

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Carrier Oversight & Programs Branch**

**RESOLUTION T-17331
August 18, 2011**

R E S O L U T I O N

Resolution T-17331. Approval of California High Cost Fund-A Administrative Committee Fund Expense Budget for Fiscal Year 2012-13 (July 1, 2012 through June 30, 2013) to Comply with the Requirements of Public Utilities Code Section 273 (a).

Summary

This resolution adopts an expense budget of \$49.773 million for Fiscal Year (FY) 2012-13 for the California High Cost Fund-A program.

Background

The California High Cost Fund (HCF) was implemented by Decision (D.) 88-07-022 as modified by D.91-05-016 and D.91-09-042 to provide a source of supplemental revenues to three mid-size and seventeen small Local Exchange Carriers (LECs) whose basic exchange access line service rates would otherwise be increased to levels that would threaten universal service.

D.96-10-066 changed the name of the California HCF to CHCF-A, otherwise known as the California High Cost Fund-A Administrative Committee Fund, and also created the California High Cost Fund-B (CHCF-B) program. This decision included the three mid-size LECs in the CHCF-B program for the purpose of determining universal service subsidy support and maintained the CHCF-A for the 17 small LECs. Public Utilities (PU) Code § 275.6 requires the California Public Utilities Commission (Commission) to implement a program for universal service support to reduce rate disparity in rural areas. PU Code § 275.6 was scheduled to sunset on January 1, 2009, but was extended by the Legislature to January 1, 2013.

D.08-10-010 authorized the consolidation of three small LECs: Citizens Telecommunications Company of Tuolumne, Citizens Telecommunications Company of the Golden State and Global Valley Networks, Inc., with the mid-size LEC, Citizens

Telecommunications Company of California Inc. The consolidation authorized by D.08-10-010 became effective on January 1, 2009, and therefore, reduced the total number of small LECs eligible for CHCF-A support from 17 to 14.

CHCF-A is funded by a surcharge assessed on revenues collected from end-users for intrastate telecommunications services subject to surcharge. Prior to October 2001, a tax-exempt trust was established for the receipts and disbursements of CHCF-A funds. In compliance with PU Code § 270 et seq., which were codified by the enactment of Senate Bill (SB) 669 (Stats. 1999, Chapter 677), the following events took place on October 1, 2001:

- the State Treasury created a CHCF-A Administrative Committee (AC) Fund for the receipts and disbursements of CHCF-A funds; and
- the Commission created CHCF-A AC to advise the Commission regarding the development, implementation, and administration of the CHCF-A program.

PU Code § 270(b) requires that the monies in the CHCF-A and five other funds may only be expended pursuant to PU Code § 270-281 and upon appropriation in the annual Budget Act. Since FY 2001-2002, the CHCF-A Fund expenditures have been authorized in the State's Annual Budget Act.

On May 26, 2011, the CHCF-A AC held a public meeting to discuss the proposed FY 2012-13 budget in the amount of \$49.835 million by using the carrier's estimates of expected funding with estimates for certain other budget items. On June 1, 2011, in compliance with Paragraph 4.a.1 of the CHCF-A AC Charter, the Chairperson of the AC submitted the proposed FY 2012-13 CHCF-A AC budget to the Director of the Commission's Communications Division (CD).

Discussion

CD estimated the CHCF-A program budget of \$49.773 million by using the carrier's estimates of expected funding, estimates from the Commission's Information and Management Services Division for staff and information technology costs, inter-agency fees, and banking charges, the Commission's Water Division for audit estimates and CD estimates for administrative committee costs.

Appendix A shows a comparison of the itemized costs for the FY 2011-12 expense budget as adopted in Resolution T-17283, and CD's proposed FY 2012-13 expense budget. The budgets are summarized and discussed below:

Description	FY 2011-12 Adopted per Res. T-17283 (\$ million)	FY 2012-13 Proposed Budget (\$ million)	FY 2012-13 Adopted Budget (\$ million)
Carrier Payments	\$45.398	\$43.950	\$43.950
Other Legislative Mandated Programs	\$10.000	\$5.000	\$5.000
Committee Costs	\$0.004	\$0.004	\$0.004
All Other Costs	\$0.881	\$0.819	\$0.819
Total Program Budget	\$ 56.283	\$ 49.773	\$ 49.773

Carrier Payments

Carrier payments for FY 2012-13 are estimated at \$43.950 million, a decrease of \$1.448 million from the FY 2011-12 adopted budget of \$45.398 million. The decrease is primarily due to the small LECs receiving lower draws as the date of their last rate case is further back in time and their next rate case draws closer.

Other Legislative Mandated Programs

The Rural Telecommunications Infrastructure Grant Program, under PU Code § 276.5, provides for encumbrances of up to \$40 million over a four year period ending December 31, 2012. The grant cap is \$5 million per project to aid in the establishment of telecommunications service in areas not currently served by existing local exchange carriers. The program expires on January 1, 2013. The estimate for FY 2012-13 is \$5.000 million versus \$10.000 million for FY 2011-12. The decrease is due to fewer project submissions.

Committee Costs

The Committee Costs budget is unchanged at \$3,700.

All Other Costs

All Other Costs have decreased by \$62,000 from FY 2011-12 to FY 2012-13 primarily due to lower estimates for staff costs offset by higher audit and interagency costs.

