

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**Communications Division  
Carrier Oversight & Programs Branch**

**RESOLUTION T- 17259  
April 8, 2010**

**R E S O L U T I O N**

**Resolution T-17259 Approval of the California High Cost Fund-A Administrative Committee Fund Surcharge Rate of 0.11% Effective May 1, 2010.**

**Summary**

This resolution adopts a revised California High Cost Fund-A (CHCF-A) surcharge rate of 0.11% effective May 1, 2010, until further revised by the Commission. All telephone and telegraph corporations shall assess a CHCF-A surcharge rate of 0.11% on revenues collected from end-users for intrastate telecommunications services subject to surcharge on May 1, 2010, and thereafter.

**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. Pacific Bell was appointed as the administrator of the fund and established a separate trust.

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 Pacific Bell (now SBC), GTE California Incorporated (now Verizon)<sup>1</sup>, Roseville Telephone Company (now SureWest), and Citizens Telecommunications Company of California (now Frontier) in the CHCF-B for the purpose of determining universal service subsidy support and maintained the CHCF-A for the 17 small LECs. This decision also directed the Commission to take over the administration of the CHCF-A from Pacific Bell.

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<sup>1</sup> Verizon Telephone Company resulted from the merger of GTE of CA and GTE Contel.

Resolution T-16092 approved the transfer of administrative control of the CHCF-A from Pacific Bell to the Commission effective January 1, 1998. This resolution appointed three Commission staff members as committee members of the CHCF-A Trust Administrative Committee (AC) charged with the responsibility of administering the CHCF-A on behalf of the Commission. D.98-06-065 renamed the committee as California High Cost Fund-A AC and revised the governance of the CHCF-A consistent with State rules and procedures.

In October 1999, Public Utilities (PU) Code § 270-281 were codified as a result of the enactment of Senate Bill (SB) 669 (Stats. 1999, Chapter 677). Section 270(b) requires that the monies in the CHCF-A and five other funds be expended pursuant to § 270-281 and upon appropriation in the annual Budget Act. Since Fiscal Year (FY) 2001-02, the CHCF-A Fund expenditures have been authorized in the State's Annual Budget Act.

D.01-09-064 revised the charter of CHCF-A AC to conform to SB 669, and D.02-04-059 established a three-member board for the CHCF-A AC.

PU Code § 739.3 requires the 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.

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 midsize LEC of 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 from 17 to 14.

The CHCF-A program is funded by a surcharge on revenues collected from end-users for intrastate telecommunications services subject to surcharge. Historical CHCF-A surcharge rates since the inception of the program are available online at <http://www.cpuc.ca.gov>.

## **Discussion**

In this Resolution, the Commission adopts a surcharge rate of 0.11% effective May 1, 2010, for the funding of the CHCF-A program through fiscal year (FY) 2009-2010, and thereafter. The development of this revised rate is demonstrated in Appendix A. The 0.11% CHCF-A surcharge rate shall take effect on May 1, 2010, until further revised by the Commission.

All telephone and telegraph corporations shall assess a CHCF-A rate of 0.11% on their revenues collected from end-users for intrastate telecommunications services subject to surcharge on May 1, 2010, and thereafter.

In Resolution T-17177, adopted on November 6, 2008, the Commission approved a CHCF-A program budget of \$64.713 million for FY 2009-10. Resolution T-17213, adopted by the Commission on August 20, 2009, approved a CHCF-A program budget of \$57.591 million for FY 2010-11.

### **Advice Letter Filing**

Consistent with Resolution T-16901, dated December 2, 2004, the Commission should require AT&T (formerly SBC) to file an Advice Letter on or before April 30, 2010, modifying the CHCF-A surcharge rate from 0.13% to 0.11% to take effect on May 1, 2010, and thereafter, until further revised by the Commission. AT&T is not required to inform competing carriers of tariff changes which comply with this resolution.

### **Comments**

In compliance with Public Utilities (PU) Code § 311(g), a notice letter was emailed on March 9, 2010, to all telephone and telegraph corporations, the CHCFA-AC and the parties of record in Rulemaking 01-08-002 and Application 99-09-044 informing these parties of the availability of the draft of this Resolution for public comments at the Commission's website <http://www.cpuc.ca.gov>. This letter also informed parties that the final Resolution, adopted by the Commission, will be available at the same website.

