

REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA

**A REVIEW OF THE OPERATIONS AND FUNDING OF
THE CALIFORNIA RELAY SERVICE**



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Kurt R. Sjoberg
Acting Auditor General

August 28, 1989

P-827

Honorable Elihu M. Harris, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 2148
Sacramento, California 95814

Dear Mr. Chairman and Members:

We reviewed the California Public Utilities Commission's (commission) design, management, and funding of the California Relay Service (relay service). The relay service allows deaf and severely hearing-impaired individuals to use telephones to communicate with hearing individuals in California. Although the commission has taken steps to promote program efficiencies, the commission has not fully ensured that the relay service is operated in the most cost effective manner. The commission could reduce the expenses of the relay service by using a less expensive long distance service provided by AT&T, by using another provider of long distance service, or by using another method of providing access to the relay service. Depending on the alternative selected by the commission, the savings could range from at least \$1.1 million to approximately \$2.6 million annually. However, even considering the proposed expense reductions, the Deaf Equipment Acquisition Fund Trust (DEAF Trust), which funds the relay service and other equipment programs for the deaf and disabled, could have an annual operating deficit of approximately \$7.3 million after the current funding legislation expires on July 1, 1990. This operating deficit could result in insufficient funding for the relay service beginning in fiscal year 1992-93.

Background

The commission is responsible for three telecommunications programs that are intended to provide California's deaf, severely hearing-impaired, and disabled residents with access to the public telephone network.

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The legislation for these telecommunications programs is found in the Public Utilities Code. Chapter 1142, Statutes of 1979, amended the code, requiring that the commission design and implement a program for telephone companies to provide telecommunication devices to certified deaf or severely hearing-impaired California residents. To satisfy this requirement, the commission distributes telecommunication devices for the deaf (TDDs), which are telephones with visual or printed displays that the deaf can use for placing telephone calls. The statutes also required the commission to establish a method of allowing telephone corporations to recover the costs incurred for this program.

The commission established the DEAF Trust Administrative Committee, which has recently been renamed the Deaf and Disabled Telecommunications Program Administrative Committee (DDTPAC), to set up and administer the collection of revenues and to reimburse telephone companies for the distribution expenses of TDDs. The DDTPAC, consisting of employees from three telephone companies, established the DEAF Trust as a depository for these funds. The commission requires the DDTPAC to provide for an annual audited report of the DEAF Trust.

Chapter 741, Statutes of 1983, amended the Public Utilities Code, requiring the commission to design and implement a program whereby deaf or severely hearing-impaired persons can telephone persons of normal hearing through a dual-party relay system using third-party intervention. The commission ruled that the three major telephone utilities, American Telegraph & Telephone (AT&T), Pacific Bell (PacBell), and General Telephone Company of California (GTE), submit a joint report on the design of a relay service. After approving the design presented in the joint report, the commission selected AT&T to coordinate the implementation of the relay service.

The relay service, which began operation in January 1987, as directed by the Public Utilities Code, enables deaf and severely hearing-impaired residents of California to have 24-hour contact with any other telephone subscriber in the State. Through the relay service, hearing residents call one toll-free number using a regular telephone, and deaf and severely hearing-impaired residents call another toll-free number using a TDD. A relay service user initially reaches a communication assistant at the relay service. The communication assistant asks the caller over the phone or on the TDD for the telephone number the caller wishes to reach. The communication assistant then places the call, speaking for the deaf caller by reading the caller's message sent on the TDD and hearing for the deaf caller by typing the hearing person's conversation for the deaf caller to read on the TDD.

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AT&T provides the relay service and has located it in Southern California. Therefore, each call made over the relay service, regardless of origination or destination, is relayed through the site in Southern California. Relay service users pay the normal rates of calling between the call origin and destination, though certified deaf and severely hearing-impaired individuals receive a discount on their toll charges. To finance the relay service, the telephone companies bill their telephone subscribers a surcharge. For long distance calls made through the relay service, the telephone companies bill the users of the relay service, remitting both this amount and the surcharge collected to the DEAF Trust. To be reimbursed for any expenses for equipment distribution and for the relay service, the telephone companies submit requests for reimbursement to the DDTPAC.

The committee that designed the relay service projected that the relay service would initially receive 50,000 calls a month. In actuality, the relay service received an average of 102,000 calls a month during the first quarter of 1987 and was receiving an average of approximately 174,000 calls a month during the last quarter of that year. The relay service received an average of 254,000 calls a month during the second quarter of 1989.