Total Program Budget

For FY 2012-13, the total program budget is \$49.773 million as compared to \$56.283 million for FY 2011-12.

Notice/Protests

Notice of the CHCF-A AC Chairperson’s letter request was published in the Commission Daily Calendar on June 8, 2011.

No comments have been received.

Comments

In compliance with PU Code § 311 (g), notice letters were e-mailed on July 19, 2011, to the 14 small LECs, the CHCF-A AC, and the parties of record in R.01-08-002 and A.99-09-044, informing these parties that this draft resolution is available at the Commission's website <http://www.cpuc.ca.gov/> and is available for public comments. In addition, CD informed these parties of the availability of the conformed resolution at the same website.

Findings

1. Public Utilities (PU) Code § 275.6 requires the California Public Utilities Commission (Commission) to implement a program for universal service support to reduce rate disparity in rural areas.
2. The authorizing legislation for the California High Cost Fund-A (CHCF-A) program, PU Code § 275.6 was extended by the Legislature and will now expire on January 1, 2013.
3. D.08-10-010 authorized the consolidation of three small Local Exchange Carriers (LECs): Citizens Telecommunications Company of Tuolumne, Citizens Telecommunications Company of the Golden State and Global Valley Networks, Inc., with the midsize LEC of, Citizens Telecommunications Company of California Inc.
4. The consolidation authorized by D.08-10-010 became effective on January 1, 2009, and therefore, reduced the total number of small LECs eligible for CHCF-A support from 17 to 14.
5. In October 1999, PU Code § 270-281 were codified as a result of the enactment of Senate Bill 669.
6. PU Code § 270(b) requires that the monies in CHCF-A Administrative Committee (AC) Fund may only be disbursed pursuant to PU Code § 270-281 and upon appropriation in the annual Budget Act.
7. On June 1, 2011, the CHCF-A AC submitted to the Commission a proposed Fiscal Year (FY) 2012-13 expense budget for the CHCF-A AC Fund in the amount of \$49.835 million.

8. The Rural Telecommunications Infrastructure Grant Program, PU Code § 276.5 was extended by the Legislature and will now expire on January 1, 2013.
9. The CHCF-A AC proposed expense budget was noticed in the Commission's Daily Calendar on June 8, 2011.
10. Communications Division's proposed FY 2012-13 expense budget of \$49.773 million, as set forth in Appendix A of this resolution, is reasonable and should be adopted.

THEREFORE, IT IS ORDERED that:

1. The expense budget for the California High Cost Fund-A Administrative Committee Fund for Fiscal Year 2012-13 in the amount of \$49.773 million, as set forth in Appendix A of this resolution, is adopted.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 18, 2011. The following Commissioners approved it:

PAUL CLANON
Executive Director

DRAFT

APPENDIX A
CALIFORNIA HIGH COST FUND A ADMINISTRATIVE COMMITTEE FUND
PROGRAM BUDGET

Program Expenses	July 2011-June 2012	July 2012-June 2013	July 2012-June 2013
	Adopted per Res. T-17283	Proposed	Adopted
a	b	c	d
Expenses			
Program Costs			
1 Carrier Payments ¹	\$ 45,397,986	\$ 43,950,176	\$ 43,950,176
2 Other Legislative Mandated Programs ²	\$ 10,000,000	\$ 5,000,000	\$ 5,000,000
3 Audits	\$ 72,000	\$ 100,000	\$ 100,000
4 Banking Fees ³	\$ 5,000	\$ -	\$ -
5 Information Technology ⁴	\$ 10,000	\$ 8,500	\$ 8,500
Administrative Committee Costs⁵			
6 Per Diem	\$ 1,200	\$ 1,200	\$ 1,200
7 Travel and Others	\$ 2,500	\$ 2,500	\$ 2,500
8 Special Needs Accomodation and Teleconferencing	\$ -	\$ -	\$ -
PUC Staff and Admin Costs			
9 Inter-Agency Fee ⁶	\$ 353,000	\$ 409,420	\$ 409,420
10 CPUC Staff and Administrative Costs ⁷	\$ 441,000	\$ 301,494	\$ 301,494
11 Total Program Expenses	\$ 56,282,686	\$ 49,773,290	\$ 49,773,290

Notes

- 1 Carrier Payments for FY 2012-13 are based on projections submitted by the small LEC's in May 2011.
- 2 The Rural Telecommunications Infrastructure Grant Program provides for the construction of telecommunications infrastructure in areas without basic telephone service, under section 276.5 of the Public Utilities Code. No more than \$40 million shall be encumbered over the period January 1, 2009, through December 31, 2012.
- 3 Based on estimated State Electronic Funds Transfer Program fees.
- 4 Based on estimated portion of Commission's information technology budget.
- 5 Pursuant to D.02-04-059, per diem and other costs are authorized for committee member attendance in the CHCF-A AC meeting. It is assumed there will be four meetings of the CHCF-A AC during FY 2012-13.
- 6 Based on estimate of pro-rata costs allocated to state service agencies, e.g. DGS, State Personnel Board, etc.
- 7 Based on personnel staff allocation estimate and program priorities for the five public purpose programs but only includes CHCF-A portion.