No comments were received.

### **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, 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.
2. D.96-10-066 changed the name of HCF to California High Cost Fund-A (CHCF-A) and created the California High Cost Fund-B (CHCF-B). This decision included the three mid-size LECs in the CHCF-B for the purpose of determining universal service subsidy support and maintained the CHCF-A for 17 small LECs. D.98-06-065 renamed the CHCF-A Trust Administrative Committee to CHCF-A Administrative Committee and revised the governance of CHCF-A to be consistent with State rules and procedures.
3. In October 1999, Public Utilities (PU) Code § 270-281 were codified as a result of the enactment of Senate Bill 669.

4. D.08-10-010, effective January 1, 2009, 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 midsize LEC of, Citizens Telecommunications Company of California Inc. and reduced the number of small LECs from 17 to 14.
5. PU Code § 270(b) requires that the monies in CHCF-A may only be expended pursuant to § 270-281 and upon appropriation in the annual Budget Act.
6. Resolution T-17177, approved on November 6, 2008, adopted a CHCF-A program expense budget in the amount of \$64.713 million for Fiscal Year (FY) 2009-10.
7. Resolution T-17213, approved on August 20, 2009, adopted a CHCF-A program expense budget in the amount of \$57.591 million for FY 2010-11.
8. The revised CHCF-A surcharge rate of 0.11% should take effect on May 1, 2010, until further revised by the Commission.
9. All telephone and telegraph corporations should revise their CHCF-A surcharge rate to 0.11% on their revenues collected from end-users for intrastate telecommunications services subject to surcharge on May 1, 2010, and thereafter, until further revised by the Commission.
10. In accordance with Resolution T-16901, dated December 2, 2004, AT&T should file an Advice Letter on or before April 30, 2010, modifying the CHCF-A surcharge rate from 0.13% to 0.11% to take effect on May 1, 2010, and thereafter, until further revised by the Commission.
11. In compliance with PU Code § 311(g), a notice letter was emailed on March 9, 2010, to all telephone and telegraph corporations, the CHCFA-AC and the parties of record in Rulemaking 01-08-002 and Application 99-09-044 informing these parties of the availability of the draft of this Resolution for public comments at the Commission's website <http://www.cpuc.ca.gov>. This letter also informed parties that the final Resolution, adopted by the Commission, will be available at the same website.
12. Communications Division did not receive any comments on the draft resolution.
13. The Commission finds CD's recommended CHCF-A surcharge change from 0.13% to 0.11% reasonable and consistent with Commission orders and should be adopted.

**THEREFORE, IT IS ORDERED that:**

1. The California High Cost Fund-A surcharge rate of 0.11% effective May 1, 2010, until further revised by the Commission, is adopted.
2. AT&T shall file an Advice Letter on or before April 30, 2010, modifying the surcharge rate for the California High Cost Fund-A from 0.13% to 0.11%, effective May 1, 2010, and thereafter, until further revised by the Commission.



**CALIFORNIA HIGH COST FUND - A  
 FORECASTED CASH FLOW ANALYSIS  
 (\$000)**

	<b>FY2009-10</b>	<b>FY2010-11</b>
Projected Intrastate Revenue Subject to Surcharge	\$22,800,000	\$22,800,000
<b>SURCHARGE RATES</b>		
effective 06/01/08	0.13%	
effective 05/01/10	0.11%	0.11%
<b>Beginning Fund Balance</b>	\$67,937,945	\$33,051,323
<b>REVENUES</b>		
Surcharge revenue	\$29,412,899	\$25,080,000
Investment Income	\$413,038	\$107,378
Total Revenues (sum of a thru b)	\$29,825,937	\$25,187,378
<b>EXPENDITURES</b>		
FY09-10 Adopted Program Expenses	\$64,712,559	
FY10-11 Adopted Program expenses		\$57,591,171
<b>ENDING FUND BALANCE</b>	\$33,051,323	\$647,530