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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Telecommunications Division
Public Programs Branch**

**RESOLUTION T-16955
September 22, 2005**

R E S O L U T I O N

Resolution T-16955. Approval of the California High Cost Fund-B (CHCF-B) Administrative Committee (AC) Expense Budget for July 1, 2006 Through June 30, 2007 to Comply with the Requirements of Public Utilities Code Section 270 (A).

Summary

This resolution adopts an expense budget of \$ 434.583 million for Fiscal Year (FY) 2006-07 for the California High Cost Fund-B (CHCF-B) program.

Background

In Decision (D) 96-10-066, the Commission established the CHCF-B program to provide universal service subsidy support in the high cost areas of SBC California, Verizon of California, Surewest Telephone, Citizens Telecommunications Company of California, and new carriers that become Carriers of Last Resort (COLR).

In October 1999, PU Code § 270-281 were codified as a result of the enactment of Senate Bill (SB) 669 (Stats. 1999, Chapter 677). § 270(b) requires that the monies in the CHCF-B and five other funds may only be expended pursuant to § 270-281 and upon appropriation in the annual Budget Act.

On June 2, 2005, in compliance with Paragraph 4.a.1 of the CHCF-B AC Charter, the Chairperson of the CHCF-B Administrative Committee (AC) submitted, to the Director of the Telecommunications Division (TD), an expense budget for Fiscal Year (FY) 2006-07 (July 1, 2006 to June 30, 2006) in the amount of \$ 437.363 million. The Chairperson's request was made in her personal capacity since the CHCF-B AC was unable to vote on this item for lack of a quorum of members without a conflict of interest.

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Notice/Protests

Notice of the CHCF-B AC Chairperson's expense budget letter was published in the Commission Daily Calendar on August 5, 2005.

The Commission did not receive any protests or comments on this matter.

Discussion

In this Resolution, the Commission adopts the CHCF-B expense budget for FY 2006-07 in the amount of \$434.583 million.

Appendix A shows a comparison of the CHCF-B AC Fund Adopted FY 2004-05 and FY 2005-06 Expense Budgets, and TD's proposed FY 2006-07 Expense Budget.

Although the CHCF-B AC Chairperson submitted a proposed \$437.363 million FY 2006-07 CHCF-B AC Fund expense budget to the Director of TD, this budget was never adopted and approved by the CHCF-B AC for lack of a quorum of members without a conflict of interest issue caused by Government Code § 1090 and the Fair Political Practices Act. Instead, TD proposes a FY 2006-07 expense budget of \$434.583 million. The difference of TD's Proposed Expense Budget for FY 2006-07 and the CHCF-B AC's proposed Expense Budget are because of reduced estimated Audit Expenses, Banking Fees and Inter-Agency Fees. There is also a slight increase in CPUC Staff and Administrative costs.

TD's proposed expense budget for FY 2006-07 as set forth in Appendix A is reasonable and should be adopted.

Comments

In compliance with PU Code § 311 (g), a notice letter was e-mailed or mailed on August 23 to the CHCF-B claimants, the CHCF-B AC, and the parties on the service list of R.95-01-020/I.95-01-021 informing these parties that this draft resolution is available at the Commission's website

<http://www.cpuc.ca.gov/static/industry/telco/proceedings/resolutions/index.htm> and is available for public comments. In addition, TD informed these parties of the availability of the conformed resolution at the same website.

Comments filed on a timely basis will be addressed by TD in this resolution.

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Findings

1. In October 1999, Public Utilities Code (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-B (CHCF-B) Administrative Committee Fund may only be disbursed pursuant to § 270-281 and upon appropriation in the annual Budget Act.
3. On June 2, 2005, the Chairperson of the California High Cost Fund – B AC, in her personal capacity, filed a CHCF-B AC Fund expense budget of \$437.363 million for July 1, 2006 through June 30, 2007. This budget was not voted on by the CHCF-B AC for lack of a quorum of members without a conflict of interest.
4. The Expense Budget for the CHCF-B AC Fund for Fiscal Year 2006-07 of \$434.583 million, as set forth in Appendix A of this resolution, is reasonable and should be adopted.
5. 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 web site were e-mailed or mailed to the CHCF-B claimants, the CHCF-B AC, and the parties on the service list of R.95-01-020/I.95-01-021, on August 22, 2005.

THEREFORE, IT IS ORDERED that:

1. The expense budget for the California High Cost Fund-B Administrative Committee Fund for Fiscal Year 2006-07 of \$434.583 million, as set forth in Appendix A of this resolution, is adopted.

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This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 22, 2005. The following Commissioners approved it:

STEVE LARSON
Executive Director

APPENDIX A
CALIFORNIA HIGH COST FUND B ADMINISTRATIVE COMMITTEE FUND
EXPENSE BUDGET FOR FISCAL YEAR (FY) 2006-07
All Amounts in (\$000)

Program Expenses	July 2004-June 2005	July 2005-June 2006	July 2006 - June 2007		
	Adopted per Res T-16794	Adopted per Res T-16883 ⁷	Proposed by TD	Adopted per Res T-16995	
a	d	f	e	f	
Expenses					
Program Costs					
1	Carrier Claims (Current) ¹	\$ 433,000	\$ 443,000	\$ 431,000	\$ 431,000
2	Carrier Claims for prior years				
3	Interest for Untimely Payments	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
4	Other Program Services				
5	Other Legislative Mandated Programs/Other Program Payments	\$ -			
6	Audits	\$ 2,100	\$ 1,190	\$ 665	\$ 665
7	Banking Fees ²	\$ 50	\$ 50	\$ 20	\$ 20
8	Data Processing Automation ³	\$ 50	\$ 50	\$ 50	\$ 50
Administrative Committee Costs⁴					
9	Administrative Committee-Per Diem	\$ 1	\$ 3	\$ 2	\$ 2
10	Administrative Committee-Travel and Others	\$ 1	\$ 3	\$ 4	\$ 4
11	Administrative Committee-Special Needs Accommodation and Teleconferencing	\$ -	\$ -	\$ 2	\$ 2
PUC Staff and Admin Costs					
12	Inter-Agency Fee ⁵	\$ 2,588	\$ 2,600	\$ 1,245	\$ 1,245
13	CPUC Staff and Administrative Costs ⁶	\$ 103	\$ 555	\$ 595	\$ 595
14	Total Program Expenses	\$ 438,893	\$ 448,451	\$ 434,583	\$ 434,583

Notes

- 1 Claim payments for FY 2006-07 are based on claim projections submitted by carriers in April 2005.
- 2 Estimated lockbox and other banking fees.
- 3 Estimated costs for SQL programming and maintaining the electronic filing and monitoring system.
- 4 Pursuant to D. 02-04-059, per diem and other costs are authorized for committee member attendance in the CHCF-B AC meeting. It is assumed that there will be 4 meetings of the CHCF-B AC during FY 2006-07.
- 5 Estimate of pro-rata costs allocated to state service agencies, e. g. DGS, State Personnel Board, etc.
- 6 Estimate of CPUC CHCF-B staff and administrative costs.
- 7 The FY 2005-06 State Budget appropriated 447.114 million for the California High Cost Fund-B Administrative Committee Fund (Senate Bill 77, Stat. 2005, Chapter 38).