Chapter 741, Statutes of 1983, also amended the Public Utilities Code, requiring the commission to establish a method to recover costs incurred for the design and implementation of the relay service, in addition to the costs of the TDD distribution program.

Chapter 585, Statutes of 1985, changed the code to require that the commission design and implement a program to ensure that disabled individuals, other than the deaf and severely hearing impaired, also receive specialized telephone equipment allowing them access to the telecommunication systems.

Chapter 242, Statutes of 1988, changed the method of recovering the costs incurred for these programs from a flat-rate surcharge to a percentage surcharge of subscriber intrastate telephone charges. Additionally, the statutes require the commission to prepare and submit an annual report to the Legislature on the fiscal status on the programs.

The commission has approved a 1989 budget of \$28.0 million for the relay service and equipment distribution programs. Of this amount, \$17.0 million is budgeted for the operation of the relay service.

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Scope and Methodology

The purpose of this audit was to review whether the relay service can be provided more cost effectively than it is now and also to review the funding of the California Relay Service.

To determine whether the DEAF Trust's cost for the relay service can be reduced, we reviewed the costs of the current relay service, the call volume, and the costs of using the telephone network. Additionally, we hired a telecommunication consultant, CRC Systems, Incorporated, to identify other methods of providing the relay service to California residents. We directed the consultant to examine the types of telephone access used for the relay service, the technical configuration of the relay service, and the cost effectiveness of multiple relay-service locations. The consultant identified alternative methods of providing relay service and estimated the cost savings for the alternative methods.

To review the funding of the relay service, we reviewed the historical funding mechanisms and their resulting funds. We also reviewed the historical costs of providing the relay service and the costs of associated equipment distribution programs. In addition, we projected the expected revenues for the DEAF Trust using the 1990 surcharge rate of \$0.10 per subscriber line. Furthermore, we projected the operating deficit that the fund could experience in future years by comparing the projected revenues with the program operating costs.

The Relay Service Can Be Provided in a More Cost Effective Manner

The Public Utilities Code directs the commission to determine the most cost effective method of providing a dual-party relay service. In addition, the code directs the commission to report annually to the Legislature on the fiscal status of the programs and to evaluate the options for controlling expenses and increasing program efficiency.

Based on information provided by our consultant, the commission has not ensured that the relay service is as cost effective as it could be. In 1988, the commission held hearings and workshops to consider service reductions and other methods of providing the relay service at a lower cost. However, the opinion resulting from the workshops and hearings, which lists the topics discussed and recommendations made, does not address the design of the equipment configuration or the access methods for the relay service.

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To determine whether the commission could provide the relay service in a more cost effective manner, we requested our consultant to consider whether multiple locations of relay stations would be more cost effective and whether the use of other equipment and access methods could be more cost effective. The consultant found that the commission would not reduce costs by establishing relay stations in multiple locations. However, according to our consultant, there are offerings by telephone companies available now, which were not available at the time the relay service was designed, that would be more cost effective than the current system. The commission could save money by employing one of the following alternatives.

AT&T Could Use One of Its
Less Expensive Long Distance Services

A majority of the calls through the relay service are processed as long distance calls; thus, a less expensive long distance service than the present one would reduce the cost of the relay service. California is presently divided into 11 service areas. If a call is placed into a service area other than the originating area, the call is carried by a long distance carrier. Although local carriers can provide long distance service within a service area, for the purpose of our discussion, we will refer to carriers who provide service between service areas as long distance carriers.

We surveyed the calls made through the relay service for a period of 31 days. Ninety-four percent of the calls made through the relay service were within the originating service area, leaving only 6 percent directed outside the originating service area. However, because a call made through the relay service must go first to the service area in which the relay service is located, unless the call originates and terminates in that same service area, the call must be carried over long distance telephone lines.

The carrier that bills for the relay service provided us with statistics on the call volume and the origin and destination for completed calls made through the relay service for a 31-day period. During the period, 134,192 calls were processed. Of the total processed calls, 65,384 calls, or 49 percent, were made from and to the area in which the relay service is located. Because only 49 percent of the calls were within the service area where the relay service is located, 51 percent of the calls had to be carried on long distance telephone lines. This occurred even though only 6 percent of the calls made through the relay service were made to locations that are outside the originating service area.

