

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Broadband, Policy & Analysis Branch**

**RESOLUTION T-17386
February 13, 2013**

RESOLUTION

**Resolution T-17386 Approval of a Revised Surcharge Rate of 0.164% for
the California Advanced Services Fund Effective April 1, 2013**

Summary

This Resolution adopts a revised surcharge rate of 0.164% for the California Advanced Services Fund (CASF) effective April 1, 2013, until further revised by the Commission. All certificated telecommunication carriers shall apply this new surcharge rate on revenues collected from end-users for intrastate telecommunications services effective April 1, 2013, and thereafter. Carriers shall submit all surcharge fees collected to the Commission.

Background

On December 20, 2007, the Commission approved Decision (D.) 07-12-054 which established the two-year CASF program to provide matching funds of up to 40% of the total project costs for the deployment of broadband infrastructure in unserved and underserved areas in California. As provided for in this decision, the total grant money authorized and allocated for broadband infrastructure projects was \$100 million funded by a 0.25% surcharge on revenues collected from end-users for intrastate telecommunications services effective January 1, 2008.

On February 12, 2008, Senate Bill (SB) 1193 (Chapter 393, Stats. of 2008) established the CASF as a new public purpose program and amended Public Utilities Code Sections (PU Code §§) 270 and 281 to incorporate additional language on the CASF. PU Code §281(b)(3) limited the CASF surcharge revenue collection to \$100 million. On December 17, 2009, the Commission approved Resolution T-17248 which revised the surcharge from 0.25% to 0.00% on end-user bills since it was projected that the surcharge revenue limit of \$100 million would be reached in December 2009. Any excess funds over the allowable limit would require a true-up adjustment.

On September 25, 2010, SB 1040 (Chapter 317, Stats. of 2010) amended PU Code §281 by extending the CASF program beyond January 1, 2013. Besides continuing the broadband infrastructure grant program established by the original legislation, SB 1040 established two new accounts within the CASF program: The Rural and Urban Regional Broadband Consortia Account and The Broadband Infrastructure Revolving Loan Account. SB 1040 also provided \$125 million (not exceeding \$25 million per year) to fund three programs starting January 1, 2011, broken down as follows: The Broadband Infrastructure Grant Account - \$100 million; The Rural and Urban Regional Broadband Consortia Account - \$10 million; and, The Broadband Infrastructure Revolving Loan Account - \$15 million.

On September 22, 2011, the Commission approved Resolution T-17343 which revised the surcharge from 0.00% to 0.14% on end-user bills to begin the collection of the new \$125 million authorized in SB 1040. The 0.14% surcharge became effective November 1, 2011 and was developed using an estimated billing base of \$20.80 billion in Fiscal Year (FY) 2011-12 and FY 2012-13, and applying the excess revenue amount of \$15,590,000 already collected in 2008-2009 beyond the \$100 million limit authorized in SB 1193.

Discussion

The Communications Division (CD) staff has reviewed the 0.14% surcharge collection rate and has determined that the CASF has been under collecting from the cap limit of \$25 million per calendar year. The following table shows the surcharge collection for the CASF in calendar years 2011 and 2012:

Calendar Year	Surcharge Excess Collection in 2008-10	Actual Surcharge Collection	Total	Variance from Annual Cap
YEAR 1 - 2011	\$15,784,068 ¹	\$482,919	\$16,626,987	\$8,373,013
YEAR 2 - 2012	\$0	\$21,588,201	\$21,588,201	\$3,411,799

The under collection amounting to a total of around \$11.78 million in 2011 and 2012² is primarily due to a decrease in the billing base. When the 0.14% surcharge became effective, the billing base was estimated at \$20.80 billion. However, the billing base has decreased to a now estimated \$15.8 billion³ in FY 2012-13 and FY 2013-14. As a result of this decrease in billing

¹ \$15,784,068 was calculated based on \$15,590,000 from the CPUC’s Certification of Year-End Financial Reports (August 10, 2010) to the State Controller’s Office, FY ending June 30, 2010, and \$194,068 from the CALSTAR Q24 revenues report from July to December 2010.

