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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding
Revisions to the California High Cost Fund
B Program.

Rulemaking 09-06-019
(Filed June 18, 2009)

**ADMINISTRATIVE LAW JUDGE'S RULING
REGARDING NEXT STEPS IN COST PROXY UPDATE**

This ruling solicits further comments on the issues set forth below. Parties previously filed comments and attended workshops on the methodologies and algorithms necessary to implement the updating of mapping data utilizing 2010 Census Block Groups (CBGs) for purposes of B-Fund cost proxies and payments. In joint comments filed May 22, 2013, a preliminary data set of households was mapped to 2010 CBGs. The costs for the 2010 CBGs were calculated based on the costs adopted in D.96-10-066. In further comments filed on August 9th, and August 23, 2013, the B-Fund carriers provided estimates of changes in the number of primary residential lines eligible for B-Fund support as a result of using the consensus mapping update methodology.

1. Status of Carriers' Mapping Results

Pacific Bell Telephone Company d/b/a AT&T California (AT&T) has completed mapping 98% of the households in its service territory to the 2010 CBGs. In rural areas, the process of mapping to CBGs is complicated by the fact that street addresses can be insufficient. As explained at the workshop on

July 10, 2013, AT&T's calculations do not reflect new households that would be eligible for B-Fund support based on the 2010 CBGs and costs as calculated in the May 22 joint filing.

Verizon California, Inc. (Verizon) estimates that its support will be reduced by 15% for approximately 35,000 of the successfully mapped 46,717 Verizon lines. For approximately 12,000 lines where mapping efforts continue, Verizon reports an estimated decline in support of up to 26.8%.

Cox California Telecom, LLC (Cox) applied the May Proposal to the Cox customer households within high cost CBGs where Cox is designated as a Carrier of Last Resort (COLR) and found that many of these households were redistributed to CBGs that are not identified in Cox's tariffed COLR-designated service areas. Accordingly, one impact on Cox of the May Proposal is that it will significantly change the number of CBGs for which Cox is designated as a COLR. If the Commission adopts the May Proposal, Cox, and any other similarly situated COLR would need to file a Tier 1 advice letter to update its tariff to include the 2010 CBGs where its California High Cost Fund (CHCF)-B customers are within Cox's current COLR service territory. Cox requests a sufficient implementation period to update its tariff and make corresponding changes to its internal systems.

Citizens Telecommunications Company of California Inc. d/b/a Frontier Communications of California and Frontier Communications of the Southwest Inc. (collectively "Frontier") provided a proposal for developing cost proxy values for primary residential lines within its service territory. As explained in the ruling dated July 18, 2013, the Commission has approved the treatment of new areas of Frontier's territory as Uniform Regulatory Form (URF) territory and

therefore eligible for

B-Fund support if the costs for the CBGs in those areas meet the threshold.

These specifically identifiable and currently authorized URF areas thus need cost proxies in order to determine B-Fund support requirements.

For purposes of its proposal, Frontier geo-coded its basic primary residential lines into 2010 CBGs using census data for both of its existing B-Fund companies which receive monthly support. Frontier then applied the new CBG cost per line for each of its CBGs. The CBG per line costs were taken from the work product developed by GeoLytics and discussed at the July 10, 2013 workshop to develop an estimated monthly claim amount and impact to the B-Fund claims. Frontier proposes adoption of its CBG proxy cost per line methodology and adoption of 2010 mapped CBGs and costs adjusted for the proposed CBGs as recommended by Frontier in its opening and reply comments.

2. Discussion

Although carriers have made progress in making the necessary calculations, a complete data set is still required from all CHCF-B carriers in order to fully assess the impact of the consensus methodology for updating of CBG mapping data on the number of residential lines supported and the change in total B-Fund support payments. In the comments in response to this ruling, each of the CHCF-B carriers should produce a completed calculation of the revised line count and corresponding support amounts based upon the remapping methodology agreed to in the May 22nd filing. In the alternative, if the calculations cannot yet be finalized, a progress report should be provided, together with a commitment as to when final calculations can be produced.

Parties shall have the opportunity to review and comment upon the estimated impacts on line counts and fund support based upon a complete data set. Parties shall also have the opportunity to review and comment upon the reasonableness of the methodology and calculations presented by Frontier for use in adopting CBG proxy costs and B-Fund support amounts applicable to its service territory.

3. Status of Further Cost Proxy Updating

Most parties agree that the Commission should not continue with efforts to implement a reverse auction (except for Verizon) and should not conduct a cost study as a basis to update B-Fund cost proxies. Verizon and DRA, however, recommend that the Commission pursue limited incremental adjustments to develop more accurate measures of per-line cost proxies based upon updated customer density data. AT&T makes the claim, however, that considering only density-related cost changes, while ignoring other relevant cost factors, is unlawful, result-oriented, and arbitrary decision making. AT&T claims that the only lawful and fair approach is to leave the costs as they are and not make any attempt to alter them.

Also as noted by TURN, the current level of B-Fund support is \$26.9 million, significantly below the level of 10 years ago when the B-Fund had a budget of \$469 million in carrier claims. The support required for the fund has dropped precipitously and will decline even further under the May 22nd proposal based on the estimates provided to date. Also, the fund is scheduled to sunset on January 1, 2015, less than one-and-a-half years from now.

Given these considerations, it would not be cost effective to pursue a reverse auction or to litigate further cost adjustments, particularly given the limited size of the fund in comparison to the potential time and resources to litigate the potential range of adjustments that may be identified. Accordingly, no further comments will be solicited on proposals for further cost adjustments, including those relating to customer density.

IT IS RULED that:

1. A further round of comments is solicited on the issues set forth above. At a minimum, the B-Fund Carriers shall each produce a completed data set detailing the calculation of the revised count of primary residential lines eligible for B-Fund support and related support payment amounts as a result of implementing the May 22nd consensus proposal for the remapping of CBG lines. In the alternative, if such calculations are not yet finalized, a progress report should be provided, together with a commitment as to when final calculations can be produced. This next round of comments shall be due on September 20, 2013.

2. Parties shall have the opportunity file comments regarding reasonableness of the estimated impacts on line counts and fund support based upon the completed data set provided by each B-Fund carrier. Parties shall also have the opportunity to comment upon the reasonableness of the methodology and calculations presented by Frontier for use in adopting CBG proxy costs and B-Fund support amounts applicable to its service territory. This round of responsive comments shall be due on October 11, 2013.

3. No further comments will be solicited on the reverse auction or for review of other cost factors that may impact the calculation of B-Fund support amounts.

Dated August 29, 2013 in San Francisco, California.

/s/ THOMAS R. PULSIFER

Thomas R. Pulsifer
Administrative Law Judge