

**ANNUAL BUDGET AND STAFFING REPORT
OF THE
DIVISION OF RATEPAYER ADVOCATES**

DANA S. APPLING, DIRECTOR

***THE VOICE OF UTILITY CUSTOMERS, MAKING A
DIFFERENCE!***

For the

Joint Legislative Budget Committee

Senate Budget and Fiscal Review Committee

Assembly Budget Committee

January 2007

*California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102*

DRA's Commitment

DRA is dedicated and committed to continually achieving the goal of its statutory mandate, "to obtain the lowest possible rate for service consistent with reliable and safe service levels," by means of strenuous and vigorous review, investigation, and analysis, both technical and legal, of utility proposals and presenting high quality and credible arguments and recommendations in CPUC and other appropriate proceedings.

Executive Summary

This report is submitted pursuant to Public Utilities Code section 309.5 (g).

The Division of Ratepayer Advocates (DRA) at the California Public Utilities Commission (CPUC) is the only state agency charged with advocating on behalf of the customers of regulated public utilities. In so doing, DRA plays a critical role in ensuring that consumers are represented at the CPUC and in other forums that affect how much consumers pay for utility services and the quality of those services.



There are approximately 18 million electric customers, 14 million natural gas customers, 6.8 million water customers, and over 40 million wireless and landline telephone customers for whom DRA advocates. To enable it to effectively represent these customers, DRA's budget for Fiscal Year (FY) 2006/2007, is \$24.9 million, including 133 authorized positions, legal services, and administrative overhead.

Dana Appling was appointed DRA Director by Governor Schwarzenegger on August 30, 2004. In April 2006, the Director appointed two new deputy directors and a policy advisor for DRA: Aaron Johnson overseeing energy issues; Cynthia Walker overseeing water and telecommunications issues; and, Robert Kinosian, providing policy guidance, and overseeing DRA's legislative, public outreach and lobbying activities.

In 2006, DRA filed 708 pleadings, participated in 190 proceedings, and responded to hundreds of other utility requests. DRA's recommendations during FY 2005/2006 have resulted in hundreds of millions of dollars in reductions or avoided cost increases in utility consumer rates.¹

¹ 2006 DRA activities in energy, telecommunications and water regulation are summarized on pages 9-14.

Mission and Goal of the Division of Ratepayer Advocates

DRA is an independent division of the CPUC and advocates solely on behalf of utility ratepayers. Our statutorily designated mission and goal, as set forth in Public Utilities Code section 309.5, is to “*represent and advocate on behalf of the interests of public utility customers and subscribers,...to obtain the lowest possible rate for service consistent with reliable and safe service levels.*” To fulfill this mission and goal, DRA participates, as a party representing consumers in CPUC proceedings, including rate settings, investigations, and rulemakings. DRA also participates in CPUC-sponsored working groups, advisory boards, workshops, and other forums. Among its many responsibilities, DRA evaluates utility proposals, investigates issues, presents findings and formal testimony, litigates complaints, and makes recommendations to obtain the lowest possible rates consistent with reliable and safe service levels. When developing positions, DRA:

- Balances the needs of a diverse customer constituency;
- Represents primarily the interests of residential and small commercial customers for revenue allocation and rate design matters; and,
- Considers additional factors such as environmental, health, service quality, product quality and resource sustainability.

DRA has a staff of professional engineers, auditors, economists, and financial and policy analysts who are experts in regulation of the electric, natural gas, telecommunications, and water industries in California. DRA is recognized for its thorough analysis of complex issues – something other consumer groups often rely on in representing their specific constituencies before the CPUC. Unlike other consumer interest groups, DRA has statutory rights to obtain information from utilities through discovery and other means.² DRA works collaboratively with other consumer groups, but due to the increase in the number of proceedings in recent years, DRA is often the only voice representing consumer interests in a number of these proceedings.³ Since the CPUC relies on a formal evidentiary record in rendering its decisions, DRA’s participation ensures that the CPUC has a record that reflects the interests of California consumers.

