

15. The CPUC staff shall conduct the necessary reviews and provide the reports as indicated in this decision.

This order is effective today.

Dated _____, at San Francisco, California.

UNIVERSAL SERVICE RULES AS PROPOSED IN D.95-07-050

1. DEFINITIONS

- A. All End User Surcharge (AEUS): A funding mechanism used to collect money for Commission-mandated programs. The AEUS is applicable to all telecommunications providers, with the exception of one-way paging companies. The surcharge is a percentage of the customers' total expenditures on telecommunications services. The surcharge is visible on customers' bills as a line item charge.
- B. Basic Service: A certain defined minimum level of telecommunications service available to virtually everyone in each telephone exchange. Sometimes referred to as basic exchange service.
- C. California High Cost Fund (CHCF): A fund established by the Commission to ensure that customers in areas served by small and mid-size LECs have access to telephone services at reasonable rates. The Commission collects money for the fund through an AEUS and distributes it to the small and mid-size LECs based on the individual need of the companies as authorized by a Commission resolution.
- D. Carrier of Last Resort (COLR): A local exchange service provider that stands ready to provide basic service to any customer requesting such service within a specified area. To be a COLR, the provider must meet Commission-approved qualifications.
- E. Census Block Group: An area defined by the United States Census Bureau which serves as the geographic service area.
- F. Common Carriage: Provision of telecommunications services available to the public on a non-discriminatory basis.
- G. Competitive Local Carrier (CLC): A common carrier which has been issued a Certificate of Public Convenience and Necessity to provide wireline local exchange telecommunications service for a geographic area specified by such carrier.
- H. Competitive neutrality: The idea that all telecommunications service providers should be required to contribute to and be allowed to receive subsidies from the universal service programs on an equitable basis.

- I. Geographic Study Area (GSA): A Commission designated geographic area that will serve as a reference point from which cost data and high cost subsidies can be derived for the designated carrier or carriers of last resort.
- J. High Cost Voucher Fund: the fund developed in this proceeding to subsidize high cost areas of the state. The fund includes a collection mechanism, a distribution mechanism, and a method for calculating the amount of the required subsidy.
- K. Local Exchange: A telecommunications system providing service within a specified area within which communications are considered exchange messages except for those messages between toll points.
- L. Local Exchange Carrier (LEC): The incumbent carrier or carriers whose names appear on Attachment A of these rules.
- M. Loop: A transmission path capable of delivering analog voice grade signals or digital signals at less than 1.544 Mbps between the network interface at a customer's premises and the main distribution frame or any other point of interconnection to the LEC network. Also known as the basic level network access channel.
- N. Net Trans Account: A funding mechanism which may be used to collect money for the Commission's high cost voucher fund. Under this mechanism, the Commission bills carriers a percentage of their transmission path revenues after netting out the carrier's access charges and contributions to universal service.
- O. Open Access Network Architecture Development (OANAD): Order Instituting Rulemaking and Order Instituting Investigation (R.93-04-003 and I.93-04-002) to govern access to bottleneck services and establish a framework for network architecture development of dominant carrier networks.
- P. Proxy Costs: Geographically specific costs developed using proxy factors rather than direct measurement of costs.
- Q. Proxy Factor: Factor associated with costs, such as loop length or population density, which can be used to estimate costs when direct measurement is unavailable or impractical.
- R. Rate Cap: Upper limit or a ceiling level on prices.
- S. Total Service Long Run Incremental Costs (TSLRIC): The definition of TSLRIC that is developed in the OANAD OIR/OII.

- T. Transmission path revenues: A carrier's revenues from local service, intraLATA toll, interLATA toll, mobile telephone calls, access, interconnection and collocation payments received, reseller payments, private lines and high capacity business services, transmission services for information providers, packet switched transmission services, transmission parts of integrated systems packages, basic Centrex services and central office switching functions.
- U. Universal Lifeline Telephone Service (ULTS): The ULTS program is a statewide explicit customer subsidy that ensures low income households have access to basic telephone services at a fixed and affordable rate. The ULTS program was created in response to the Moore Universal Telephone Service Act which became law in September, 1983. The ULTS program is sometimes referred to as Lifeline.
- V. Universal Service: The provision of basic service to virtually everyone in California at reasonable rates.
- W. Voucher: A mechanism used to distribute a credit to a customer or customers in connection with the Commission's universal service funding programs. The credit to the customer is based on the difference between the cost of serving the customer and the rate deemed affordable by the Commission.