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According to our consultant, all calls to the relay service are made using a toll-free 800 service, and AT&T makes the second call in the relay on local lines or the Wide Area Telecommunication Service (WATS). The WATS permits the relay service to make long distance calls and have them billed to the service on a bulk call basis rather than on an individual call basis. According to our consultant, AT&T could provide relay services through another of its long distance services that would reduce the expenses by at least \$1.1 million annually. Further, the commission and AT&T could negotiate volume discounts that may result in even greater savings. There would be a one-time installation cost, but our consultant could not determine the exact cost. This alternative long distance service is a WATS-like service that would provide the relay service with connections for all outbound calls except the calls made within the service area where the relay service is located.

Other Carriers Could Provide Long Distance Service

According to our consultant, other long distance carriers could also provide long distance service to the relay service at rates less expensive than the rates for the service that AT&T currently provides. Our consultant met with representatives of two of the leading long distance carriers to determine the cost of having these companies provide the long distance service to the relay service. Our consultant estimated that both companies could provide network usage at less expensive rates than the commission is presently paying. According to the consultant's estimate, one long distance carrier could provide network usage at an annual savings of approximately \$1.9 million, and the other could provide network usage at an annual cost savings of approximately \$2.1 million. The installation costs for using another long distance carrier would range from approximately \$20,800 to \$23,100.

A change in carriers could result in operating efficiencies in addition to reduced costs. Specifically, one of the carriers could provide the relay service with automated number identification, which would eliminate some of the manual processes used by communication assistants. Currently, they manually record on computer cards the telephone number of the call, the call's destination, and the length of the call. The cards are then keypunched and recorded on magnetic tape to create a billing tape. Automated number identification would greatly expedite call handling and eliminate most handwritten tickets. As a result, the communication assistants would no longer need to take

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time recording the call origin, call destination, and call length for each call. Moreover, the automated process should make billing more accurate. However, because the telecommunications equipment in some of the more rural areas of California is not updated, a small number of calls would still need to be processed manually.

Direct Connection Between the Calling Areas and the Relay Service

According to our consultant, a third method of providing the relay service at a reduced cost would involve establishing a direct connection between local carriers in each of the 11 calling areas in California and the relay service located in Southern California. With such a direct connection, the annual cost of providing the relay service could be reduced by approximately \$1.8 million to \$2.6 million, depending upon which of the three leading long distance carriers provides long distance services. Also, with a direct connection between each area and the relay service, the automated number identification option would be available.

Our consultant was able to estimate that the cost of converting to a direct connection with two of the three leading long distance carriers would range from \$89,000 to \$105,000. (The consultant was not able to obtain conversion costs from the third long distance company.) However, the monthly cost savings expected from using this method are approximately \$150,000 to \$219,000. Therefore, the cost of converting from the current system to one of the alternate methods would be recovered from the savings in one month. Furthermore, based on our consultant's estimates, the savings during the first year of the conversion, assuming the highest of the estimated conversion costs, would be approximately \$1.7 million to \$2.5 million; they would be approximately \$1.8 million to \$2.6 million in the following years.

Other Alternatives

Other cost-saving alternatives are available for the commission's consideration. Although our consultant did not fully develop the savings and the cost of implementing these alternatives, the commission could benefit from considering them.

Our consultant met with representatives of leading long distance carriers. The representatives from two of these carriers stated that the commission could negotiate to obtain a private network for the relay service. The network would involve technology similar to that

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used for establishing a direct connection between the calling areas and the relay service. According to our consultant, this alternative is expected to offer substantial savings over the current network.

Another alternative is to take the best of each of the other alternatives discussed to create a hybrid network. More research and negotiations with various long distance and local carriers would be needed to determine the optimum network configuration and billing structure at the lowest cost.

The Commission's Choice of AT&T

When the commission began work on the relay service, it made all major telephone corporations respondents to the proceeding. According to the commission, of the two leading long distance carriers other than AT&T, one had not filed tariffs with the commission until May 1984, and the other provided only limited tariffed long distance service. Furthermore, the Department of Justice had restricted the two leading local carriers from completing calls between service areas. Consequently, according to the commission, it selected AT&T to operate the relay service because it believed that only AT&T was capable of providing the telephone service determined to be necessary for the relay service. However, the commission never established a contract with AT&T to govern the provision of relay services. The practice of establishing a contract for the provision of services provides the parties to the contract with assurance of the services to be provided and the associated cost. Also, a service must be clearly defined in contractual terms before a contract agreement can be reached. Furthermore, the commission could renegotiate the contract periodically to realize future savings.

