that person has continuous access to teletypewriter equipment, or its functional equivalent, pursuant to Sec. 2881 (DDTP statute), and is determined to be an eligible customer by the third-party administrator. [**New PU Code § 877(a)]**

- o This provision is similar to the current LifeLine program requirements.

Would require the CPUC to use a third-party administrator to administer the LifeLine program. [**New PU Code § 872(a)].** The CPUC currently uses a third-party administrator.

Would prohibit the CPUC from requiring a customer applying for LifeLine service to first establish telephone service as a condition for lifeline eligibility. Instead the customer would have to be pre-registered to be eligible for LifeLine service before the customer could get LifeLine support. [**New PU Code § 872(a)].**

- o Currently the CPUC does require a customer to first establish service as a condition for applying for LifeLine service. However in the LifeLine OIR, the CPUC is considering whether to adopt a pre-registration process instead.

Would prohibit the CPUC from increasing the lifeline income limits from those in effect on January 1, 2013, except for an annual adjustment to reflect inflation based on changes to the CPI-U. [**New PU Code § 873(b)].**

- o This language is consistent with the CPUC's current practice.

Would repeal current PU Code § 880 which states that the Commission may determine any question of fact in the administration of the Moore Act.

- o Repeal of § 880 would remove the fact finding task of the Commission. The repeal could potentially create ambiguity as to whether the Commission could gather information necessary in its administration of the program.

I. AB 1407 modifies the setting of the LifeLine surcharge

Would cap the lifeline surcharge at 3.3 percent of the subscriber's charges "for intrastate telephone communications services or interconnected VoIP service." [**New PU Code § 875(c)].**

- o The LifeLine surcharge has been set at 1.150% percent since January, 2008.
- o The term "intrastate telephone communications services" is not defined in the bill. Currently the surcharge is applied to revenues from intrastate services, with a few service exceptions.

Would mandate that intrastate revenues of an interconnected VoIP service provider be determined by using one of the three methods permitted under PU Code Sec. 285(e). (which reflects the FCC requirements re VoIP calculation of intrastate revenues.) **[New PU Code § 875(c)].**

- This reflects the current requirement for such providers.

Would repeal current PU Code § 879 which, among other requirements, requires all telephone corporations providing LifeLine service to annually file with the CPUC a statement of projected revenue needs to meet the funding requirements to provide lifeline telephone service.

- The CPUC cannot set the LifeLine surcharge at a rate appropriate to pay for the program if it does get the projected revenues from lifeline providers.

J. <u>AB 1407 changes carrier requirements regarding information to the customer/ advertising</u>

Would repeal the current PU Code §876 requirement that every local telephone corporation inform all eligible subscribers in its service area(s) of the availability of lifeline service and accept lifeline applications.

- The CPUC currently requires a LifeLine provider to inform a customer calling to sign up for residential voice service of the availability of the lifeline option. The CPUC also requires LifeLine providers to biannually inform subscribers of their LifeLine service offerings. These requirements are effective methods for ensuring the low-income people are informed of this option and they should not be eliminated.

- Today providers collect name, address and other information from a customer requesting LifeLine service and forward this information to the third-party administrator.

Would prohibit the CPUC from requiring LifeLine providers to advertise the availability of the LifeLine program beyond the current FCC advertising requirements. **[Amendment to current PU Code § 871.5(d)]**

- The CPUC does not now require carriers to do any additional advertising, except the notice requirements noted above.

K. <u>AB 1407 changes CPUC reporting requirements</u>

Would amend the current requirement that the CPUC annually report to the Legislature the degree of telephone service penetration by income, ethnicity, and geography and instead would require the CPUC to annually report to the Legislature on the penetration rates only for lifeline service by income, ethnicity, and geography. The CPUC does not now collect information on the ethnicity of LifeLine customers. **[Amendment to current PU Code § 873]**

Would add a new reporting obligation requiring the CPUC to annually prepare and submit a report to the Legislature on the fiscal status of the lifeline program, including an annual evaluation of options for controlling program expenses and increasing program efficiency. (This requirement to report to the Legislature would not sunset after four years as currently required under Govt. Code 10231.5). **[New subsection (c) of current PU Code § 873]**

- o These reporting requirements will increase the workload of the Communications Division LifeLine staff.

L. <u>AB 1407 specifies an implementation timeline</u>

Would require the CPUC to make conforming revisions to GO 153 by May 1, 2014, if the bill is enacted. **[Sec.21 of the bill, page. 16]**

- o The Commission would need more time to implement the fundamental changes to the LifeLine program resulting from enactment of this bill

Would mandate that the CPUC allow lifeline providers a “reasonable period of time” as determined by the Commission, to implement the requirements or obligations of the Moore Act as amended by AB 1407. **[Sec.21 of the bill, page. 16]**

SAFETY IMPACT

- Would remove any ability for the CPUC to require service lifeline providers to provide information to consumers about 911/E911services beyond what the FCC requires. **[Sec.21 of the bill, page. 16]**

- Would not require that wireless LifeLine service be work in the subscriber’s place of residence, which could jeopardize the subscriber’s ability to all 911 from home.