2. SCOPE OF RULES

These rules govern universal service to California telecommunications users. For the purposes of funding universal service, these rules apply to all California telecommunications carriers. For the purpose of providing universal service, these rules apply to all California telecommunications carriers providing basic service.

3. UNIVERSAL SERVICE PRINCIPLES AND OBJECTIVES

A. Principles:

- 1. It is the policy of the Commission to ensure that high-quality basic telecommunications services remain available and affordable to all Californians regardless of linguistic, cultural, ethnic, physical, geographic, or income considerations.

2. It is the policy of the Commission to provide for the progressive expansion of the definition of basic service as service capabilities advance and the need for advanced services ubiquity becomes prevalent, in order to avoid information rich and information poor stratification.
3. It is the policy of the Commission to ensure that consumers have access to information needed to make timely and informed choices about basic service and ULTS.
4. It is the policy of the Commission to provide consumers with the ability to choose among competing basic universal service providers regardless of the technologies employed by competing firms.
5. It is the policy of the Commission to ensure that universal service providers adhere to interconnectivity, interoperability, common carriage, reliability, privacy and security guidelines;
6. It is the policy of the Commission to provide incentives for efficient provisioning of universal services, and which will reduce the aggregate subsidy required for universal service over time.
7. It is the policy of the Commission to provide a competitively neutral universal service mechanism which will minimize market distortions. The mechanism must provide for competitive provisioning of basic service, access to universal service funds, and a funding source which is broad-based and sustainable.

B. Objectives:

1. It is the objective of the Commission to develop a fully operable, competitively neutral universal service financing source and distribution mechanism no later than January 1, 1997. The funding mechanism must provide efficiency incentives to significantly reduce the aggregate subsidy required for universal service over time.
2. It is the objective of the Commission to adopt universal service policies which allow education, health care, community and government institutions to be in a position that allows them to be early recipients of the benefits of the information age;
3. It is the objective of the Commission to improve the penetration rate of basic service to non-English speaking and low income households by means of the following mechanisms:

- a. All LECs and CLCs shall be responsible for pursuing the objective of achieving a 95% penetration rate among low income and non-English speaking households in their service territories.
- b. LECs and CLCs shall have the flexibility to develop innovative strategies to contribute to the attainment of this objective.
- c. LECs and CLCs shall submit the required annual reports describing their efforts to attain this objective.
- d. In service territories where there is a substantial population of non-English speakers, a carrier's efforts to communicate with such customers in their native languages shall be a factor that the Commission considers in assessing each local carrier's contribution to pursuit of universal service targets.

4. BASIC SERVICE

- A. Carriers providing residential service shall, at a minimum, provide all elements of basic service.
- B. Basic service includes the following services:
 1. access to single party local exchange service;
 2. access to interexchange carriers;
 3. ability to place and receive calls;
 4. touch tone dialing;
 5. free access to emergency services, 911/E911;
 6. access to directory assistance;
 7. lifeline rate for eligible customers
 8. customer choice of flat or measured rate service;
 9. access to directory assistance;
 10. access to a directory listing;
 11. access to operator services;

12. voice grade connection to public switched telephone network;
13. access to information services and 800 services;
14. one-time free blocking for information services and one time billing adjustments for charges incurred inadvertently, mistakenly, or that were unauthorized;
15. access to telephone relay service as provided for in PU Code § 2881;
16. access to public policy pay telephones;
17. free access to customer service for information about ULTS, service activation, service termination, service repair and bill inquiries.

C. Periodic Review of Basic Service

1. Parties may petition for a new review of the composition of basic service three years after the conclusion of a review of basic service. The adoption of final universal service rules in this proceeding (R.95-01-020 and I.95-01-021) will constitute the first review of basic service. The petition for modification shall be filed on or before the 180th day before the review date.
2. In evaluating whether services should be added to or deleted from basic service the Commission will consider the following criteria:
 - a. the service is essential for participation in society;
 - b. a substantial majority, 65%, of residential customers subscribe to the service;
 - c. the benefits of adding the service outweigh the costs;
 - d. availability of the service, or subscription rates would not increase without intervention.
3. Providers will maintain and make available to the Commission upon request sufficient information for the Commission to determine whether the above criteria have been satisfied.