² \$50.00 million – (\$16.63 million + \$21.59 million) = \$11.78 million

³ The estimated billing base of \$15.8 billion was calculated by taking a six month average of the annualized billing base amounts.

base, CD recommends that the CASF surcharge rate needs to be adjusted upward in order to generate the \$25 million annual CASF funding authorized in SB 1040 through 2015.⁴ The Commission therefore adopts a 0.164% surcharge effective April 1, 2013, which was developed using the revised billing base of \$15.8 billion. CD staff projects total revenue collections from January 1, 2013, through March 31, 2013, at the current 0.14% surcharge to reach approximately \$5.5 million. Total revenue collections from April 1, 2013, through December 31, 2013, at the new 0.164% surcharge, is expected to reach approximately \$19.4 million.⁵ The estimated surcharge collection for the 12-month period will total \$24.9 million, which is slightly lower than the cap limit of \$25 million for calendar year 2013.

To remedy the under-collections of \$11.78 million in calendar years 2011 and 2012 and to meet the program's overall collection of \$125 million, the Commission may consider, as authorized in SB 1040, to collect a higher amount (exceeding \$25 million) in any year as long as the collection of such higher amount does not result in an increase in the total amount of all surcharges collected from telephone customers that year. This option will require close attention on any changes to the surcharge rates on any of the other 5 telecommunications public programs. If this option is not possible, the Commission may have to resolve this issue via legislation.

All certificated telecommunications carriers shall revise the CASF surcharge rate from 0.14% to 0.164% on revenues collected from end-users for intrastate telecommunications services effective April 1, 2013, and thereafter, until further revised by the Commission. All such carriers shall submit CASF surcharge fees collected to the Commission using the Commission's Telecommunications User Fee Filing System (TUFFS).

There is no probable or direct safety impact associated with this Resolution because it solely adjusts the surcharge rate for the CASF.

Advice Letter Filing

Consistent with Resolution T-16901, dated December 2, 2004, AT&T (formerly SBC) shall file an Advice Letter on or before February 28, 2013, modifying the CASF surcharge from 0.14% to 0.164% to take effect on April 1, 2013, and thereafter, until further revised by the Commission. AT&T is not required to inform competing carriers of tariff changes which comply with this Resolution.

⁴ The Commission will monitor the CASF revenue collection and may adjust the surcharge in the future as needed in order to comply with the CASF annual revenue cap.

⁵ The surcharge rate of 0.164% applied to a monthly billing base of approximately \$1,316,666,667 (i.e., \$15.8 billion/12 months) generates total surcharge remittances for 9 months of \$19.4 million.

Comments

In compliance with PU Code §311(g), a notice letter was e-mailed on January 14, 2013, to Parties of Record in R.12-10-012, R.10-12-008 & R.06-06-028, CASF applicants, Telecommunications Carriers Registered with the Commission, and other interested parties informing these parties that this draft Resolution is available at the Commission's website <http://www.cpuc.ca.gov/static/documents/index.htm> and is available for public comments. This letter also informed parties that the final conformed Resolution adopted by the Commission will be posted and available at this same website. No opening or reply public comments were submitted on this Resolution.

Findings

1. In Decision (D.) 07-12-054, the Commission established the two-year California Advanced Services Fund (CASF) program to provide matching funds of up to 40% of the total project costs for the deployment of broadband infrastructure in unserved and underserved areas in California.
2. D.07-12-054 authorized and allocated \$100 million for broadband infrastructure projects funded by a 0.25% surcharge on revenues collected from end-users for telecommunications intrastate services, effective January 1, 2008.
3. In February 2008, Public Utilities Code Sections (PU Code §§) 270 and 281 were amended as a result of the enactment of Senate Bill (SB) 1193 establishing the CASF as a new public purpose program.
4. PU Code §281(b)(3) limited the CASF surcharge revenue collection to \$100 million.
5. In December 2009, the Commission approved Resolution T-17248 revising the surcharge from 0.25% to 0.00% since the \$100 million limit would be reached by December 2009.
6. On September 25, 2010, SB 1040 amended PU Code §281 extending the CASF program beyond January, 1, 2013. Among other changes, SB 1040 provided \$125 million to be collected through surcharges, but not to exceed \$25 million per year.
7. On September 22, 2011, the Commission approved Resolution T-17343 which revised the surcharge from 0.00% to 0.14%.
8. The surcharge rate of 0.14% became effective on November 1, 2011, and was developed using an estimated billing base of \$20.80 billion in Fiscal Year (FY) 2011-12 and FY 2012-13, and applying the excess revenue amount of \$15,590,000 already collected in 2008-2009 beyond the \$100 million limit authorized in SB 1193.