RELIABILITY IMPACT

AB 1407 would reduce reliability of service in several ways:

- Prohibits the CPUC from imposing service quality requirements beyond ETC requirements, on the provision of LifeLine service; and eliminates the requirement that LifeLine service providers provide service that, at a minimum, allows consumers to make or receive calls, and to have access to electronic information services.
- Removes the requirement of the LifeLine providers must, at a minimum, offer “lifeline basic service”, as defined by the CPUC, to eligible households.
- Allows the possibility for non-ETC service providers to cherry pick where they would offer the California LifeLine service.

RATEPAYER IMPACT

Increased participation by wireless and VoIP providers could result in increased consumer participation in the program, as well as an increase in claims for reimbursements to service providers. Also, additional California LifeLine funding could be needed to meet eligible consumer demand for wireless or VoIP service, which could ultimately result in surcharge higher than the current 1.150% LifeLine surcharge assessed on intrastate calls made by consumers. Therefore, any increases in the California LifeLine surcharge increases costs to telephone ratepayers.

FISCAL IMPACT

By allowing additional carriers to provide LifeLine, the bill would result in an exponential increase in staff work assignments. The CD LifeLine team would need at least two additional staff at the PURA III level to help implement the new LifeLine program requirements and revise General Order 153; to adequately and timely review, evaluate and process service provider reimbursement of expenses claims and Specific Support amount applications. etc.; to prepare written resolutions, reports, or other written correspondence involving the California LifeLine program; and to prepare the two new reports required by the bill.

Classification	Number
PURA III	2

The Legal Division would need 1 new PU Counsel III half-time to assist in implementing the new LifeLine program requirements, which would include reviewing and analyzing new requirements, assisting in preparation of written resolutions, reports, or other written correspondence involving the California LifeLine program, participating in meetings with impacted telecommunications entities, and assist in data gathering, legal research and analysis.

Also AB 1407 likely will result in a significant increased staffing need to the Consumer Affairs Branch (CAB) in the Consumer Services Information Division (CSID), the anticipates the bill will result in increased workload with regard to CAB's handling of customer inquiries about LifeLine program, LifeLine billing complaints, and customer appeals regarding eligibility for the LifeLine program (i.e. certification of new program participants and verifications for existing participants). In particular, the provisions of AB 1407 that a) extend the LifeLine program to additional telecommunications technologies and services beyond wireline, and b) repeal and amend the current LifeLine rates, charges, and discount, will, at least initially, result in customer confusion regarding the LifeLine changes. The CAB experienced a significant workload increase as a result of LifeLine changes in 2006 when the Commission implemented D.05-04-026. This year, between February and March 2013, as we implemented new lifeline program mandates ordered by the FCC and also changed the third-party administrator, the number of written LifeLine cases CAB received increased by 385%, or from 264 to 1,281.

Finally, more carriers and additional program participants would result in greater implementation costs. The third party administrator (TPA) would likely require additional staff to bring new carriers up to speed. Since the TPA is paid on a per-transaction basis, any increased application transaction would result in increased contract amount.

ECONOMIC IMPACT

This bill could potentially increase the subscribership to low-cost cellphone plans. The more providers participating in the California LifeLine program, the more likely the prices of plans would go down due to competition. More access to advanced technology, such as cellphone and VoIP service by eligible households would enhance LifeLine customers' ability to find employment. The bill could also benefit the economy to the extent that it results in increased jobs in the telecommunications sector.

LEGAL IMPACT

<u>Public Utilities Code section 270</u>
Public Utilities Code section 270 restricts the payment of lifeline subsidies to telephone corporations only. It states "Moneys in the funds are the proceeds of rates and are held in trust for the benefit of ratepayers and to compensate telephone corporations for their costs of providing universal service. Moneys in the funds may only be expended pursuant to this chapter ..." The bill would provide lifeline subsidies to non-telephone corporations, such as interconnected VoIP service providers. In order for lifeline subsidies to be provided to non-telephone corporations, language would need to be added to expressly permit lifeline subsidies to be provided to non-telephone corporations, or the Legislature would need to designate "alternate providers" as telephone corporations for purposes of participating in the CPUC's LifeLine program

<u>Public Utilities Code Section 710</u>
Public Utilities Code Section 710 prohibits the Commission from exercising jurisdiction over interconnected VoIP services except as required or expressly delegated by federal law or expressly directed to do so by statute.

In order to permit interconnected VoIP service providers to be designated a lifeline provider eligible to receive subsidy reimbursement, the bill must explicitly reference "interconnected VoIP provider" per Section 710. Additionally, under Section 710, the CPUC cannot resolve lifeline service complaints about VoIP providers unless the bill expressly provides the CPUC with authority to resolve complaints for interconnected VoIP providers per Section 710.