With a staff of 133 people and a budget of \$24.9 million, DRA's activities in 2006 saved consumers over \$1 billion

The energy crisis and rapid changes in the telecommunications industry serve to highlight the need for effective advocacy to protect utility consumers. In the water industry,

² Public Utilities Code section 309.5(e).

³ For example, DRA is the only consumer advocate assessing whether Southern California Edison, PG&E and SDG&E are managing their power purchase contracts and dispatching utility owned generation in the most efficient and least cost manner. DRA is also the only party that reviews the gas utilities’ natural gas procurement costs, and audits these costs. Further, DRA is the only party that conducts regulatory audits in General Rate Cases (GRC) and actively participates in small energy utility GRCs.

contamination, aging infrastructure, utility mergers, district and statewide consolidation efforts call for a strong voice on behalf of water utility customers. Safe, reliable and low cost utility service is critical to California's economy and is the focus of DRA's work.

Legislative History

The Division of Ratepayer Advocates (DRA) function was codified in 1985 to represent the interests of public utility customers in CPUC proceedings. In 1996, SB 960 (Leonard) revised Public Utilities Code section 309.5, renaming the organization the "Office of Ratepayer Advocates" (ORA), and while keeping DRA within the CPUC for mutually beneficial purposes, made it independent with respect to policy, advocacy and budget. SB 960 also made the Director of DRA a gubernatorial appointment subject to Senate confirmation. Subsequent legislation removed the SB 960 sunset provision, deleted the limitation that DRA represent consumers only in CPUC proceedings (SB 201, Speier, 2001); and added to DRA's responsibilities the requirement to primarily consider the interests of residential and small commercial customers for revenue allocation and rate design matters (SB 521, Bowen, 2003), and most recently to represent the interests of consumers of video services from state approved franchises (AB 2987, Nunez, 2006).

Effective January 1, 2006, SB 608 (Escutia) restored the name Division of Ratepayer Advocates to the organization and made significant changes to strengthen DRA, including requiring that the Commission provide sufficient legal support for DRA, providing DRA with its own lead counsel, and specifying that the DRA Director may independently control DRA's budget.

DRA Scope of Work

California consumers spend approximately \$50 billion annually for services from industries regulated by the CPUC. DRA provides analysis and advocacy to inform decision makers about the effects of regulated utility actions on California's consumers. DRA focuses on systematic abuse and problems affecting the body of ratepayers it represents rather than addressing individual customer complaints. In addition to saving hundreds of millions of dollars in rates annually, DRA's work has resulted in significant changes in utility practices and in marketplace controls to protect consumers.

In 2006, DRA filed 708 pleadings and participated in 190 proceedings.⁴ In addition to formal Commission proceedings, DRA also conducts a substantial amount of work outside of the hearing room. DRA reviews hundreds of utility requests that do not require evidentiary hearings, and protests those that are adverse to ratepayers. DRA participates in a growing number of informal Commission processes and workshops.

⁴ These statistics are an attempt at quantifying the DRA workload, but still fall short of telling the full story. There are substantial differences in significance of and effort invested in participating in various proceedings. For example, a single General Rate Case proceeding for a large utility may require 20 or more full time staff members, many months to analyze utility costs and operations and weeks of evidentiary hearings. In addition, changes in technology, markets and the environment are resulting in an unprecedented number of major new initiatives being addressed at the Commission, from greenhouse gas reduction programs, renewable portfolio standards and the California Solar Initiative, to advanced metering, statewide video franchise licensing and a statewide water action plan.

DRA reviews consumer complaints to identify trends of inappropriate utility behavior. In addition, DRA monitors the marketplace to discern broader industry trends and their effect on consumers.

With greater integration of the efforts of California's energy agencies, DRA has become an active participant in proceedings at the Legislature, the California Energy Commission and the California Independent System Operator. DRA also provides consumer representation in other forums created by the Commission to reduce the need for formal hearings, such as procurement review groups and low-income oversight boards.