Corrective Action

In May 1989, the commission ruled that the DDTPAC will open negotiations with AT&T to establish a contract for providing relay services. The contract period is not to exceed three years. At the end of the contract period, the commission can consider whether it will contract with another entity. The commission anticipates that establishing such a contract will reduce the cost of the relay service.

Additionally, the commission has ordered the restructuring of the DDTPAC and has ordered the creation of the California Relay Advisory Committee. The primary purpose of this committee is to make recommendations on the efficiency of the relay service.

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National Relay Service

The relay service is an intrastate service, only. As a result, deaf and severely hearing-impaired residents of California can communicate over the telephone through the relay service only with other residents within California. The Public Utilities Code section establishing the relay service requires the commission to provide a dual-party relay so the deaf and severely hearing impaired have reasonable access to all phases of public telephone service. According to the Legislative Counsel, although it provides intrastate service only, the commission is providing the deaf and severely hearing impaired with reasonable access to all phases of public telephone service. However, the commission may be affected in the future by federal legislation. The Americans with Disabilities Act of 1989, which is currently pending, would require that a national relay service--an interstate service--be established within two years of the legislation's passage. If this legislation is passed as currently written, the relay service would need to be altered so that relay calls could be placed and received from outside the State. Furthermore, a national relay service would increase the volume of calls processed through the California Relay Service. This would affect the costs in an indeterminate way.

The DEAF Trust Could Have a Deficit if the Rate Recovery Method Is Not Changed

The DEAF Trust surcharge was designed to allow telephone companies to recover their costs for the relay service and for distributing TDDs. This surcharge has been changed many times since its inception as a result of new legislation or because the commission adjusted the rate within the range provided by the Legislature. Initially, in 1979, the commission set the monthly funding rate at \$0.15 per subscriber line. It remained at this rate until mid-1982, when the commission changed the rate to \$0.05 per subscriber line. In 1983, the Legislature reduced the surcharge again not to exceed \$0.03 per subscriber line because the fund balance had continued to grow and was in excess of the amount necessary to operate the program. At the end of 1983, the balance in the DEAF Trust was approximately \$11.5 million.

In 1985, the Legislature increased the monthly surcharge not to exceed \$0.10 per subscriber line in anticipation of increased costs of the relay service. Despite this change, in 1988, the DEAF Trust had an operating deficit and could reimburse the telephone companies for only 60 percent of their expenses until the DEAF Trust became more solvent.

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Chapter 242, Statutes of 1988, was passed in June 1988 as emergency legislation, raising the surcharge rate not to exceed 0.5 percent of subscribers' monthly intrastate charges. The commission required implementation of the new rate effective October 1, 1988. At the higher funding rate of 0.5 percent, the DEAF Trust was able to pay off, by the end of 1988, the remaining 40 percent of the expenses incurred by the telephone corporations. At the end of 1988, the DEAF Trust had a fund balance of approximately \$5.6 million. In April 1989, the commission ruled that the surcharge be reduced to 0.3 percent of intrastate charges effective July 1, 1989. Even at this lower rate, the commission believes the DEAF Trust will have a fund balance of approximately \$20.6 million in July 1990. The commission expects to fund the DEAF Trust at 0.3 percent until July 1, 1990, when the funding will revert to not to exceed \$0.10 per subscriber line.

To illustrate how the change in surcharge rate will affect the DEAF Trust, we calculated, according to the number of accessible subscriber lines reported by telephone companies for 1989, the revenues the commission could expect at \$0.10 per subscriber line. Our calculations are based on the assumption that revenues and expenditures will remain constant. We then contrasted this to the revenues--calculated at the 0.3 percent surcharge--that the commission projected in its 1989 budget for the DEAF Trust. At the 0.3 percent surcharge rate, the commission expects to generate \$31.0 million in revenues; at \$0.10 per subscriber line, the revenues would be approximately \$20.7 million. Since the DEAF Trust's 1989 expenses are expected to be approximately \$28.0 million, the DEAF Trust is expected to have an operating balance of \$3.0 million at the present surcharge rate of 0.3 percent, whereas at the \$0.10 rate, expenditures would exceed the revenues, resulting in an operating deficit of approximately \$7.3 million. When the surcharge rate drops to the \$0.10 rate in July 1990, even if the expenses for the relay service do not increase, California will need to have approximately 6.1 million more subscriber lines, an increase of 36 percent over the number in 1989, if the DEAF Trust is to avoid an operating deficit. With an annual operating deficit of \$7.3 million, despite the expected \$20.6 million fund balance as of July 1990, the DEAF Trust is expected to exhaust its reserve in fiscal year 1992-93.