<u>Public Utilities Code section 851</u>
Section 851 requires public utilities to obtain authorization from the Commission to sell, lease, assign, mortgage or otherwise dispose of their property that are necessary and useful in the performance of their duties to the public. It states:

> A public utility, other than a common carrier by railroad subject to Part A of the Interstate Commerce Act (49 U.S.C. Sec.10101 et seq.), shall not sell, lease, assign, mortgage, or otherwise dispose of, or encumber the whole

> or any part of its railroad, street railroad, line, plant, system, or other property necessary or useful in the performance of its duties to the public, or any franchise or permit or any right thereunder, or by any means whatsoever, directly or indirectly, merge or consolidate its railroad, street railroad, line, plant, system, or other property, or franchises or permits or any part thereof, with any other public utility, without first having either secured an order from the commission authorizing it to do so for qualified transactions valued above five million dollars ($5,000,000), or for qualified transactions valued at five million dollars ($5,000,000) or less, filed an advice letter and obtained approval from the commission authorizing it to do so.

The bill would allow any lifeline provider, including a local exchange carrier, to use any technology or multiple technologies within the provider's service territory. It is unclear as to whether this language would permit local exchange carriers to retire copper lines without permission from the CPUC. The bill should make clear that carriers cannot retire copper lines without permission from the Commission as required under Section 851.

LEGISLATIVE HISTORY

We do not know of any other recent bill that attempted to fundamentally revise the Moore Universal Service Act.

PROGRAM BACKGROUND

- Universal Lifeline Telephone Service (ULTS), now referred to as the California LifeLine Program, was created by the Moore Universal Act in 1983 and implemented in CPUC Decision (D.) 84-04-053. The Moore Act was created to provide low-income households with access to affordable basic residential telephone service. The governing document for California LifeLine is General Order 153, which was originally established in D. 84-11-023.

- The LifeLine program provides discounted basic landline telephone service to qualified California residents. Discounts include: reduced basic phone service rates (LifeLine rates from $5.47 - $6.84 depending on the carrier), a $10.00 installation charge or conversion charge ceiling, no deposit requirements, free toll restriction/toll blocking, and exemption from paying federal, state, and local taxes or surcharges. Participants can qualify based on their total household income (if it is below approximately 150% of the federal poverty guideline) or on customer participation in one of 12 approved public assistance programs.

- Funding for the LifeLine program is through an all-end-user surcharge assessed on the customer's billings for intrastate telecommunications services, except that the surcharge is not assessed on the basic service charges of the bills of LifeLine customers. The LifeLine surcharge rate is 1.150% and has remained the same since April 1, 2007.

- The LifeLine program budget for fiscal year 2013-2014 is $282 million: $252.5 million to reimburse carriers for customer discounts and administrative expenses, and $29.5 million for the marketing contractor, the third party administrator contractor (approves customer's eligibility) and staff and the Administrative Committee expenses.

- As of May 31, 2013, about 1,201,888 households participated in the California LifeLine Program and about 94,056 households participated in the federal Lifeline program for a combined total of 1,295,944 households receiving landline or wireless phone discounts.

- The Commission in California has been at the fore-front of change in the United States as it relates to LifeLine. It has a centralized enrollment center that maintains a database of all participants, as well as marketing and call center contracts. CPUC literature and application forms are provided in several languages, and the Commission has a number of forums by which it can solicit input and recommendations for constant improvement.

OTHER STATES' INFORMATION

On February 6, 2012, the FCC issued a Report and Order and Further Notice of Proposed Rulemaking for the federal Lifeline/Link-Up Program. The *Lifeline Reform Order* comprehensively reformed and modernized the federal Lifeline program by: (1) substantially strengthening protections against waste, fraud, and abuse; (2) improving Lifeline program administration and accountability; (3) improving customer enrollment into the Lifeline program; (4) improving customer disclosures; (5) transitioning the Universal Service Fund (USF) from supporting standalone telephone service to broadband; and (6) constraining the growth of the federal Lifeline program in order to reduce the burden on all that contribute to USF. These reforms have resulted in the following key changes to the federal Lifeline program rules:

- Changes in initial and annual certification requirements;
- Changes in eligibility requirement from one subscription/discount-per-address to one subscription/discount-per-household;
- Changes in Lifeline reimbursements from a four-tier support system to a uniform federal flat rate amount of $9.25;
- Creation of a national Lifeline Accountability Database to prevent multiple carriers from receiving support for the same subscribers;
- Gradual elimination of federal support for toll limitation service;
- Elimination of the automatic enrollment for consumer qualifying under program-based eligibility;

- Elimination of federal Link Up support on non-tribal lands[1] that are served by eligible telecommunications carriers (ETCs) participating in both the federal Lifeline and high-cost programs;
- Adoption of an independent audit requirements for carriers that receive more than $5 million in annual federal support; and
- Adoption of new data requirements from new and enrolled program participants for eligibility.

Carriers and state commissions are required to implement these changes between April, 2012 and December, 2013.

