

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Communications Division
Broadband, Video and Market Branch

RESOLUTION T-17593
December 14, 2017

R E S O L U T I O N

**Resolution T-17593 - Approval of the California Advanced Services
Surcharge Rate Reduction from 0.00% to 0.56% effective March 1, 2018.**

SUMMARY

Pursuant to Assembly Bill (AB) 1665,¹ this resolution adopts a surcharge rate increase from 0.00% to 0.56% for the California Advanced Services Fund (CASF) Program² effective March 1, 2018, and thereafter, until December 31, 2022. All regulated telecommunication carriers shall revise the CASF surcharge rate from 0.00% to 0.56% on their end-user charges billed for intrastate telecommunications services beginning March 1, 2018.

BACKGROUND

On December 20, 2007, the Commission approved Decision (D.) 07-12-054 which established the CASF program to provide matching funds for deployment of broadband infrastructure in unserved and underserved areas in California. With an initial funding of \$100 million, the CASF supports projects that will a) provide broadband services to areas currently without broadband access and b) build out facilities in underserved areas, if funds are still available. D.07-12-054 further authorized a surcharge on revenues collected from end-users for intrastate telecommunications services effective March 1, 2008. Since then, the surcharge rate has been revised pursuant to changes in legislation and economic circumstances.

On October 13, 2016, the Commission approved Resolution T-17536, revising the CASF surcharge rate from 0.464% to 0.00%, effective December 1, 2016, and thereafter, until further revised by the Commission. The reduction in surcharge rate was necessary in order to avoid exceeding the Commission's maximum collection, which was \$315

¹ AB 1665 (Garcia) Stats. 2017 Ch. 851, amending PU Codes § 281, 912.2, and 914.7

² The California Advanced Services Fund pursuant to PU Code § 270(a)(7) and Senate Bill (SB) 1193.

million. Nonetheless, \$15 million were over-collected before the surcharge revision was effectively implemented.

On October 15, 2017, Governor Brown approved AB 1665, which authorized the CASF to impose a surcharge in order to collect a sum not to exceed three hundred thirty million dollars (\$330,000,000), in an amount not to exceed sixty-six million dollars (\$66,000,000) per year, for the purpose of extending broadband access to no less than 98% of California households in each consortia region.

DISCUSSION

In this resolution, the Commission adopts a rate increase from 0.00% to 0.56% for the CASF surcharge effective March 1, 2018, and thereafter, until December 31, 2022. This surcharge satisfies the requirements of AB 1665, which authorized the collection of no more than \$66 million per year between January 1, 2018 and December 31, 2022, for a total of \$330 million, in order to extend broadband access to no less than 98% of California households in each consortia region, as identified by the commission on or before January 1, 2017.

Although AB 1655 authorizes the CASF to begin collection on January 1, 2018, the staff recommends that collection begin on March 1, 2018, in order to provide carriers with adequate time to apply the new surcharge. Given the ample time provided, the CASF expects 100% implementation on March 1, 2018.

The proposed rate of 0.56% was calculated on the basis of the \$66 million target, and a total annual intrastate billing base of \$11.66 billion, which was obtained from the Commission's Telecommunications and User Fees Filing System (TUFFS) program report data. The CASF expects to collect \$66 million in each of years 2019-2022, and \$55 million in 2018, as a result of non-collection in January and February. The gap between authorized collection and expected collection will be closed with up to \$15 million that were over-collected in 2016.

Nonetheless, the CASF recognizes that it may need to revise the surcharge in the future, in order to continue to fulfill AB 1665, if the billing base changes.

ADVICE LETTER FILING

Consistent with Resolution T-16901, dated December 2, 2004, we require AT&T (formerly SBC) to file an advice letter with the Communications Division by February 12, modifying the CASF surcharge from 0.00% to 0.56% effective March 1, 2018, and thereafter, until December 31, 2022. AT&T is not required to inform competing carriers of its revised tariff changes.

SAFETY ISSUES

The CASF provides subsidies for the deployment of high-quality advanced broadband infrastructure throughout the state of California. Broadband infrastructure is vital to the operation and management of critical infrastructure, such as energy generation systems and the power grid, water supply systems, and public safety and emergency response networks.

COMMENTS ON DRAFT RESOLUTION

In compliance with PU Code § 311 (g), a notice letter was emailed on November XX, 2017, informing all parties on the CASF Distribution List of the availability of the draft of this Resolution for public comments on the Commission's documents website, <http://www.cpuc.ca.gov/documents/>. This letter also informed parties that the final conformed Resolution adopted by the Commission will be posted and available at the same website.

Pursuant to AB 1665, the CASF is required to meet the goal of assuring broadband access for 98% of households in each consortia region by 2022, which necessitates beginning CASF's authorized collection no later than March 1. Balancing the CASF's statutory mandate against the 30-day period for public review, the public necessity as defined in Rule 14.6(c)(9) of the Commission's Rules of Practice and Procedure requires a reduction of the 30-day period of comment and review of the draft resolution. In accordance with this rule, we reduce the period for public review and comment to 10 days.³

FINDINGS AND CONCLUSIONS

1. Pursuant to AB 1665, CASF may collect no more than \$66 million each year for the purpose of extending broadband access to 98% of households in each of the consortia regions.
2. Given an intrastate billing base of \$11.66 billion, a surcharge of 0.56% will raise no more than \$66 million.
3. Due to CASF's over-collection in 2016, and in order to provide adequate time for public review and advice letter filing, it is appropriate to implement the surcharge on March 1, 2018.

³ See Commission's Rules of Practice and Procedure Rule 14.6(c)(9).

4. All certificated telecommunications carriers should revise the CASF surcharge for intrastate telecommunications services from 0.00% to 0.56%, effective March 1, 2018, and thereafter, until further revised by the Commission.
5. In accordance with Resolution T-16901, dated December 2, 2004, AT&T should file an advice letter with the Communications Division by February 12, modifying the CASF surcharge rate from 0.00% to 0.56% effective March 1, 2018, and thereafter, until further revised by the Commission.
6. On November XX, 2017, a notice letter was emailed to all telecommunications carriers and interested parties on the CASF distribution list regarding the availability of this draft resolution and the conformed resolution, when adopted by the Commission, on the Commission's website.

THEREFORE, IT IS ORDERED that:

1. The CASF surcharge rate shall be increased from 0.00% to 0.56%, effective March 1, 2018, and thereafter, until further revised by the Commission.
2. AT&T shall file an advice letter with the Communications Division by January 29, 2018, modifying the surcharge rate for the California Advanced Services Fund from 0.00% to 0.56%, effective March 1, 2018, and thereafter, until December 31, 2022.
3. All certificated telecommunications carriers shall revise the CASF surcharge rate from 0.00% to 0.56% on their respective end-user charges billed for intrastate telecommunications services beginning March 1, 2018, and thereafter, until December 31, 2022.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 14, 2017. The following Commissioners approved it:

TIMOTHY J. SULLIVAN
Executive Director