Over the last decade, deregulation efforts in the telecommunications, natural gas, and electricity industries have greatly increased the number of complex regulatory proceedings at the CPUC. In addition to traditional tensions between consumers and regulated utilities over costs and quality of services, the CPUC and DRA are engaged in new proceedings to establish rules implementing fair competition and preventing market abuses. More recently, both the CPUC and the Legislature have emphasized increasing the amount of energy efficiency, demand response and renewable resources in utility resource portfolios and implemented additional measures to deal with green house gas emissions, further increasing the number and complexity of regulatory proceedings.



Staffing and Resources

DRA Budget

The CPUC is required to provide sufficient resources, including attorneys and other legal support, for DRA to effectively represent consumer interests.⁵ DRA's budget is statutorily designated as a separate account into which monies are annually transferred in the annual Budget Act from the Public Utilities Commission Utilities Reimbursement Account, to be used exclusively by DRA in the performance of its duties. DRA's \$24.9 million budget for fiscal year 2006/2007 includes staff, legal services, and administrative overhead. The DRA budget is less than 1/10th of 1 percent of the approximately \$50 billion in revenues for California's regulated utilities, and represents a small fraction of the savings DRA brings to Californians in the form of lower utility rates or avoided rate increases.

DRA Staffing

Public Utilities Code section 309.5 (g) requires that specific information concerning DRA be submitted to the Legislature by January 10, each fiscal year.

Section 309.5 (g) requires the following information:

1. *"The number of personnel years assigned to the Division of Ratepayer Advocates"*

DRA currently has 133 authorized positions.⁶ The table below provides a comparison with prior and projected staffing levels.

DRA Staffing

Fiscal Year	Total DRA Staff	Explanation
2003/04	123	
2004/05	121	• 2 positions re-assigned to other CPUC divisions.
2005/06	122	• 1 position added to the Water Branch.
2006/07	133	• 1 lead attorney position and 10 staff positions added.

⁵ Public Utilities Code section 309.5 (c): "The commission shall, by rule or order, provide for the assignment of personnel to, and the functioning of, the division. The division may employ experts necessary to carry out its functions. Personnel and resources, including attorneys and other legal support, shall be provided to the division at a level sufficient to ensure that customer and subscriber interests are effectively represented in all significant proceedings."

⁶ Except for the Lead Attorney position which was authorized by SB 608, the CPUC Legal Division assigns attorneys to support DRA's staff in litigation matters. These attorneys are technically not members of DRA's staff, though the cost for legal support is included in DRA's budget.

2. *“The total dollars expended by the Division of Ratepayer Advocates in the prior year, the estimated total dollars expended in the current year, and the total dollars proposed for appropriation in the following budget year.”*

DRA Budget

Fiscal Year	Total Direct Dollars Including Reimbursable Contracts⁷	Total Direct Dollars Plus Legal and Administrative Support
2004/2005	\$16,286,000	\$21,819,000
2005/2006	\$16,718,000	\$22,296,000
2006/2007	\$18,308,000	\$24,918,000
2007/2008	\$18,608,000	\$25,242,000

3. *“Workload standards and measures for the Division of Ratepayer Advocates”*

DRA measures its workload in two ways:

1. The number of pleadings⁸ filed by DRA before the Commission each year.
2. The number of proceedings⁹ DRA participates in on behalf of ratepayers.

DRA’s work product involves investigation and analysis to provide expert testimony and briefs for Commission proceedings.

DRA staff and attorneys file hundreds of pleadings annually on behalf of customers covering issues related to electricity, natural gas, telecommunications, and water. Pleadings are filed in various proceedings such as utility applications to increase rates, special investigations by the CPUC and formal complaints.

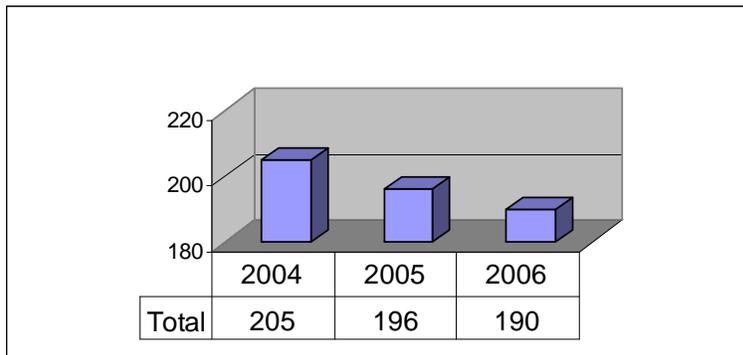
⁷ The DRA annual budget includes an authorization for reimbursable contracts. For FY2006-2007, that amount is \$3,880,000. Actual expenditures for reimbursable contracts occur only if there are proceedings that allow for reimbursable contracts. Examples include mergers and major resource additions.