5. UNIVERSAL LIFELINE TELEPHONE SERVICE (ULTS)

A. Carrier Responsibilities

1. All carriers providing basic service will have access to the ULTS fund.
 - a. Carriers are required to inform customers of the option for ULTS service when customers first inquire or sign up for basic exchange service.
 - b. Carriers must charge no more than the statewide ULTS rate, as set by the Commission, to qualifying low income customers.
 - c. Carriers may collect the difference between their tariffed rate for other residential customers and the Lifeline rate from the ULTS fund, but they may not collect more on a per customer basis than the incumbent LEC.
 - d. Carriers must serve each eligible customer requesting Lifeline service within the carriers' specified serving area.

B. ULTS Funding Source

1. All telecommunications carriers are required to charge the appropriate surcharge, as set by the Commission, on all end users of telecommunications services.
2. End users of one-way paging companies are excluded from the collection of the surcharge.
3. Carriers shall submit the number of customers who sign up for the ULTS program to CACD's Telecommunications Branch on a monthly basis.

6. THE HIGH COST VOUCHER FUND

A. Identifying The Cost To Serve High Cost Areas

1. High cost voucher fund subsidies will vary according to the cost of providing service within a GSA.
2. The GSA is used for the purposes of identifying the cost of providing universal service to a particular area. A census block group shall serve as the GSA.

3. Total Service Long Run Incremental Cost (TSLRIC) will serve as the measure of costs for providing basic service to residential customers. The methodology for determining the TSLRIC will be developed as part of this proceeding and the OANAD proceeding.
4. Costs for providing customers with basic service in individual GSAs will be determined by factors which serve as proxies for the characteristics associated with costs, including, but not limited to, population density and average loop length. The methodology for determining proxy costs and the initial proxy factors will be developed in this proceeding and the OANAD proceeding.
5. Small and medium sized LECs can:
 - a. develop TSLRIC studies of their own; or
 - b. select the proxy costs developed by one of the large LECs.
6. A GSA will be considered a high cost GSA if the average cost of serving residential customers in that GSA is above the average revenue generated by the LEC offering basic service in that particular GSA.
7. Subsidy amounts will be reviewed periodically. This review will consider the amount which subsidies should be reduced due to efficiencies gained through technological advances and competitive pressures.

B. Carrier Responsibilities

1. Carriers shall report the following information to CACD's Telecommunications Branch on a monthly basis:
 - a. The number of residential basic exchange customers being served by the carrier in each GSA.
 - b. The rate for basic exchange service the carrier is charging in each GSA.
 - c. A calculation of the subsidy amount that the carrier should receive for providing basic exchange service to the high cost areas.

C. Subsidy Applicability

1. The high cost voucher fund will apply only to residential basic services priced at the tariffed rate in high cost GSAs.
2. The Commission will periodically review the subsidy in each GSA.

D. Carrier of Last Resort

1. All incumbent LECs will be designated as the COLR in all their service areas at least until such time that another carrier or carriers are designated as the COLR.
2. Other qualified providers may seek to become a designated COLR, or to compete in a GSA without being designated a COLR.
3. Only designated COLRs will have access to the high cost voucher fund subsidy.
4. Those carriers seeking to be designated a COLR shall file a Notice of Intent to be Designated a COLR (Designated COLR NOI). The Commission will consider the following factors when evaluating whether COLR status should be granted:
 - a. the facilities the carrier has in place or the arrangements that the carrier plans to enter into in order to provide local service;
 - b. the financial ability of the carrier to undertake the COLR obligation;
 - c. the ability of the carrier to promote the goals of universal service in low income and non-English speaking communities.
5. A designated COLR will be required to serve the entire GSA.
6. A designated COLR may opt of its obligations in a GSA by advice letter, unless it is the only carrier remaining in the GSA, in which case it must file an application to withdraw as the COLR, and continue to act as the COLR until the application is granted or a new COLR has been designated as a result of an auction.