Additionally, in the *LifeLine Reform Order*, the FCC established a national database to detect and eliminate duplicative Lifeline support provided to eligible persons. Because some states already had their own systems for eliminating duplicate Lifeline support, the Commission held that states could file a request to opt out of the National Database and to continue using their own systems. In response to this option, the CPUC filed a request to opt out of the National Database on December 3, 2012. On March 4, 2013, the FCC granted the CPUC a conditional approval to opt out of the National Database. The FCC held that California's system was comprehensive and as robust as the system adopted by the FCC, but also held that, in order to prevent fraud for duplicative support, the CPUC should incorporate a third party identity verification by August 1, 2013. CPUC is in the process of implementing this service.

Further, in compliance with the *LifeLine Reform Order,* CPUC is making other changes to the LifeLine program including certification form requirements, temporary addresses and annual verification requirements.

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION

This bill should be opposed for the following reasons:

1. *It Would Disrupt the Commission's Transparent Rulemaking Process Where All These Issues are Currently Under Review.* The CPUC process is open and inclusive of all stakeholder input, including Public Participation hearings. The rulemaking process provides for thoughtful and deliberate analysis by the expert body. The CPUC process will more likely ensure reasoned and sound revisions to the program than rushing through fundamental program changes via legislation.

2. *It Could Damage LifeLine's Viability and Long-term Sustainability.* AB 1407 repeals and limits the CPUC's authority over the LifeLine program regarding rate-setting, fiscal administration, benefit and cost analyses and the prevention of waste, fraud, and abuse.

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[1] Link Up support will continue to be available to consumers on tribal lands.

3. *It Could Impair the Achievement of California's Universal Service Goals.* AB 1407 endangers the availability of affordable and high-quality state LifeLine service in contradiction to the goals of the Moore Act. The bill does not even require that LifeLine service be offered as a standalone service.

4. *It Could Result in Fewer LifeLine Service Providers* -- AB 1407 could actually decrease the number of state LifeLine service providers by making participation voluntary for all but carriers of last resort (COLRs).

5. *It Decreases Service Provider Accountability and Transparency* – AB1407 repeals provisions requiring service providers to be inform LifeLine subscribers of the availability and terms and conditions of LifeLine service, as well as any safety implications of the service provided.

6. *It Could Encourage Waste, Fraud, and Abuse* – AB1407 removes the CPUC's ability to prevent and resolve cases of waste, fraud, and abuse, discourages program participants to de-enroll when they no longer qualify, and expands the program to service providers over which the CPUC does not have jurisdiction thereby limiting the CPUC's ability to resolve consumer complaints.

7. *It Does Not Provide for Consumer Protections* – AB1407 removes or limits the CPUC's ability to keep LifeLine service affordable; to address the unique needs of California low–income residents; to resolve LifeLine consumer complaints, and to ensure all households are sufficiently informed of the LifeLine program.

SUMMARY OF SUGGESTED AMENDMENTS

None.

STATUS

AB 1407 is scheduled to be heard before the Senate Energy, Utilities and Communications Committee on July 2, 2013.

SUPPORT/OPPOSITION

None on file.

VOTES

None on file.

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BILL LANGUAGE

SECTION 1.

The Legislature finds and declares all of the following:

(a) Technological advances in Internet and mobile communications have resulted in a variety of new voice communications offerings beyond traditional wireline telephone service, such as mobile telephony service, commonly known as cellular telephone service, and Voice over Internet Protocol service.

(b) California consumers are increasingly choosing these new voice communications services, while conversely, traditional telephone subscriptions are decreasing.

(c) The Moore Universal Telephone Service Act should be modernized in order to maintain the vitality of its original policy goals by acknowledging that technologies, services, and business models other than traditional telephone service can be used to offer low-income citizens access to affordable, reliable, and high-quality communications service.

(d) In enacting this act, it is the intent of the Legislature to ensure that California residents have access to technologies and services and to promote technological neutrality by giving lifeline customers the ability to choose the voice communications service provider and service that best meets their unique needs, while encouraging mobile telephony service and other nontraditional providers to participate in the lifeline program.

SEC. 2.

Section 871.5 of the Public Utilities Code is amended to read:

871.5.

The Legislature finds and declares all of the following:

(a) The offering of high-quality ~~basic telephone~~ *voice communications* service at affordable rates to the greatest number of citizens has been a longstanding goal of the state.

(b) The Moore Universal Telephone Service Act ~~has been, and continues to be,~~ *is* an important means for achieving universal service by making~~basic telephone~~ *voice communications* service affordable to low-income households through the ~~creation of a lifeline class of service.~~ *lifeline program.*

(c) The Federal Communications Commission has recently reformed and modernized the federal universal service fund's lifeline program by, among other things, adopting a technology neutral approach to lifeline.

~~(c)~~ *(d)* Every means should be employed by the commission ~~and telephone corporations~~ to ensure that every household qualified to receive lifeline ~~telephone service~~ *support* is informed of and is afforded the opportunity to ~~subscribe to that service.~~ *obtain that support. Nothing in this section effects an eligible telecommunications carrier's obligations to advertise the availability of its offerings and charges for those offerings using media of general distribution under Section*

54.201(d)(2) of Title 47 of the Code of Federal Regulations. The commission shall not impose any additional advertising obligations on lifeline providers.

