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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Communications Division
Licensing, Tariffs, Rural Carriers & Cost Support Branch

RESOLUTION T-17177
November 6, 2008

R E S O L U T I O N

Resolution T-17177. Approval of California High Cost Fund-A Administrative Committee Fund Expense Budget for Fiscal Year 2009-2010 (July 1, 2009 through June 30, 2010) to Comply with the Requirements of Public Utilities Code Section 270 (a).

Summary

This resolution adopts an expense budget of $64.713 million for Fiscal Year (FY) 2009-2010 for the California High Cost Fund-A (CHCF-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 Companies (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 HCF to CHCF-A and created the California High Cost Fund-B (CHCF-B). 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 § 739.3 requires the California Public Utilities Commission (Commission) to implement a program for universal service support to reduce rate disparity in rural and small metropolitan areas. PU Code § 739.3 was scheduled to sunset on January 1, 2009, but was extended by the Legislature to January 1, 2013.

CHCF-A is funded by a surcharge assessed on consumers' intrastate telecommunications services. 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 22, 2008, the CHCF-A AC held a public meeting to discuss the proposed FY 2009-2010 budget. On September 19, 2008, in compliance with Paragraph 4.a.1 of the CHCF-A AC Charter, the Chairperson of the AC submitted the proposed FY 2009-2010 CHCF-A AC budget to the Director of the Commission's Communications Division (CD).

Discussion

CD estimated the CHCF-A program budget of $64.713 million by using the carrier's estimates of expected funding, estimates from the Commission's Fiscal Office for staff and administrative costs, inter-agency fees, banking charges, audits, and administrative committee costs.

Appendix A shows a comparison of the itemized costs for the FY 2008-2009 expense budget as adopted in Resolution T-17121, and CD's proposed FY 2009-2010 expense budget. The budgets are summarized and discussed below:

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Description	FY 2008-2009 Adopted per Res. T-17121 ($ million)	FY 2009-2010 Proposed Budget ($ million)	FY 2009-2010 Adopted Budget ($ million)
Carrier Payments	$54.024	$48.822	$48.822
Other Legislative Mandated Programs	$10.000	$15.000	$15.000
Committee Costs	$0.004	$0.004	$0.004
All Other Costs	$0.838	$0.887	$0.887
Total Program Budget	$ 64.866	$ 64.713	$ 64.713

Carrier Payments
Carrier payments for FY 2009-2010 are estimated at $48.822 million, a decrease of $5.202 million from the FY 2008-2009 adopted budget of $54.024 million.

Other Legislative Mandated Programs
The Rural Telecommunications Infrastructure Grant Program, under PU Code § 276.5, was extended on 09/27/2008 by the Legislature and provides for encumbrances of up to $40 million over a four year period ending December 31, 2012. When extending the program the legislature also increased the per project grant cap to $5 million from $2.5 million per project to aid in the establishment of telecommunications service in areas not currently served by existing local exchange carriers. In response CD has increased the proposed budget for FY 2009-2010 by $5 million from FY 2008-2009.

Committee Costs
There is no change in the Committee Costs budget and it therefore remains at $0.004 million.

All Other Costs
All Other Costs have increased by $0.049 million from FY 2008-2009 to 2009-2010 due to higher estimates for audits, inter-agency fees and Commission staff and administrative costs.

Total Program Budget
For FY 2009-2010, the total program budget is $64.713 million as compared to $64.866 for FY 2008-2009.

Notice/Protests

Notice of the CHCF-A AC Chairperson's letter request was published in the Commission Daily Calendar of September 22, 2008.

No comments have been received.

Comments

In compliance with PU Code § 311 (g), notice letters were e-mailed on October 7, 2008, to the 17 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.

No comments have been received.

Findings

1. In October 1999, Public Utilities (PU) Code § 270-281 were codified as a result of the enactment of Senate Bill 669.

2. PU Code § 270(b) requires that the monies in California High Cost Fund-A (CHCF-A) Administrative Committee (AC) Fund may only be disbursed pursuant to PU Code § 270-281 and upon appropriation in the annual Budget Act.

3. PU Code § 739.3 requires the Commission to implement a program for universal service support to reduce rate disparity in high cost areas.

4. The authorizing legislation for the CHCF-A program, PU Code § 739.3 was extended by the Legislature and will now expire on January 1, 2013.

5. The Rural Telecommunications Infrastructure Grant Program, PU Code § 276.5 was extended by the Legislature and will now expire on January 1, 2013.

6. On September 18, 2008, the CHCF-A AC submitted to the Commission a proposed Fiscal Year 2009-2010 expense budget for the CHCF-A AC Fund in the amount of $59.752 million.

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7. The CHCF-A AC proposed expense budget was noticed in the Commission's Daily Calendar of September 22, 2008.

8. A Notice of Availability was e-mailed on October 7, 2008, to the 17 small LECs, the CHCF-A AC, and the parties of record in R.01-08-002 and A.99-09-044, advising them that the draft Resolution and the conformed Resolution are accessible on the Commission's website http://www.cpuc.ca.gov/ and is available for public comments in accordance with PU Code § 311(g). No comments have been received.

9. Communications Division's proposed Fiscal Year 2009-2010 expense budget of $64.713 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 2009-2010 of $64.713 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 November 6, 2008. The following Commissioners approved it:

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PAUL CLANON
Executive Director

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

	Program Expenses	July 2008 - June 2009 Adopted per Res. T-17121	July 2009-June 2010 Proposed	July 2009-June 2010 Adopted
	a	b	c	d
	Expenses			
	Program Costs			
1	Carrier Payments[1]	$ 54,024,311	$ 48,821,959	$ 48,821,959
2	Other Program Services			
3	Other Legislative Mandated Programs[2]	$ 10,000,000	$ 15,000,000	$ 15,000,000
4	Audits	$ 150,000	$ 60,000	$ 60,000
5	Banking Fees[3]	$ 30,000	$ 30,000	$ 30,000
6	Data Processing Automation[4]	$ 50,000	$ 50,000	$ 50,000
	Administrative Committee Costs[5]			
7	Per Diem	$ 1,200	$ 1,200	$ 1,200
8	Travel and Others	$ 2,400	$ 2,400	$ 2,400
9	Special Needs Accomodation and Teleconferencing			
	PUC Staff and Admin Costs			
10	Inter-Agency Fee[6]	$ 133,000	$ 292,000	$ 292,000
11	CPUC Staff and Administrative Costs[7]	$ 475,000	$ 455,000	$ 455,000
12	**Total Program Expenses**	$ 64,865,911	$ 64,712,559	$ 64,712,559

Notes

1 Carrier Payments for FY 2009-10 are based on projections submitted by the LEC's in May 2008

2 The Rural Telecommunications Infrastructure Grant Program, AB 140, a grant program to build telecommunications infrastructure in areas without basic telephone service, under section 276.5 of the Public Utilities (PU) Code, provided for an annual amount not to exceed $10 million. PU Code Section 276.5 was extended by the Legislature to January 1, 2013, from January 1, 2009, and now allows a maximum of $40 million to be encumbered over the four year period ending December 31, 2012. No single project can exceed $5 million.

3 Based on estimated lockbox and other banking fees.

4 Based on estimated costs for SQL programming and maintaining the electronic filing and monitoring system.

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 2009-10.

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.