9. Due to a decrease in billing base, the surcharge collections in calendar years 2011 and 2012 were below the projected target of \$25 million per year.
10. To remedy the under-collections of \$11.78 million in calendar years 2011 and 2012 and to meet the program's overall collection of \$125 million, the Commission may consider, as authorized in SB 1040, to collect a higher amount (exceeding \$25 million) in any year as long as the collection of such higher amount does not result in an increase in the total amount of all surcharges collected from telephone customers that year. This option will require close attention on any changes to the surcharge rates on any of the other 5 telecommunications public programs. If this option is not possible, the Commission may have to resolve this issue via legislation.
11. The billing base is estimated to be \$15.8 billion in FY 2012-13 and FY 2013-14.
12. The CASF surcharge rate should be increased to 0.164% effective April 1, 2013.
13. The Communications Division projects collecting \$24.9 million in surcharges for 12 months. The total amount of CASF surcharge collected from January 1, 2013 to March 30, 2013 is expected to be \$5.5 million, and from April 1, 2013, to December 31, 2013, is expected to be \$19.4 million; totaling \$24.9 million which is slightly lower than the cap limit of \$25 million for calendar year 2013.
14. All certificated telecommunications carriers should apply the CASF surcharge rate of 0.164% on revenues collected from end-users for intrastate telecommunications services effective April 1, 2013, and thereafter, until further revised by the Commission and should submit all surcharge fees collected to the Commission using the Commission's Telecommunications User Fee Filing System (TUFFS).
15. There is no probable or direct safety impact associated with this Resolution because it solely adjusts the surcharge rate for the CASF.
16. In accordance with Resolution T-16901, dated December 2, 2004, AT&T should file an Advice Letter on or before February 28, 2013, modifying the CASF surcharge rate from 0.14% to 0.164% to take effect on April 1, 2013, and thereafter, until further revised by the Commission.
17. Copies of the notice letter advising parties of the availability of this draft Resolution and the conformed Resolution, when adopted by the Commission, on the Commission's website were e-mailed on January 14, 2013, to Parties of Record in R.12-10-012, R.10-12-008 &

R.06-06-028, CASF applicants, Telecommunications Carriers Registered with the Commission, and other interested parties.

18. No opening or reply public comments were submitted on this Resolution.

THEREFORE, IT IS ORDERED that:

1. The California Advanced Services Fund (CASF) surcharge rate of 0.164% is adopted effective April 1, 2013, until further revised by the Commission.
2. All certificated telecommunications carriers shall revise the CASF surcharge rate from 0.14% to 0.164% on revenues collected from end-users for intrastate telecommunications services effective April 1, 2013, and thereafter, until further revised by the Commission and shall submit all collected surcharge fees to the Commission.
3. AT&T shall file an Advice Letter on or before February 28, 2013, modifying the surcharge rate for the CASF from 0.14% to 0.164%, effective April 1, 2013, and thereafter, until further revised by the Commission.

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This Resolution is effective today.

I hereby certify that the Public Utilities Commission at its regular meeting on February 13, 2013, adopted this Resolution. The following Commissioners approved it:

/s/ Paul Clanon

PAUL CLANON
Executive Director

MICHAEL R. PEEVEY
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
MARK J. FERRON
CARLA J. PETERMAN
Commissioners