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DRA Says CPUC Fails to Hold AT&T Responsible for Illegal Rate Increases

SAN FRANCISCO, October 15, 2009 -- The Division of Ratepayer Advocates (DRA), an independent consumer advocacy division of the California Public Utilities Commission (CPUC), strongly opposes the CPUC's resolution today that fails to require setting an Order to Show Cause (OSC) hearing to determine whether to hold AT&T accountable for rate increases enacted without authority to do so. While today's resolution acknowledges AT&T's "egregious" behavior, it falls short of holding AT&T accountable, said the DRA.

DRA believes that the CPUC's refusal to order an OSC hearing concerning AT&T's improper actions sends a clear and counterproductive message to the company and other CPUC-regulated companies that flouting CPUC regulations and misleading CPUC staff may be tolerated by regulators without consequence.

In April 2008, AT&T requested authority from the CPUC to increase its basic residential measured rates. CPUC staff rejected the request, and instead of filing an appeal, AT&T continued to assess the higher rates. AT&T did not reverse the illegal rate increase until August 2008, but only after \$6.5 million had been overcollected from 450,000 customers -- representing rate increases of up to 578 percent for some. It has taken AT&T 14 months to credit or issue refunds back to the overcharged customers.

"California law provides the CPUC with authority to assess fines against public utilities for failing to comply with CPUC staff precisely because utility cooperation is essential to the proper discharge of the CPUC's duty to California," said DRA Director Dana Appling. "Fines provide appropriate



financial incentive for utilities under the CPUC's oversight to abide by applicable law, rules and regulations, to be responsive to staff and to deter utilities from further illegal behavior."

Director Appling further points out the CPUC voted in August to fine a moving company for failing to issue a brochure to shippers. "What AT&T did has a much wider impact, and the CPUC should treat AT&T as it has scores of other companies who violate regulations. In this circumstance, at the very least, an Order to Show Cause hearing to determine in a public forum whether or not a fine should be imposed on AT&T should have been set."

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