PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Communications Division **RESOLUTION T-17356**
Carrier Oversight and Programs Branch **March 8, 2012**

R E S O L U T I O N

RESOLUTION T-17356, REDUCES SIERRA TELEPHONE COMPANY'S CALIFORNIA HIGH COST FUND-A SUPPORT LEVEL FROM ONE-HUNDRED PERCENT TO EIGHTY PERCENT FOR CALENDAR YEAR 2012 AND MODIFIES RESOLUTION T-17346 TO REFLECT THIS FUNDING REDUCTION.

SUMMARY

This Resolution modifies Sierra Telephone Company's (Sierra) California High Cost Fund (CHCF)-A support that was adopted by the Commission in Resolution T-17346 on December 1, 2011, for Calendar Year (CY) 2012. In Resolution T-17346, the Commission authorized Sierra's funding level at one-hundred percent from CHCF-A on the basis that Sierra would file a General Rate Case (GRC) by December 31, 2011. Sierra, however, did not file for a GRC review by December 31, 2011, and thus, Sierra's funding is reduced from one-hundred percent to eighty percent.

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, Resolution T-16117, D.00-09-072, D.01-02-018 and D.01-05-031. These guidelines are summarized in the Appendix of D.91-09-042, which are hereinafter referred to as the Implementation Rules. Decision 96-10-066 changed the name of HCF to California High Cost Fund (CHCF)-A.

Under the guidelines adopted in Decision (D.) 88-07-022[1], Section D of the Implementation Rules, the phase down of the CHCF-A funding level is reinstated effective January 1, following the year after the completion of a GRC. The funding levels are one-hundred percent for the first three years, eighty percent for the fourth year, fifty percent for the fifth year and zero percent thereafter. This six-year phase down of funding level is known as the Waterfall.

On December 1, 2011, the Commission, in Resolution T-17346, approved CHCF-A support for the 14 Small Independent Local Exchange Carriers (ILECs) for CY 2012. Resolution T-17346 funded Sierra at a Waterfall rate of one-hundred percent under the assumption that Sierra would file for a GRC by December 31, 2011.

DISCUSSION

On September 29, 2011, Sierra filed Advice Letter (AL) 396 in compliance with D.91-009-042 and filed their CHCF-A funding requirement worksheet for CY 2012 and stated that it would be filing a GRC by December 31, 2011.

Sierra's last GRC was approved by the Commission, in Resolution T-17082, on September 6, 2007, for test year 2008. According to the Implementation Rules, if Sierra does not file for a GRC by December 31, 2011, their Waterfall funding would reduce from one-hundred percent to eighty percent for CY 2012.

On December 1, 2011, the Commission approved Resolution T-17346 which adopted CHCF-A support for the 14 small ILECs for Calendar Year 2012. Sierra's Waterfall was set at one-hundred percent and its support for CY 2012 was $14,257,890.37. On December 22, 2011, Sierra notified CD that it would not be filing for a GRC review by the end of 2011. Under the Implementation Rules, Sierra's CY 2012 Waterfall funding must be reduced from one-hundred percent to eighty percent.

This Resolution reduces Sierra's Waterfall rate from one-hundred percent to eighty percent for CY 2012, and reduces Sierra's CY 2012 support from $14,257,890.37 to $11,406,312.30. The total support for the 14 small ILECs for CY 2012 is reduced from $36,550,929.74 to $33,699,351.67.

The proposed changes to Resolution T-17346 are shown in Attachment I.

[1] D.88-07-022 was modified by D.91-05-016, D.91-09-042, Resolution T-16117, D.00-09-072, D.01-02-018 and D.01-05-031. These guidelines are summarized in the Appendix of D.91-09-042, which are hereinafter referred to as the Implementation Rules.

COMMENTS

In compliance with Public Utilities (PU) Code Section 311 (g) (1) a notice letter was emailed on February 7, 2012, informing the 14 small ILECs, CHCF-A Administrative Committee, parties of record in Rulemaking 01-08-002 and parties on the service list of Application 99-09-044 of the availability of the draft of this Resolution for public comments at the Commission's web site http://www.cpuc.ca.gov. This letter also informed the parties that the final Resolution adopted by the Commission will be posted and will be available at the same web site.

FINDINGS

1. 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, Resolution T-16117, D.00-09-072, D.01-02-018 and D.01-05-031. These guidelines are summarized in the Appendix of D.91-09-042, which are hereinafter referred to as the Implementation Rules. D.96-10-066 changed the name of HCF to California High Cost Fund (CHCF)-A.

2. In Section D of the Implementation Rules, the phase down of the CHCF-A funding level is reinstated effective January 1, following the year after the completion of a General Rate Case (GRC). The funding levels are one-hundred percent for the first three years, eighty percent for the fourth year, fifty percent for the fifth year and zero percent thereafter. This six-year phase down of funding level is known as the Waterfall.

3. Sierra Telephone Company's (Sierra) last GRC Resolution T-17082 was for test year 2008 and per the Implementation Rules, Sierra would need to file for a GRC by December 31, 2011, in order to maintain its funding at one-hundred percent.

4. On September 28, 2011, Sierra Filed Advice Letter (AL) 396 and stated that they would file for a GRC review by December 31, 2011.

5. Public Utilities Commission Resolution T-17346, approved December 1, 2011, adopted Sierra Telephone Company's (Sierra) support for Calendar Year (CY) 2012 from the CHCF-A in the amount of $14,257,890.37.

6. Sierra's support for CY 2012 was calculated at a Waterfall level of one-hundred percent based on Sierra's statement in AL 396 that it would file for a GRC by December 31, 2011; however, on December 22, 2011, Sierra notified CD that it was not going to file for a GRC in 2011.

7. Under the Implementation Rules, Sierra's CY 2012 Waterfall funding must be reduced from one-hundred percent to eighty percent.

8. Sierra's support for CY 2012 is reduced from $14,257,890.37 to $11,406,312.30.

9. The support for all CHCF-A Small Independent Local Exchange Carriers for CY 2012 is now reduced from $36,550,929.74 to $33,699,351.67.

10. The proposed changes to Resolution T-17346 are shown in Attachment I.

T**HERFORE, IT IS ORDERED** that:

1. The Sierra Telephone Company support from California High Cost Fund-A for Calendar Year 2012 approved in Resolution T-17346 shall be reduced from $14,257,890.37 to $11,406,312.30.
2. The Calendar Year 2012 funding from California High Cost Fund-A for all Small Independent Local Exchange Carriers approved in Resolution T-17346 shall be reduced from $36,550,929.74 to $33,699,351.67.
3. Resolution T-17346 as modified by Resolution T-17356, as set forth in Attachment I, is adopted and replaces Resolution T-17346 in its entirety.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on March 8, 2012. The following Commissioners approved it:

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PAUL CLANON
Executive Director

T-17356 ATTACHMENT I