E. Competitive Bidding To Serve As The COLR

1. If there is only one carrier in a GSA and that carrier has filed an application to withdraw as the COLR in that GSA, and no other provider is willing to assume the COLR responsibility at the current subsidy level:
 - a. The Commission will initiate an auction whereby service providers bid to be the COLR.
 - b. Providers will bid for an amount, over and above the previously established per-line subsidy. The lowest bidder would become the subsidized COLR prepared to provide service to all customers for three years. Competitive entry would be allowed, but only 1/2 the subsidy would be available.
2. A COLR who loses the bid shall have the option to sell its facilities in the area to any interested party at book value.
3. 180 days prior to the expiration of the three-year COLR obligation, other carriers desiring to become a designated COLR in the GSA shall file a Designated COLR NOI. The Commission will then determine whether the same designated COLR should be retained, whether multiple carriers of last resort should be permitted, or if another auction should be held.

F. Funding The High Cost Voucher Fund

1. The Commission will require all telecommunications service providers to contribute to the high cost voucher fund.
2. The Commission will collect and distribute money for this fund through the net trans account method.
3. Carriers will be required to submit records to the Commission regarding:
 - a. all transmission path revenues, and
 - b. access payments to other carriers.
4. The Commission will be the administrator of the high cost voucher fund mechanism.

5. The Commission will calculate each carrier's payment (or receipt) from the fund and will bill (or distribute) the appropriate amount to carriers.

G. Distributing The High Cost Area Subsidy In A Resale Environment

1. If resale of basic exchange service or loops is allowed, the subsidy for residential basic exchange service for that customer shall be treated as follows:

a. If the price of the service or facility resold is below its cost, the underlying facilities based provider receives the subsidy for the services sold.

b. If the price of the service or facility resold is market based or based upon actual deaveraged costs, then the carrier who sells basic exchange service to the end-user residential customer shall receive the subsidy provided that the basic residential service is priced at the affordable (but below cost) price set by the Commission.

7. CONSUMER INFORMATION RULE

A. All providers of basic exchange services must provide the following information to consumers in any marketing information that targets residential customers and which explains the telecommunication service offerings available. The required information will be set apart from other marketing information with the following statement: "The following information is required by the California Public Utilities Commission to allow comparisons with rates charged by other providers for the same type of service."

B. The required information shall consist of the following:

	<u>BASIC SERVICES</u> <u>ONE TIME</u> <u>CHARGE TO</u> <u>INSTALL</u>	<u>COST PER</u> <u>MONTH</u>
Flat Rate Service: A set monthly rate for unlimited local calling, within a minimum of 12 miles.	\$ _____	\$ _____
Measured Rate Service: A reduced monthly rate plus per-minute charges for each local call above a minimum \$3.00 allowance.	\$ _____	\$ _____
Universal Lifeline Telephone Service: Subsidized, low-priced service for qualifying limited income customers.		

-Flat Rate Universal Lifeline: \$ _____ \$ _____
Unlimited local calling.

-Measured Rate Universal Lifeline: \$ _____ \$ _____
Provides, at a minimum, 60 untimed
local calls. Local calls over 60
cost ____ cents each.

Price information is current as of (month, date, and year).

(END OF APPENDIX A)

ADOPTED UNIVERSAL SERVICE RULES

1. **DEFINITIONS**

- A. **All End User Surcharge (AEUS):** A funding mechanism used to collect money for Commission-mandated programs. The AEUS is applicable to all telecommunications carriers, with the exception of one-way paging companies. The surcharge is a percentage of the customers' total expenditures on telecommunications services. The surcharge is visible on customers' bills as a line item charge.
- B. **Basic Service:** A certain defined minimum level of telecommunications service which each carrier of local exchange service is required to provide to all of its residential customers who request local exchange service. Basic service is sometimes referred to as basic exchange service.
- C. **California High Cost Fund (CHCF or CHCF-A):** An existing fund established by the Commission to ensure that customers in areas served by small and mid-size LECs have access to telephone services at reasonable rates. The Commission collects money for the fund through an AEUS and distributes it to the small and mid-size LECs based on the individual need of the companies as authorized by a Commission resolution.
- D. **California High Cost Fund-B (CHCF-B):** the fund developed in this proceeding to subsidize high cost areas of the state. The fund includes a collection mechanism, a distribution mechanism, and a method for calculating the amount of the required subsidy.
- E. **Carrier of Last Resort (COLR):** A carrier who provides local exchange service, and stands ready to provide basic service to any customer requesting such service within a specified area. To be a COLR, the provider must meet Commission-approved qualifications.
- F. **Census Block Group (CBG):** An area defined by the United States Census Bureau for purposes of the CHCF-B. The CBG serves as the geographic study area.
- G. **Common Carriage:** Provision of telecommunications services available to the public on a non-discriminatory basis.
- H. **Competitive Local Carrier (CLC):** A common carrier which has been issued a Certificate of Public Convenience and Necessity effective on or after January 1, 1996, to provide

local exchange telecommunications service for a geographic area specified by such carrier.