⁸ A pleading is a legal brief filed in a formal proceeding before the CPUC. This would include proceedings such as applications to raise rates, Commission investigations, or complaint cases. In a typical proceeding there is an application, a review of the application that may result in a protest, a Prehearing Conference where DRA may be required to file a Prehearing Conference statement, independent analysis prepared by DRA (usually in the form of a report and expert witness testimony) that is served to proceeding participants, opening and reply briefs, and opening and reply comments on the Commission’s proposed decision.

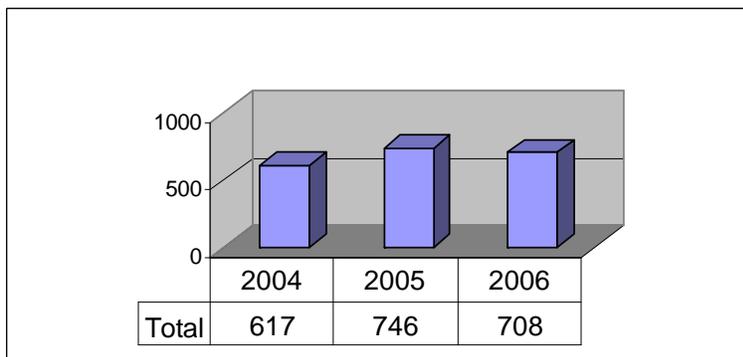
⁹ A proceeding before the CPUC is a formal case before the Commission in which a legal record is developed. It may consist of sworn testimony and legal briefs.

In 2006, DRA filed 708 pleadings and participated in 190 proceedings, a minor decrease compared to 2005. (See Tables 1 and 2 below) However, these numbers fail to reflect the greater complexity of the issues being addressed by DRA as new initiatives on greenhouse gas emissions, telecommunications deregulation, renewable resource development, and other major new proposals are added onto DRA's traditional general rate cases and other work.

Total Number of Proceeding DRA participated in 2006 = 190



Total Number of Pleadings DRA participated in 2006 = 708



DRA Activities for 2006

DRA's resources are focused on three distinct objectives: Energy Matters (Electric and Gas), Water Rates and Services, and Telecommunications. In advocating on behalf of consumers, DRA is dedicated to ensuring:

- **Lowest possible rates:** Provides analysis and advocacy to inform decision-makers through the record of proceedings about the impacts of regulated company proposals on consumers; performs audits, reviews company finances and operations to ensure the lowest possible rates.
- **Consumer protection:** Monitors utility billing and marketing practices to prevent consumer abuses;
- **Service quality:** Monitors utility services to promote good service at the lowest possible rates;
- **Safety and reliability:** Reviews utility practices to prevent outages and accidents; assure compliance with water quality standards.
- **Access to essential utility services:** Advocates for affordable access for all to essential utility services, particularly for low-income consumers;
- **Trustworthy information:** Advocates to ensure that customers have access to useful information about choices and options.

Unlike other advocacy groups, DRA participates in essentially all Commission proceedings, addressing all issues of significance to consumers. To prioritize DRA's involvement in the hundreds of CPUC proceedings in which we participate every year, DRA considers a number of factors, including:

- Legislative intent and direction;
- The potential impact on utility consumers' rates or service quality;
- The number of Californians affected;
- Proceedings that deal with insuring fair treatment of utility customers;
- Proceedings that support the development of affordable infrastructure and promote universal service;
- The needs of those who are most vulnerable - low income, disabled, and seniors.

A few examples of DRA's activities and successes in 2006 are discussed below.