The commission has had the authority to adjust the surcharge only within the range established in legislation. In four of the seven years that the DEAF Trust has existed, it has had significant differences between the amount of revenues and the amount of expenditures. In 1982 and 1986, the DEAF Trust had revenues that exceeded expenditures by \$10.6 million and \$2.5 million, respectively.

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In 1987 and 1988, expenditures exceeded revenues; the resulting operating deficits were \$8.7 million and \$1.2 million, respectively. If the Legislature establishes a range of surcharge rates sufficient to meet future program needs, then the commission could adjust the surcharge rate within that range in response to a fluctuation in program costs and revenues.

Based on our projection, the DEAF Trust will have an operating deficit in 1990 after the surcharge rate reverts to \$0.10 per subscriber line; however, the commission will not likely have to consider reducing services available through its program or requesting a funding increase until fiscal year 1992-93 when it is expected that the fund balance will be exhausted. Even if the commission were to implement the cost-saving measures addressed in this report, it would not likely recover the \$7.3 million operating deficit it could have when the funding changes not to exceed \$0.10 per subscriber line. Therefore, the commission could need to consider how to provide reduced services to the deaf and severely hearing-impaired community.

Based on our projections and assumptions, the DEAF Trust will have an operating deficit because the funding mechanism is not adequate to fund the relay service and equipment distribution programs. Chapter 242, Statutes of 1988, which increased the funding from not to exceed \$0.10 per subscriber line to not to exceed 0.5 percent of subscriber intrastate charges, was a temporary solution to a funding crisis that began in late 1987 because the demand on the relay service was much greater than expected.

Conclusion

The commission has not fully ensured that the relay service is being provided in the most cost effective manner because it has not thoroughly investigated or implemented alternatives for reducing its costs. Our telecommunications consultant identified several alternatives that could reduce the DEAF Trust's costs for the relay service and would provide more automated services. These alternatives include AT&T using one of its less expensive long distance services, using another carrier to provide long distance service, and using a direct connection between the service areas and the relay service.

When the funding rate for the DEAF Trust reverts to not to exceed \$0.10 per subscriber telephone line in July 1, 1990, the relay service and equipment distribution programs could have an annual operating deficit of approximately \$7.3 million, and the DEAF Trust is expected to be

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depleted in fiscal year 1992-93. The operating deficit would occur because \$0.10 per subscriber line is not adequate to fund the programs.

Recommendations

To ensure that the commission is using the most cost effective methods of providing the relay service, the commission should assess alternatives to the current relay service. Based on its assessment, the commission should implement more cost effective methods of providing a dual-party relay system as appropriate within the guidelines for the relay service. While doing so, the commission should also consider the cost impact of the relay service extending to an interstate service.

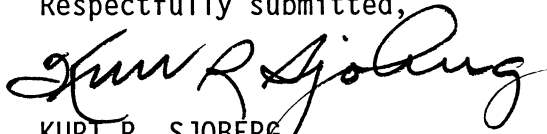
To adequately fund the DEAF Trust, the commission should take the following actions:

- Consider requesting the Legislature to continue funding the DEAF Trust under the existing method, which is based on a percentage of subscribers' monthly intrastate charges. In the legislation, a range should be established that is sufficient to meet future program needs, and the commission should be able to adjust the surcharge rate within that range.
- Alternatively, if the Legislature wishes to set the surcharge based on a specific dollar amount per subscriber line, the commission should seek legislation that would raise the flat rate to an amount that will be sufficient to meet future program needs. Again the legislation would need to establish a range within which the commission could adjust the actual surcharge rate.
- If the commission cannot enhance funding, the commission should consider alternatives to reduce the level of services to match the level of funding.

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We conducted this review under the authority vested in the auditor general by Section 10500 et seq. of the California Government Code and according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this letter.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Kurt R. Sjoberg". The signature is written in a cursive, flowing style with a large, prominent "K" and "S".

KURT R. SJOBERG
Acting Auditor General

The California Public Utilities Commission's response to this report

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



August 23, 1989

Kurt R. Sjoberg
Acting Auditor General
Office of the Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Sjoberg:

Thank you for the opportunity to review the draft of your letter concerning the operation and funding of the California Relay Service (CRS) for the deaf and hearing impaired.