- I. **Competitive neutrality:** The concept that regulation of the telecommunications industry should be structured in such a way that it neither favors nor impedes one telecommunications carrier or group of telecommunications carriers, over any other carrier or group of carriers.
- J. **Geographic Study Area (GSA):** A Commission designated geographic area that serves as a reference point from which cost data and high cost subsidies can be derived for the designated carrier or carriers of last resort.
- K. **Local Exchange:** A telecommunications system providing service within a specified area within which communications are considered exchange messages except for those messages between toll points.
- L. **Local Exchange Carrier (LEC):** The incumbent local exchange carrier or carriers whose names appear on Attachment A of these rules.
- M. **Loop:** A transmission path capable of delivering analog voice grade signals between 300 and 3,000 Hz only, between the network interface at a customer's premises and the main distribution frame or any other point of interconnection to the LEC network. Also known as the basic level network access channel.
- N. **Net Trans Account:** A funding mechanism which may be used to collect money for the Commission's CHCF-B. Under this mechanism, the Commission bills carriers a percentage of their transmission path revenues after netting out the carrier's access charges and contributions to universal service.
- O. **Open Access Network Architecture Development (OANAD):** Order Instituting Rulemaking and Order Instituting Investigation (R.93-04-003 and I.93-04-002) to govern access to bottleneck services and establish a framework for network architecture development of dominant carrier networks.
- P. **Proxy Costs:** Geographically specific costs developed using proxy factors rather than direct measurement of costs.
- Q. **Proxy Factor:** Factor associated with costs, such as loop length or population density, which can be used to estimate costs when direct measurement is unavailable or impractical.

- R. Total Service Long Run Incremental Costs (TSLRIC): The definition of TSLRIC that is developed in the OANAD OIR/OII.
- S. Universal Lifeline Telephone Service (ULTS): The ULTS program is a statewide explicit customer subsidy that ensures low income households have access to basic telephone services at a fixed and affordable rate. The ULTS program was created in response to the Moore Universal Telephone Service Act which became law in September, 1983. The ULTS program is sometimes referred to as Lifeline.
- T. Universal Service: The concept that basic service should be available to virtually everyone in California at affordable rates.

2. SCOPE OF RULES

These rules govern universal service to California telecommunications users. For the purposes of funding universal service, these rules apply to all California telecommunications carriers. For the purpose of providing universal service, these rules apply to all California telecommunications carriers providing basic service.

3. UNIVERSAL SERVICE PRINCIPLES AND OBJECTIVES

A. Principles:

- 1. It is the policy of the Commission to ensure that high-quality basic telecommunications services remain available and affordable to all Californians regardless of linguistic, cultural, ethnic, physical, geographic, or income considerations.
- 2. It is the policy of the Commission that in order to avoid stratification between information rich and information poor consumers, there should be a progressive expansion of the definition of basic service, as appropriate, and through the implementation of other policies, programs, and incentives to promote the deployment of advanced telecommunications technology to all customer groups.
- 3. It is the policy of the Commission to ensure that consumers have access to information needed to make timely and informed choices about basic service and ULTS.

4. It is the policy of the Commission to provide consumers with the ability to choose among competing basic service carriers regardless of the technologies employed by the carriers who provide basic service.
5. It is the policy of the Commission to ensure that basic service carriers adhere to interconnectivity, interoperability, common carriage, reliability, privacy and security guidelines.
6. It is the policy of the Commission to provide incentives as needed to promote deployment of advanced telecommunications technology to all customer segments, and to position health care, community, and government institutions to be early recipients of the benefits of the information age.
7. It is the policy of the Commission to provide a competitively neutral universal service mechanism which will minimize market distortions. The mechanism must provide for competitive provisioning of basic service, access to universal service funds, and a funding source which is broad-based and sustainable.