~~(d)~~ *(e)* The furnishing of lifeline ~~telephone service~~ *support* is in the public ~~interest and should be supported fairly and equitably by every telephone corporation, and the~~ *interest. The* commission, in administering the lifeline ~~telephone service~~ program, should implement the program in a way that is equitable, nondiscriminatory, and without competitive consequences for the telecommunications industry in California.

SEC. 3.

Section 871.7 of the Public Utilities Code is repealed.

~~**871.7.**~~

~~The Legislature finds and declares all of the following:~~

~~(a) The Moore Universal Telephone Service Act, enacted in 1987, was intended to offer high quality basic telephone service at affordable rates to the greatest number of California residents, and has become an important means of achieving universal service by making residential service affordable to low-income citizens through the creation of a lifeline class of service.~~

~~(b) Factors such as competition and technological innovation are resulting in the convergence of a variety of telecommunications technologies offering an expanded range of telecommunications services to users that incorporate voice, video, and data. These technologies have differing regulatory regimes and jurisdictions.~~

~~(c) It is the intent of the Legislature that the commission initiate a proceeding investigating the feasibility of redefining universal telephone service by incorporating two-way voice, video, and data service as components of basic service. It is the Legislature's further intent that, to the extent that the incorporation is feasible, that it promote equity of access to high-speed communications networks, the Internet, and other services to the extent that those services provide social benefits that include all of the following:~~

~~(1) Improving the quality of life among the residents of California.~~

~~(2) Expanding access to public and private resources for education, training, and commerce.~~

~~(3) Increasing access to public resources enhancing public health and safety.~~

~~(4) Assisting in bridging the "digital divide" through expanded access to new technologies by low-income, disabled, or otherwise disadvantaged Californians.~~

~~(5) Shifting traffic patterns by enabling telecommuting, thereby helping to improve air quality in all areas of the state and mitigating the need for highway expansion.~~

~~(d) For purposes of this section, the term "feasibility" means consistency with all of the following:~~

~~(1) Technological and competitive neutrality.~~

~~(2) Equitable distribution of the funding burden for redefined universal service as described in subdivision (c), among all affected consumers and industries, thereby ensuring that regulated utilities' ratepayers do not bear a disproportionate share of funding responsibility.~~
~~(3) Benefits that justify the costs.~~

SEC. 4.

Section 872 of the Public Utilities Code is repealed.

~~**872.**~~

~~As used in this article, "household" means a residential dwelling that is the principal place of residence of the lifeline telephone service subscriber, and excludes any industrial, commercial, or other nonresidential building.~~

SEC. 5.

Section 872 is added to the Public Utilities Code, to read:

872.

As used in this article, the following terms have the following meanings:
(a) "Eligible customer" means any person who has, after providing adequate supporting documentation, been determined to be eligible to receive lifeline support by a third-party lifeline administrator. A lifeline provider shall not be obligated to provide, nor shall any person be entitled to receive, any lifeline support until that person has been determined to be an eligible customer by a third-party lifeline administrator. A customer applying to become an eligible customer shall not be required to first establish service as a condition for lifeline eligibility.
(b) "Household" means any individual or group of individuals who are living together at the same address as one economic unit. A household may include related and unrelated persons. An "economic unit" consists of all adult individuals contributing to and sharing in the income and expenses of a household. An adult is any person 18 years of age or older. If an adult has no or minimal income, and lives with someone who provides financial support to him or her, both people shall be considered part of the same household. Children under 18 years of age living with their parents or guardians are considered to be part of the same household as their parents or guardians.
(c) (1) "Lifeline provider" means any telephone corporation or alternative provider that meets all of the following requirements:
(A) Provides voice communications services that are eligible for federal universal service support pursuant to Section 54.101 (a) of Title 47 of the Code of Federal Regulations.
(B) Collects and remits surcharges for the lifeline program.
(C) Voluntarily chooses to participate in the lifeline program or is otherwise mandated to offer basic service as of January 1, 2013.

(D) Agrees to comply with, and be held liable for any violations of, this article and any commission rules implementing this article, as enforced by the commission.
(2) Any "lifeline provider," including a local exchange carrier, may use any technology, or multiple technologies, within the provider's service territory.

