



ORA

*Office of Ratepayer Advocates
California Public Utilities Commission*

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June 11, 2014

Honorable Henry Perea
California State Assembly
State Capitol, Room 3120
Sacramento, CA 95814

RE: AB 1693 (Perea) - Oppose

Dear Assemblymember Perea:

The Office of Ratepayer Advocates (ORA) is the independent consumer advocate within the California Public Utilities Commission (CPUC). ORA's statutory mandate is to obtain the lowest possible rates for utility services consistent with safe and reliable service levels. ORA also advocates for customer and environmental protections in connection with utility service.

ORA respectfully opposes your AB 1693, which would require the CPUC to resolve small independent telephone companies general rate case proposals within 330 days. ORA recognizes your efforts to have these proposals timely resolved by the CPUC. However, your bill may have the unintended consequence of establishing an unfair advantage for small independent telephone companies at their customer's expense by allowing monthly service rates to take effect before being found just and reasonable. Under AB 1693, if the CPUC fails to issue a final decision by the 330th day, the telephone companies general rate case proposal would be automatically deemed approved on an interim basis, subject to true-up when the CPUC issues its final decision. If the CPUC fails to make a final decision by the 540th day, then the telephone companies general rate case proposal would be automatically deemed approved without being subject to true-up. These automatic triggers would still apply even if the telephone company is responsible for the delays in the proceeding.

AB 1693 would impair the customers' ability to thoroughly examine a telephone company's general rate case proposal and to determine the prudence of its proposed costs, rates, and CHCF-A subsidy requests. ORA's ability to represent customers will also be diminished. Sufficient time and good faith cooperation is necessary to analyze and audit the operations and financial records of a telephone company. AB 1693 will also provide telephone companies with a strong incentive to file exorbitant rate increase requests with little supporting data, and then employ litigation tactics, such as prolonging the discovery process, to cause delays in the processing of rate cases. Under this bill, telephone companies would benefit from the delays. Furthermore, the consequence of delays places ORA in a substantially weaker position in negotiations to settle general rate case applications. At the very least, this bill should be amended to ensure the automatic triggers do not apply if the delays are caused by the telephone company.

We also encourage the author to consider an alternative method that may help with structuring general rate case proceedings for the small telephone companies. Currently there is no rate case plan in place for the small telephone companies similar to energy and water companies. Under a rate case plan there are procedures and processes in place to ensure utility applications are complete and provide the necessary supporting information. For example, both energy and water utilities must submit a Notice of Intent or Draft Application which allows ORA and the CPUC to review the application for deficiencies prior to the utility filing a formal application. Also, both water and energy utilities can request interim rate relief if a CPUC decision is delayed, but does not make rates permanent if a delay goes beyond a certain period. This current mechanism provides an adequate safeguard to maintain the financial viability of a utility since it will make the utility whole regardless when a final decision is issued. The CPUC can currently employ this mechanism if necessary.

By automatically deeming a small telephone company's general rate case proposal approved, if the CPUC fails to issue a final decision by the 560th day, would undermine the statutory principle of ensuring just and reasonable rates for all of the state's ratepayers. As noted earlier, this automatic trigger would still apply even if the telephone company causes the delay in the proceeding. For these reasons, we respectfully oppose your bill.

If you have any questions or would like to discuss this matter further, please call ORA's Legislative Advisor Rebecca Tsai-Wei Lee, at (916) 327-1407 or me at (415) 703-2381.

Respectfully,

Joseph P. Como, Acting Director
Office of Ratepayer Advocates

By
Rebecca Lee
Legislative Advisor