B. Objectives:

1. It is the objective of the Commission to develop a fully operable, competitively neutral universal service financing source and distribution mechanism no later than January 1, 1997. The funding mechanism must provide efficiency incentives to significantly reduce the aggregate subsidy required for universal service over time.
2. It is the objective of the Commission to adopt universal service policies which allow education, health care, community and government institutions to be in a position that allows them to be early recipients of the benefits of the information age.
3. It is the objective of the Commission to improve the subscribership rate of basic service to all customer groups, including low income, disabled, non-white, and non-English speaking households, by means of the following mechanisms:
 - a. All LECs and CLCs shall be responsible for pursuing the objective of achieving a 95% subscribership rate among all customer groups, including low income,

disabled, non-white, and non-English speaking households, in their service territories.

- b. LECs and CLCs shall have the flexibility to develop innovative strategies to contribute to the attainment of this objective.
- c. LECs and CLCs shall submit the required reports describing their efforts to attain this objective. Except for GTEC and Pacific, who have their own reporting requirements, the other carriers offering residential basic service will be required to include in their annual reports, the respective carrier's telephone subscribership rates by income, ethnicity, and geography, their efforts to improve their subscribership rates, and their customer's knowledge regarding the availability of Lifeline service.
- d. In service territories where there is a substantial population of non-English speakers, a carrier's efforts to communicate with such customers in their native languages shall be a factor that the Commission considers in assessing each local carrier's contribution to pursuit of universal service targets.

4. BASIC SERVICE

- A. Carriers providing local exchange residential service shall, at a minimum, provide all elements of basic service.
- B. Basic service includes the following service elements:
 1. access to single party local exchange service;
 2. access to at least one interexchange carrier;
 3. ability to place calls;
 4. ability to receive free unlimited incoming calls;
 5. free touch tone dialing;
 6. free and unlimited access to 911/E911;
 7. access to local directory assistance, the first five of which shall be provided at no additional charge, and access to foreign NPAs;
 8. Lifeline rates and charges for eligible customers;

9. customer choice of flat or measured rate service;
10. free provision of one directory listing per year in the directory published by the carrier providing the customer with local exchange service;
11. free white pages telephone directory, and free yellow pages telephone directory;
12. access to operator services;
13. voice grade connection to public switched telephone network;
14. free access to all information services and 800 or 800-like toll free services;
15. one-time free blocking for information services and one time billing adjustments for charges incurred inadvertently, mistakenly, or that were unauthorized;
16. access to telephone relay service as provided for in PU Code § 2881;
17. free access to customer service for information about ULTS, service activation, service termination, service repair and bill inquiries.

C. Periodic Review of Basic Service

1. Except as provided for in paragraph 2 below, petitioners may petition for review of the service elements which make up basic service three years after the conclusion of a review of basic service. The adoption of final universal service rules in this proceeding (R.95-01-020 and I.95-01-021) will constitute the first review of basic service. The petition shall be filed on or before the 180th day before the review date.
2. Petitioners may petition the Commission to review the service elements which make up basic service at any time provided that the petitioner makes a prima facie showing that at least three of the four criteria contained in paragraph 3 below have been met. Petitions for review will be acted upon in accordance with subdivisions (c), (e), (f), (g) and (h) of Rule 47 of the Commission's Rules of Practice and Procedure.

3. In evaluating whether service elements should be added to or deleted from basic service the Commission will consider the following criteria:
 - a. the service is essential for participation in society;
 - b. a substantial majority, 65%, of residential customers subscribe to the service. Assess the following:
 - (1) availability of the service;
 - (2) the degree to which the service has been promoted by the carrier;
 - (3) the level of customer education which has been provided for the service;
 - (4) the communities which are presently being targeted for marketing and use of the service.
 - c. the qualitative and quantitative benefits of adding the service outweigh the costs;
 - d. availability of the service, or the number of subscribers would not increase without intervention.

5. UNIVERSAL LIFELINE TELEPHONE SERVICE (ULTS)

A. Carrier Responsibilities

1. All carriers providing eligible low income customers with residential basic service, as defined in rule 4.B. shall have access to the ULTS fund.
 - a. Carriers are required to inform customers of the option for ULTS service when customers first inquire or sign up for basic exchange service, and annually thereafter.
 - b. A carrier's ULTS rates shall be set in accordance with Public Utilities Code Section 874 and General Order (GO) 153, and in no event, shall the carrier charge more than the statewide ULTS rate, as set by the Commission.
 - c. Carriers, on a per ULTS customer basis, shall be entitled to collect from the ULTS fund, the difference between their tariffed rate for other residential customers for the corresponding service, and their ULTS rate.