You raise a number of issues which are reasonable, and which the Commission believes are currently being, or will soon be addressed as a result of action ordered by our May 26, 1989 Decision (D.) 89-05-060. I am very concerned, however, that the statement on Page 1 of your letter "... we found that the commission has not fully ensured that the relay service is operated in the most cost effective manner", does not reflect the Commission's extensive efforts in pursuit of an efficient relay service. ①*

The Commission did in fact undertake an investigation (I.87-11-031) that asked "What can be done to increase the efficiency of the CRS?" The results of this investigation are summarized in D.89-05-060, copy enclosed. The Commission has ordered the establishment of the California Relay Service Advisory Committee whose main function/responsibility is to develop "recommendations on ways to increase the efficiency of the California Relay Service" (Page 47, D.89-05-060).

One specific result of I.87-11-031 concerned the implementation of ANI (Automatic Number Identification) and AMA (Automatic Message Accounting) for the relay service; this issue is discussed on Pages 6 and 7 of your letter. We understand that AT&T, the relay service provider, has developed a program to eliminate much of the manually recorded call records, and will be able to offer ANI in the near future. We have already directed the relay advisory committee to consider these options for the relay service.

The Commission has also expanded the structure of the Deaf and Disabled Telecommunications Program Administrative Committee which oversees the fiscal management of these programs to include a Commission staff person. Our concern is to ensure that the administrative structure relates to the "accountability for the sound and prudent use of the Trust's resources".

*The Office of the Auditor General's comment on this specific point begins after the California Public Utilities Commission's response.

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We would like to discuss two other areas of concern you have raised in your audit: first, the need for a contract between the relay administrator and the relay service provider; and second, the need for implementation of further relay efficiencies through savings on utilization of more economic network service purchases or carrier arrangements.

The Commission has also recognized the desirability of a specific contract between the relay administrator (Deaf and Disabled Telecommunications Program Administrative Committee) and the relay service provider (AT&T). Contract negotiations have commenced, and we have ordered a report by October 1, 1989.

However, as cautioned in D.89-05-060, we believe that such a contract should be established and exercised first, before further radical changes in relay structure or provision is ordered. On Page 49, the decision states "the development of a contract with AT&T is a potential precursor to open competitive bidding. A service must be clearly defined in contractual terms before it can be let out for bid, and we believe that the development of these terms will take some time and effort for these services".

We cannot comment on the relay network service economies and other alternatives suggested by your Consultant. The Consultant's workpapers and report were provided to us yesterday and our staff simply did not have enough time to study them.

We caution that a complete review be made of any competing interexchange company's service offerings on a statewide basis before the present relay service structure (which ensures full access to the relay service from any local exchange, especially for the customers in rural exchanges who are currently provided service) is altered.

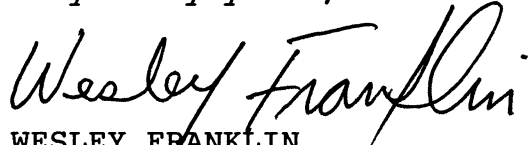
We strongly encourage that these studies be shared with the relay advisory committee. We anticipate that the future contract and action by the Administrative and Advisory Committees will result in establishment of viable efficiencies that are cost-effective.

We concur with your auditors' conclusions and recommendations regarding the surcharge and revenue estimates. We look forward to studying the feasibility of your recommendations and implementing those that are determined to be cost-effective so as to enable the continuation of the relay service and other deaf and disabled telecommunications service programs that meet the special needs of California's residents.

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Should you have any questions on this letter, please contact Mr. Kevin Coughlan at (415) 557-2077.

Very truly yours,

A handwritten signature in cursive script that reads "Wesley Franklin". The signature is written in black ink and is positioned above the printed name.

WESLEY FRANKLIN
Acting Executive Director

Enclosure (D.89-05-060)

cc: All Commissioners

**THE OFFICE OF THE AUDITOR GENERAL'S COMMENTS
ON THE RESPONSE BY THE CALIFORNIA PUBLIC UTILITIES COMMISSION**

① We disagree with the commission's contention that our statement does not take into consideration the commission's efforts to promote program efficiencies. In quoting our letter, the commission failed to include the first part of the sentence that reads "Although the commission has taken steps to promote program efficiencies..." Furthermore, in several instances, we have recognized the commission's efforts to improve program efficiencies. On page 4 of the letter, we state that the commission held hearings and workshops to consider service reductions and other methods of providing the relay service at a lower cost. On page 8, we cite the corrective action that the commission has taken to increase efficiencies, including requiring contract negotiations for provision of the relay service and establishing a committee with the primary purpose of making recommendations on the efficiency of the relay service.