

# Memorandum

**Date:** December 2, 2010

**To:** Paul Clanon, Executive Director

**From:** Nancy E. Ryan, Commissioner  
Public Utilities Commission – San  
Francisco

**Subject:** Tracking the Price of Voice Services in California

Dear Mr. Clanon,

As you are aware, on January 1, 2011, previously rate-regulated Telephone Corporations will have their rate caps for basic service lifted pursuant to D.06-08-030 (the “URF” Decision). The URF Decision found that there is competition in the voice services arena. In this Decision the Commission expressed its expectation that, over the long run, increased competition would exert downward pressure on telephone prices while stimulating innovation. While I agree that competition most likely will benefit consumers over the long run, I believe that we must not simply assume this outcome will occur. Moreover, individual rate payers and advocacy groups have raised the concern that when the caps are lifted, prices for basic telephone service will skyrocket.

As the competitive market takes shape, the CPUC should actively monitor price changes and other aspects of market performance. Further, we must ensure that the most vulnerable customers are not exposed to unanticipated rate increases and volatility. Soon, LifeLine rates will vary along with the prices for basic phone service. This could mean lower rates for LifeLine customers if basic rates fall, but it could also mean higher LifeLine rates. We are holding LifeLine rates steady until 2013 while we learn more about the impacts of competition on basic telephone service pricing.

For these reasons, I believe it is imperative that the CPUC take the initiative to monitor and track the prices for voice services beginning as soon as practicable. I hereby request that you direct staff to begin tracking price information for voice service in California and present the findings in quarterly reports. This effort will help the Commission assess whether competition is, in fact, working to benefit consumers in California. While price is not the sole indicator of vigorous competition, this information will help us to determine whether further Commission action with respect to voice service pricing is necessary in the future.

My staff will work with the Communications Division to finalize the specifics of these Quarterly Reports. I envision that they will include the following types of information:

- Changes in prices for basic service for voice service providers in California, including the ILECs, CLECs and non-traditional service providers, such as VoIP and Wireless. For non-traditional providers, price information about the baseline service made available should be tracked until a new definition of basic service is adopted.
- Any significant changes in the prices of other services that voice service providers offer, for example long distance, unlisted number fees, add-on services, overage charges, etc.
- The extent of competition in local markets for voice services.
- Information about the level of telephone penetration (regardless of technology).
- Price information for mobile and fixed broadband services.

I have already discussed this initiative with Jack Leutza, the Director of the Communications Division. He and his staff share my interest in tracking market structure and performance in order to assure that California's ratepayers and LifeLine subscribers are protected. Staff is supportive of the idea of collecting this information and is prepared to undertake the tasks necessary prepare the Quarterly Reports that I propose. Further, after the preliminary reporting period, my office intends to work with Staff to explore expanding the focus of these Quarterly Reports to include information on market concentration and quality of service.

Thank you very much for you consideration in this matter. I anticipate that these Reports will be beneficial for both the Commission and the public. Please let me know if you have any questions.

Sincerely,

Nancy E. Ryan.