SEC. 6.
Section 873 of the Public Utilities Code is amended to read:

873.
~~(a)~~ ~~(1)~~ The commission shall annually do all of the following:
~~(A) Designate a class of lifeline service necessary to meet minimum communications needs.~~
~~(B) Set the rates and charges for that service.~~
~~(C)~~ *(a)* Develop eligibility criteria for ~~that service.~~ *eligible customers to participate in the lifeline program. The commission shall not increase lifeline income limits from those in effect on January 1, 2013, except for an annual adjustment to reflect inflation based on changes to the United States Consumer Price Index for All Urban Consumers (CPI-U).*
~~(D) Assess the degree of achievement of universal service, including telephone penetration rates by income, ethnicity, and geography.~~
~~(2)~~ *(b) Assess the penetration rates for the lifeline program by income, ethnicity, and geography.* This information shall be annually reported to the Legislature by the commission in a document ~~which~~ *that* can be made public.
~~(b)~~ *(c)* ~~Minimum communications needs includes, but is not limited to, the ability to originate and receive calls and the ability to access electronic information services.~~ *Not withstanding Section 10231.5 of the Government Code, not later than March 31 of each year, prepare and submit a report to the Legislature on the fiscal status of the lifeline program. The report shall be submitted in compliance with Section 9795 of the Government Code. The report shall include a statement of the lifeline program surcharge level and revenues produced by the surcharge, the size of the Universal Lifeline Telephone Service Trust Administrative Committee Fund, the reason for a decline or increase in the size of the fund, if applicable, an accounting of program expenses, and an evaluation of options for controlling those expenses and increasing program efficiency.*

SEC. 7.
Section 874 of the Public Utilities Code is repealed.

~~**874.**~~
~~The lifeline telephone service rates and charges shall be as follows:~~
~~(a) In a residential subscriber's service area where measured service is not available, the lifeline telephone service rates shall not be more than 50 percent of the rates for basic flat rate service, exclusive of federally mandated end user access charges, available to the residential subscriber.~~

~~(b) In a residential subscriber's service area where measured service is available, the subscriber may elect either of the following:~~

~~(1) A lifeline telephone service measured rate of not more than 50 percent of the basic rate for measured service, exclusive of federally mandated end user access charges, available to the residential subscriber.~~

~~(2) A lifeline flat rate of not more than 50 percent of the rates for basic flat rate service, exclusive of federally mandated end user access charges, available to the residential subscriber.~~

~~(c) The lifeline telephone service installation or connection charge, or both, shall not be more than 50 percent of the charge for basic residential service installation or connection, or both. The commission may limit the number of installation and connection charges, or both, that may be incurred at the reduced rate in any given period.~~

~~(d) There shall be no charge to the residential customer who has filed a valid eligibility statement for changing out of lifeline service.~~

~~(e) The commission shall assess whether there is a problem with customers who fraudulently obtain lifeline telephone service. If the commission determines that there is a problem, it shall recommend and promulgate appropriate solutions. This assessment and the solutions determined by the commission shall not, in and of themselves, change the procedures developed pursuant to Section 876.~~

SEC. 8.

Section 874 is added to the Public Utilities Code, to read:

874.

(a) Until and including December 31, 2014, the nonrecurring service charge for commencing voice service for a single voice connection for a lifeline customer shall be no more than ten dollars ($10). Until and including December 31, 2014, a lifeline provider shall be eligible for reimbursement from the Universal Lifeline Telephone Service Trust Administrative Committee Fund for the difference between the nonrecurring charge paid by a lifeline subscriber and the nonrecurring charge the lifeline provider charges for identical service in the ordinary course of business to subscribers that are not eligible customers, subject to the limitation that the reimbursement to the lifeline provider shall be no more than forty dollars ($40) per connection.

(b) Beginning January 1, 2015, the commission may annually increase the nonrecurring service charge incurred by eligible customers by an amount in proportion to the increase, if any, to the Consumer Price Index for All Urban Consumers (CPI-U). If the commission exercises this authority, then it also shall increase the lifeline provider connection reimbursement by a proportionate amount.

SEC. 9.

Section 875 of the Public Utilities Code is repealed.

~~**875.**~~

~~(a) In addition to Section 874, every lifeline telephone service subscriber shall be given an allowance, reduced by the amount of any credit or allowance authorized by the Federal Communications Commission, equal to the then current or announced federally mandated residential end user access charges.~~

~~(b) The commission may, in a separate proceeding, establish procedures necessary to ensure that the lifeline telephone service program qualifies for any federal funds available for the support of those programs.~~

SEC. 10.

Section 875 is added to the Public Utilities Code, to read:

875.

(a) Except as provided in subdivision (b), every eligible customer shall be given a discount of eleven dollars and eighty-five cents ($11.85) per month, in addition to any federally supported lifeline discount provided to customers of an eligible telecommunications carrier. Beginning January 1, 2015, the commission may annually adjust the support amount in proportion to the increase, if any, in the Consumer Price Index for All Urban Consumers (CPI-U).

(b) An eligible customer shall not be entitled to any combined monthly federal and state lifeline support in excess of the eligible customer's monthly rate. State lifeline support shall be provided only after federal lifeline support, if any, is received by an eligible customer. Lifeline providers shall be eligible for reimbursement from the Universal Lifeline Telephone Service Trust Administrative Committee Fund in an amount not to exceed the amount of state lifeline support that is actually received by an eligible customer.