- d. Carriers must serve each eligible customer requesting Lifeline service within the carriers' specified serving area.
 - e. Pursuant to provisions established in GO 153, Resolution T-15826, and the workshops held on April 3, 4, and 5, 1995, carriers shall submit the required "monthly report and claim statement" for reimbursement. In addition to the information required by GO 153, Resolution T-15826, and the April 1995 workshops, the monthly report shall include the number of ULTS customers served that month. The ULTS customer categories shall indicate the number of ULTS customers with measured service, and those with flat rate service.
2. Individual carriers will no longer be able to claim reimbursement for its marketing expenses associated with the ULTS program. Instead, the Commission shall form the ULTS Marketing Working Group.

B. ULTS Funding Source

1. All telecommunications carriers are required to charge the appropriate ULTS surcharge, as set by the Commission, on all end users of telecommunications services, and to remit such monies to the ULTS program.
2. The services excluded from the collection of the ULTS surcharge are those set forth in D.94-09-065.

6. THE CALIFORNIA HIGH COST FUND-B

A. Identifying The Cost To Serve High Cost Areas

1. CHCF-B subsidies will vary according to the cost of providing service within a GSA.
2. The GSA is used for the purposes of identifying the cost of providing universal service to a particular area. A CBG shall serve as the GSA.
3. Total Service Long Run Incremental Cost (TSLRIC) will serve as the measure of costs for providing basic service to residential customers. The methodology for determining the TSLRIC will be developed as part of this proceeding and the OANAD proceeding.
4. Costs for providing customers with basic service in individual GSAs will be determined by factors which serve as proxies for the characteristics associated with costs, including, but not limited to, population density and average loop length. The methodology for determining

proxy costs and the initial proxy factors will be developed in the Cost Proxy Model.

5. The five large and mid-size LECs shall be included in the CHCF-B. The seventeen smaller LECs shall be excluded from the CHCF-B, and instead are eligible for high cost support through the CHCF-A. The mid-size LECs can:
 - a. develop TSLRIC studies of their own; or
 - b. select the proxy costs developed by one of the large LECs.
6. A GSA will be considered a high cost GSA if the cost of serving residential customers in that GSA is at or above the statewide average cost as generated by the CPM, and adopted as the benchmark.

B. Carrier Responsibilities

1. Carriers shall report the following information to the Telecommunications Division on a monthly basis:
 - a. The number of residential basic service customers being served by the carrier in each high cost GSA.
 - b. The rate for residential basic service the carrier is charging in each high cost GSA.
 - c. A calculation of the subsidy amount that the carrier is claiming for providing its residential customers with basic service in high cost GSAs.
 - d. Such other information as may be required by the Commission.

C. Subsidy Applicability

1. The CHCF-B will apply only to residential basic service, priced at the tariffed rate, in high cost GSAs. Only one residential line per household shall be subsidized. Carriers shall be required to obtain from their high cost area customers, a certification, in a form to be prescribed by the Commission, that the customer is not presently receiving residential basic service through any other telecommunications carrier.
2. The subsidy that a designated COLR shall be entitled to shall be based on the difference between the adopted CPM cost estimate of serving the CBG(s) that are within the COLR's serving area, and the adopted benchmark price, less the offsets for the revenues from residential basic service, the EUCL charge, the CCLC, and the interstate USF, if any.

3. The incumbent LECs shall adjust the prices of services, other than basic service and rates covered by contracts, downwards to reflect the receipt of the explicit subsidy through the CHCF-B. The downward adjustment shall equal the subsidy support received by the incumbent LEC from the CHCF-B.
4. The Commission shall periodically review the subsidy in each GSA. The initial review shall take place in three years from the date of the establishment of the fund, and every three years thereafter.
 - a. The review process may be in the form of an auction mechanism, with specific auction mechanism rules to be developed at a later time.