DRA Activities for 2006

Energy Matters

Pursuing Lower Energy Rates

DRA participated in essentially all Commission proceedings for major energy utilities such as Pacific Gas and Electric Company (PG&E), Southern California Edison Company (Edison), San Diego Gas and Electric Company (SDG&E), Southern California Gas (SoCalGas) and Sierra Pacific Power Company (Sierra Pacific). A few examples of DRA's most recent efforts in these areas are described below.

- Southern California Edison filed for a \$569 million rate increase for 2006, and further increases of \$225 million in 2007, and \$207 million for 2008 (A.04-12-014). DRA conducted an extensive analysis of Edison's request and proposes increases of \$106 million in 2006, \$67 million in 2007, and \$76 million in 2008. The Commission adopted increases of \$333 million in 2006, \$143 million in 2007, and \$193 million in 2008. DRA's advocacy resulted in nearly \$900 million in saving for ratepayers over the three year period covered by this rate case.
- In December 2005, Pacific Gas and Electric Company (PG&E) filed its test year 2007 general rate case (GRC) requesting rate increases of \$394 million in 2007, \$143 million in 2008 and \$180 million in 2009 for its electric and gas distribution and electric generation operations. By contrast, DRA proposed increases of \$20 million in 2007, \$100 million in 2008 and \$131 million in 2009. DRA, PG&E and other parties entered into a settlement agreement which limits PG&E's rate increases to \$213 million in 2007 (or a 46% reduction to PG&E's request), \$125 million annually in 2008-2010. If adopted by the Commission, DRA's efforts will save PG&E ratepayers approximately \$600 million cumulatively over the next 3 years.
- In June 2006, the Commission initiated an investigation into the practices of the Southern California Edison Company (SCE) concerning possible violations governing its performance based ratemaking mechanism. In September 2006, DRA filed its report in the matter recommending that SCE make customer refunds totaling \$134 million associated with results sharing expenses of \$94 million included in prior GRC rates, survey expenses of \$4 million and performance rewards of \$28 million granted to SCE based on manipulated and falsified data.
- PG&E filed A.05-12-021 for authority to increase its rates associated with a pension contribution of \$273.2 million for each of the years 2006-2009. On June 15, 2006, the Commission adopted a settlement agreement entered into by DRA, PG&E and CCUE which adopts the requested pension contribution for 2006 and a lower amount of \$176.0 million for the years 2007-2009, saving ratepayers approximately \$291.6 million compared to PG&E's original request.

DRA Activities for 2006

Assuring Adequate Energy Supplies and Goals Are Obtained At Reasonable Cost

Electric Resource Planning: DRA participated in the Commission's OIR on Electric Utility Resource Planning (R.04-04-003) to ensure adequate supplies of energy generation resources at reasonable cost. DRA has argued against policies that would inequitably assign system reliability costs, overstate reliability needs, and prematurely remove market power mitigations prior to the market redesign protections being fully implemented. DRA has worked closely with a variety of interested parties to develop innovative approaches to share the costs of new generation facilities among all energy users that rely on the new resources.

Gas Resources: DRA actively participates in the Interstate Pipeline Capacity Acquisition process established by the Commission in September 2004 (D.04-09-022). In 2005, SoCalGas re-negotiated its long-term interstate gas pipeline capacity contracts with El Paso Natural Gas Company and Transwestern Pipeline Company, and also entered into an agreement for Kern River capacity. PG&E and SDG&E also renegotiated their El Paso contracts. All contracts were pre-approved by DRA and were ultimately approved through the expedited advice letter process. Most contracts were negotiated at discounts to the pipeline tariff rates. These contracts will ensure that gas procurement customers of the utility will have firm, reliable access to diverse gas supplies in the short and long-term.

ERRA Proceedings: DRA has performed reviews and testified before the Commission on ERRA compliance and forecast issues. These proceedings provide a necessary check on utilities' short term electric procurement activities. Billions of dollars flow through these accounts every year and DRA is the sole party that reviews this tremendous ratepayer expense.

Procurement Review Groups: DRA actively participates in the Procurement Review Groups (PRGs) that oversee the power procurement activities of Edison, PG&E and SDG&E. PRGs provide input on utilities' contracting and Requests For Proposals for various short and mid-term power products, estimates of net-short and net-long positions, risk management strategies, quarterly reviews, renewable contracts, as well as other procurement activities. DRA's input ensures informal review of utility procurement occurs in a timely manner, thereby improving reliability and regulatory certainty.