(c) To the extent necessary to support the lifeline program, the commission may assess a lifeline surcharge in an amount not to exceed 3.3 percent of the subscriber's charges for intrastate telephone communications services or interconnected Voice over Internet Protocol (VoIP) service. The methodology for applying the lifeline surcharge to interconnected VoIP service shall be that set forth in subdivision (e) of Section 285.

SEC. 11.

Section 876 of the Public Utilities Code is repealed.

~~**876.**~~

~~The commission shall require every telephone corporation providing telephone service within a service area to file a schedule of rates and charges providing a class of lifeline telephone service. Every telephone corporation providing service within a service area shall inform all eligible subscribers of the availability of lifeline telephone service, and how they may qualify for and obtain~~

~~service, and shall accept applications for lifeline telephone service according to procedures specified by the commission.~~

SEC. 12.

Section 876 is added to the Public Utilities Code, to read:

876.

(a) The commission shall, upon a request of a provider, designate as lifeline providers a telephone corporation or alternative provider that meets the requirements of subdivision (c) of Section 872. The commission shall, upon a request of a provider, designate the lifeline provider as an eligible telecommunications carrier. The commission shall not, as a condition for either designation, impose any obligation that exceeds the obligations imposed on state-designated eligible telecommunications carriers in Subpart E (commencing with Section 54.400) of Part 54 of Title 47 of the Code of Federal Regulations.

(b) The commission shall require a lifeline provider to offer only the minimum service elements to eligible lifeline customers set forth in Section 54.101 (a) of Title 47 of the Code of Federal Regulations. Lifeline support may be applied to any bundle or package that includes voice service.

SEC. 13.

Section 877 of the Public Utilities Code is repealed.

~~**877.**~~

~~Nothing in this article precludes the commission from changing any rate established pursuant to Section 873, either specifically or pursuant to any general restructuring of all telephone rates, charges, and classifications.~~

SEC. 14.

Section 877 is added to the Public Utilities Code, to read:

877.

(a) Lifeline discounts shall be limited to one per household. Nothing in this section effects the ability of a member of a household to obtain an additional lifeline discount if that member is medically certified as deaf or hard of hearing and has continuous access to teletypewriter equipment, or its functional equivalent, pursuant to Section 2881, and has been determined to be an eligible customer by a third-party lifeline administrator.

(b) An applicant for lifeline support may report only one address in the state as a principal place of residence.

SEC. 15.

Section 878 of the Public Utilities Code is repealed.

~~**878.**~~

~~A lifeline telephone service subscriber shall be provided with one lifeline subscription, as defined by the commission, at his or her principal place of residence, and no other member of that subscriber's family or household who maintains residence at that place is eligible for lifeline telephone service. An applicant for lifeline telephone service may report only one address in this state as the principal place of residence.~~

SEC. 16.

Section 879 of the Public Utilities Code is repealed.

~~**879.**~~

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

~~(b) The commission shall commence a proceeding within 30 days after the date set for the filings required in subdivision (a), giving interested parties an opportunity to comment on the proposed rates and funding requirements and the proposed funding methods. The commission may change the rates, funding requirements, and funding methods proposed by the telephone corporations in any manner necessary, including reasonably spreading the funding among the services offered by the telephone corporations, to meet the public interest. Within 60 days of the annual filing, the commission shall issue an order setting lifeline telephone service rates and funding methods for each telephone corporation making a filing as required in subdivision (a). The commission may establish a lifeline service pool composed of the rate adjustments and surcharges imposed by the commission pursuant to this section for the purpose of funding lifeline telephone service.~~

~~(c) Any order issued by the commission pursuant to this section shall require telephone corporations providing lifeline telephone service to apply the funding requirement in the form of a surcharge to service rates which may be separately identified on the bills of customers using those services. The commission shall not allow any surcharge under this section on the rates charged by those telephone corporations for lifeline telephone service.~~

~~(d) The commission shall permit telephone corporations operating between service areas to adjust the rates of any service which may be affected by any surcharge imposed by this section.~~

SEC. 17.

Section 879.5 of the Public Utilities Code is repealed.

~~**879.5.**~~

~~Notwithstanding Section 879, the commission shall issue its initial order adopting required rates and funding requirements not later than October 31, 1987, and prior to the issuance of that order, may fund lifeline telephone service through the use of an interim surcharge on service rates for telephone service provided by telephone corporations operating between service areas. The interim surcharge shall not exceed 4 percent of the service rates.~~

SEC. 18.

Section 880 of the Public Utilities Code is repealed.

~~**880.**~~

~~The commission may determine any question of fact in its administration of this article.~~

SEC. 19.

Section 882 of the Public Utilities Code is repealed.