D. Carrier of Last Resort

1. All of the incumbent LECs listed in Attachment A of these rules shall be designated as the COLR in all their respective service areas at least until such time that another carrier or carriers are designated as the COLR.
2. Other qualified CLCs may seek to become a designated COLR, or to compete in a GSA without being designated a COLR.
3. Only designated COLRs shall have access to the CHCF-B subsidy based on the number of residential customers that it serves in high cost GSAs.
4. Designated COLR NOI: Those CLCs seeking to be designated a COLR shall file an advice letter in compliance with GO 96-A, stating that the carrier intends to be designated a COLR. The advice letter shall become effective in 40 days from the date of filing, unless a protest to the advice letter is filed. The advice letter shall contain a statement of the following, which the Commission will consider in deciding whether the COLR status should be granted:
 - a. the facilities the carrier has in place or the arrangements that the carrier plans to enter into in order to provide basic service;
 - b. the ability of the carrier to promote the goals of universal service to all customer segments throughout the COLR's service area.
5. A designated COLR shall be required to serve all customers upon request, both residential and business, who are located within the COLR's designated service area as specified in subsection 6. below.

6. A designated COLR shall be required to serve the following:
 - a. Until such time as provided for in rule 6.D.1., all incumbent LECs, in order to avail themselves of the subsidy for a high cost GSA, shall be required to serve all the high cost GSAs that are within the incumbent LEC's existing exchange area boundaries;
 - b. All CLCs who are designated COLRs, in order to avail themselves of the subsidy for a particular high cost GSA, shall be required to serve all of the GSAs that are within the CLC's designated service territory.
7. A designated COLR may opt of its obligations in a GSA by advice letter, unless it is the only carrier remaining in the GSA, in which case it must file an application to withdraw as the COLR, and continue to act as the COLR until the application is granted or a new COLR has been designated as a result of an auction.

E. Competitive Bidding To Serve As The COLR

1. If there is only one carrier in a GSA and that carrier has filed an application to withdraw as the COLR in that GSA, and no other provider is willing to assume the COLR responsibility at the current subsidy level:
 - a. The Commission will initiate an auction whereby service providers shall bid to be the COLR. Such auction will be held within 180 days from the time the application to withdraw as the COLR is filed.
 - b. The lowest qualified bidder would become the subsidized COLR for a period of three years. Competitive entry would be allowed, but only 1/2 the subsidy would be available.
2. A COLR who loses the bid shall have the option to sell its facilities in the area to any interested party.
3. 180 days prior to the expiration of the three-year COLR obligation, all carriers desiring to become a designated COLR in the GSA shall file applications stating their intention to become the designated COLR for that particular service area. The Commission will then determine whether the same designated COLR should be retained at the current subsidy, whether multiple carriers of last resort should be permitted and at what subsidy amount, or if another auction should be held.

F. Funding The CHCF-B

1. The Commission will require all end users of telecommunications services to contribute to the CHCF B.
2. All telecommunications carriers are required to charge the appropriate CHCF-B surcharge, as set by the Commission, on all end users of telecommunications services.
3. The Commission shall be the administrator of the CHCF-B mechanism until such time the Commission may decide otherwise.
4. The Commission will calculate each carrier's support from the CHCF-B and distribute the appropriate amount to the carriers.

G. Distributing The CHCF-B In A Resale Environment

1. The reseller of basic exchange service or loops shall be allowed to draw on the CHCF-B fund so long as the reseller is a designated COLR and can demonstrate that its bundled basic service offering provides all the required service elements of basic service.

7. UNIVERSAL SERVICE WORKING GROUP

- A. The Commission shall form the Universal Service Working Group (USWG).
- B. The purpose of the USWG shall be to address ways in which access and deployment of advanced telecommunications technologies can be provided to all customer segments, and how education, health care, community, and government institutions can be positioned to take advantage of these technologies.
- C. The USWG shall be composed of 22 members. There shall be eight representatives from the telecommunications industry, representing a spectrum of telecommunications carriers. There shall be two representatives each from the following kinds of concerns: education, health care, community, libraries, and local government; for a total of ten representatives. There shall be two representatives from the business sector, one representative from this Commission, and one representative from another state agency.
- D. The USWG will be funded at \$1 million per year for a period of two years from monies in the CHCF-B fund. These funds are intended to provide administrative support, and reimbursement for USWG's members reasonable expenses relating to their service on the USWG. At the end of the