Renewables: DRA was active in the Renewable Portfolio Standard rulemaking (R.04-04-026) and has argued for Time of Day payments, revisions to the Market Price Referent, and for limiting Renewable Energy Certificates, which if adopted, would both promote efficient renewable deployment and minimize the assignment of costs to ratepayers. DRA has argued for building cost-effective transmission to wind and geothermal resource areas in Southern California. DRA was active in renewable issues in other proceedings and forums as well, including the Energy Action Plan and the Integrated Energy Policy Report of the California Energy Commission.

DRA Activities for 2006

DRA has proposed changes to the Commission's new multi-billion dollar California Solar Initiative program, including reasonable reductions in the level of subsidies for new solar projects, commensurate with reductions in the costs of the photovoltaic equipment.

Greenhouse Gas Reductions: DRA has provided a number of recommendations to the Commission in various proceedings regarding new rules and methods for reducing the amount of greenhouse gasses produced in the production of electricity and the use of natural gas. The Commission has supported a number of DRA's proposed changes to PG&E's "climate change tariff" a special, electric rate whereby customers can voluntarily pay an extra fee to fund offsets to greenhouse gas emissions.

Energy Efficiency Programs: DRA has long been the main party addressing utility energy efficiency programs. DRA actively participated in the development of new multi year budgets for utility energy efficiency programs including overall increases in funding for cost-effective programs and increases in funding for programs for low income customers. DRA also has presented strong arguments to the Commission to limit potential incentive payments to utilities for their administration of these programs to reasonable levels.

Water Rates and Services

DRA represents consumers in scrutinizing the costs of service of California's 9 large investor-owned water companies (Class A companies with over 10,000 customers). These companies have 63 geographically separate ratemaking districts, each with their own system costs. Most of DRA's work in this area concerns applications for rate increases. In these General Rate Case applications, DRA audits the company's accounts, reviews past and projected expenses, revenue forecasts, cost of capital, plant additions, and rate design. In 2007 DRA expects to issue 20 reports for water ratemaking districts of Golden State Water Company, California American Water Company, and San Gabriel Water Company. DRA will also be submitting comments to the Commission's rulemaking (R.06-12-016) to revise the rate case plan for Class A water utilities.

Keeping Water Rates Affordable

- DRA is working with the water industry, the CPUC's Water Division, and other interested parties to develop a program that provides assistance to low-income customers of water utilities. DRA's goal is to help establish a statewide program to streamline administration, minimize costs and make water accessible and affordable to water utility customers in greatest need. For example, in 2006, low-income customer programs were established company-wide for California Water Service

Company, California American Water Company and Park Water's Central Los Angeles District.

DRA Activities for 2006

- In 2006, DRA scrutinized applications for general rate increases in 21 districts of large water utilities, advocating for the elimination of unjustified expenses. DRA's efforts reduced authorized increases by nearly \$40 million compared to the amounts requested by the utilities.
- DRA has spearheaded efforts to find a regional solution in response to California American Water Company's (Cal-Am) request to build a desalination plant costing over \$190 million for its Monterey district. Desalination is an expensive process that will have significant impacts on water rates in this area. A regional solution, as opposed to Cal-Am's proposal to build a facility just for its customers, will be able to reduce the financial burden on Cal-Am's customers.

Water Action Plan

DRA represented ratepayer interests in the development and implementation of the Commission's Water Action Plan. This plan identifies the policy objectives that will guide the Commission in its regulation of investor-owned water utilities along with associated action items. DRA is actively addressing ways to improve water conservation efforts and approaches for revising rate structures to provide incentives to conserve. In 2006, various water companies have selectively proposed some aspects of rate design changes beneficial to the companies, ignoring other necessary changes that benefit consumers, while other utilities have proposed nothing at all. In 2007, DRA will be addressing specific rate design proposals for California Water Service Company, California American Water Company, San Jose Water Company, Golden State Water Company, Park Water Company and Suburban. DRA expects that before the end of 2007, conservation rate design will be in place for most of these companies.