~~**882.**~~

~~(a) The Public Utilities Commission shall, as soon as practicable, open a proceeding or proceedings to, or as part of existing proceedings shall, consider ways to ensure that advanced telecommunications services are made available as ubiquitously and economically as possible, in a timely fashion, to California's citizens, institutions, and businesses. The proceeding or proceedings should be completed within one year of commencement.~~

~~(b) The proceeding or proceedings shall develop rules, procedures, orders, or strategies, or all of these, that seek to achieve the following goals:~~

~~(1) To provide all citizens and businesses with access to the widest possible array of advanced communications services.~~

~~(2) To provide the state's educational and health care institutions with access to advanced communications services.~~

~~(3) To ensure cost-effective deployment of technology so as to protect ratepayers' interests and the affordability of telecommunications services.~~

~~(c) In the proceeding or proceedings, the commission should also consider, but need not limit its consideration to, all of the following:~~

~~(1) Whether the definition of universal service should be broadened.~~

~~(2) How to encourage the timely and economic development of an advanced public communications infrastructure, which may include a variety of competitive providers.~~

SEC. 20.

Section 883 of the Public Utilities Code is repealed.

~~**883.**~~

~~(a) The commission shall, on or before February 1, 2001, issue an order initiating an investigation and opening a proceeding to examine the current and future definitions of universal service. That proceeding shall include public hearings that encourage participation by a broad and diverse range of interests from all areas of the state, including, but not limited to, all of the following:~~

~~(1) Consumer groups.~~

~~(2) Communication service providers, including all providers of high-speed access services.~~

~~(3) Facilities-based telephone providers.~~

~~(4) Information service providers and Internet access providers.~~

~~(5) Rural and urban users.~~

~~(6) Public interest groups.~~

~~(7) Representatives of small and large businesses and industry.~~

~~(8) Local agencies.~~

~~(9) State agencies, including, but not limited to, all of the following:~~

~~(A) The Business, Transportation and Housing Agency.~~

~~(B) The State and Consumer Services Agency.~~

~~(C) The State Department of Education.~~

~~(D) The State Department of Health Services.~~

~~(E) The California State Library.~~

~~(10) Colleges and universities.~~

~~(b) The objectives of the proceeding set forth in subdivision (a) shall include all of the following:~~

~~(1) To investigate the feasibility of redefining universal service in light of current trends toward accelerated convergence of voice, video, and data, with an emphasis on the role of basic telecommunications and Internet services in the workplace, in education and workforce training, access to health care, and increased public safety.~~

~~(2) To evaluate the extent to which technological changes have reduced the relevance of existing regulatory regimes given their current segmentation based upon technology.~~

~~(3) To receive broad-based input from a cross section of interested parties and make recommendations on whether video, data, and Internet service providers should be incorporated into an enhanced Universal Lifeline Service program, as specified, including relevant policy recommendations regarding regulatory and statutory changes and funding options that are consistent with the principles set forth in subdivision (c) of Section 871.7.~~

~~(4) To reevaluate prior definitions of basic service in a manner that will, to the extent feasible, effectively incorporate the latest technologies to provide all California residents with all of the following:~~

~~(A) Improved quality of life.~~

~~(B) Expanded access to public and private resources for education, training, and commerce.~~

~~(C) Increased access to public resources enhancing public health and safety.~~

~~(D) Assistance in bridging the "digital divide" through expanded access to new technologies by low income, disabled, or otherwise disadvantaged Californians.~~

~~(5) To assess projected costs of providing enhanced universal lifeline service in accordance with the intent of this article, and to delineate the subsidy support needed to maintain the redefined scope of universal service in a competitive market.~~

~~(6) To design and recommend an equitable and broad-based subsidy support mechanism for universal service in competitive markets in a manner that conforms with subdivision (c) of Section 871.7.~~

~~(7) To develop a process to periodically review and revise the definition of universal service to reflect new technologies and markets consistent with subdivision (c) of Section 871.7.~~

~~(8) To consider whether similar regulatory treatment for the provision of similar services is appropriate and feasible.~~

~~(c) In conducting its investigation, the commission shall take into account the role played by a number of diverse but convergent industries and providers, even though many of these entities are not subject to economic regulation by the commission or any other government entity.~~

~~(d) The recommendations of the commission shall be consistent with state policies for telecommunications as set forth in Section 709, and with all of the following principles:~~

~~(1) Universal service shall, to the extent feasible, be provided at affordable prices regardless of linguistic, cultural, ethnic, physical, financial, and geographic considerations.~~

~~(2) Consumers shall be provided access to all information needed to allow timely and informed choices about telecommunications products and services that are part of the universal service program and how best to use them.~~

~~(3) Education, health care, community, and government institutions shall be positioned as early recipients of new and emerging technologies so as to maximize the economic and social benefits of these services.~~

~~(e) The commission shall complete its investigation and report to the Legislature its findings and recommendations on or before January 1, 2002.~~

SEC. 21.

By May 1, 2014, the Public Utilities Commission shall revise General Order 153 to bring the lifeline program into compliance with the changes made by this act. The commission shall allow a lifeline provider a reasonable period of time, as determined by the commission, to implement the requirements or obligations of the Moore Universal Telephone Service Act as amended by this act.

The commission shall not adopt any obligations, rules, or standards that exceed, or otherwise add to, those that are expressly required by this act.

SEC. 22.

No reimbursement is required by this act pursuant to Section 6 of Article XIIIB of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIIIB of the California Constitution.