Telecommunications

The telecommunications landscape in California has changed dramatically in the last two years. In addition to the many technological changes that have resulted in a redefining of telecommunications services for both the industry and consumers, the acquisition of the two largest long distance companies, AT&T and MCI, by the two largest incumbent local exchange carriers, SBC (now the "new" AT&T) and Verizon, solidified the dominance of the incumbents throughout the state, which are now actively extending their presence into other markets such as internet access, voice services over broadband, and video services. These mergers were followed by the Commission's decision to eliminate virtually all rate regulation of phone service in California (except for small, rural telephone companies). DRA's challenge is to ensure that, in this new technological and regulatory environment,

consumers actually obtain expected benefits, experience improvement in the quality of services they receive, are not subject to abusive or misleading marketing practices, and have a choice of providers for the services they wish to purchase.

DRA Activities for 2006

- In early 2006, the Commission rolled back the consumer protections that were put into place in 2004 as part of the Commission's Consumer Bill of Rights. In its place, the Commission adopted the Consumer Protection Initiative (CPI) that emphasizes consumer education. In 2006, DRA sought reinstatement of the rescinded consumer protections, both in proceedings at the Commission and at the Legislature.
- DRA is also actively participating in the implementation of the Consumer Protection Initiative. For example, DRA made recommendations with respect to issues surrounding protections for limited English speakers, such as CPUC collaboration with community based organizations on complaint resolution, and the need for a proceeding on language based issues. The Commission will be addressing these issues in the first half of 2007.
- DRA responded to AT&T's request for a fixed-rate surcharge on San Diego customers for undergrounding costs this year, arguing that the surcharge was unfair to customers and inappropriate given the CPUC's decision to deregulate AT&T's prices. The CPUC authorized the fixed-rate surcharge but only until the freeze on basic service rates is lifted in January of 2009. DRA prevailed in its request that San Diego customers be notified of the limited duration of the Commission's authorization for the surcharge.
- In the Uniform Regulatory Framework (URF) proceeding, DRA strongly opposed the elimination of the large phone company price caps and other consumer protections, including the uniform pricing of services throughout each company's service territory in the state. The Commission approved the new framework, sparing only basic service from price deregulation for a limited term of two years. As a consequence of URF, certain consumer protections against marketing abuses by AT&T were promptly deleted by the company from its tariffs. DRA protested AT&T's action, and has filed a petition to rehear the URF decision as well as the decision that approved the elimination of AT&T's disclosure rules.
- DRA investigated AT&T's service quality, provided recommendations and actively lobbied the Commission to enforce the existing service quality rules applicable to AT&T. Based on DRA's recommendations, the Commission found that AT&T had failed to comply with minimum service standards and fine the company a penalty of \$900,000. In addition, DRA filed a petition urging the Commission to resume the service quality rulemaking as it is particularly important to monitor service quality as a result of the passage and implementation of the Uniform Regulatory Framework.
- DRA participated in the Commission's proceeding to review the state's various public policy programs addressing the operation, goals and funding of those programs given the many changes that have taken place in the telecommunications landscape. DRA stressed the need to weigh the cost to all ratepayers of increasing expenditures to allow for subsidies of new technologies against the benefits of providing those new technologies to low income and disabled consumers.

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- DRA participated in a rulemaking addressing the High Cost Fund, which is a program that provides subsidies to companies who provide phone service in previously-

DRA Activities for 2006

- defined high cost areas. The program is funded by ratepayers who paid for over \$3 billion in phone company subsidies through 2004. DRA argued for the elimination of this subsidy program because it is incompatible with the Uniform Regulatory Framework, but also recommended that if the program continued, the Commission should review the eligible high cost areas, some of which no longer qualify for high cost fund support.
- DRA serves on a number of public program administrative committees to ensure that consumer interests are fairly and adequately represented. These committees include: Telecommunications Access for the Deaf and Disabled, Public Payphone, Universal Lifeline Telephone Service, High Cost Fund, and, the California Teleconnect Fund.

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