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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Communications Division
Carrier Oversight & Programs Branch

RESOLUTION T-17283
August 12, 2010

R E S O L U T I O N

Resolution T-17283. Approval of California High Cost Fund-A Administrative Committee Fund Expense Budget for Fiscal Year 2011-12 (July 1, 2011 through June 30, 2012) to Comply with the Requirements of Public Utilities Code Section 273 (a).

Summary

This resolution adopts an expense budget of \$56.283 million for Fiscal Year (FY) 2011-2012 for the California High Cost Fund-A Administrative Committee Fund, which is more commonly referred to as 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 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 HCF to CHCF-A, 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, reduces the total number of small LECs eligible for CHCF-A support from 17 to 14 for the proposed FY 2011-12 expense budget.

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 June 11, 2010, the CHCF-A AC held another public meeting to discuss the proposed FY 2011-2012 budget in the amount of \$58.678 million by using the carrier's estimates of expected funding with estimates for certain other budget items. On June 25, 2010, in compliance with Paragraph 4.a.1 of the CHCF-A AC Charter, the Chairperson of the AC submitted the proposed FY 2011-2012 CHCF-A AC budget to the Director of the Commission's Communications Division (CD).

Discussion

CD estimated the CHCF-A program budget of \$56.283 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 2010-2011 expense budget as adopted in Resolution T-17213, and CD's proposed FY 2011-2012 expense budget. The budgets are summarized and discussed below:

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Description	FY 2010-2011 Adopted per Res. T-17213 (\$ million)	FY 2011-2012 Proposed Budget (\$ million)	FY 2011-2012 Adopted Budget (\$ million)
Carrier Payments	\$41.685	\$45.398	\$45.398
Other Legislative Mandated Programs	\$15.000	\$10.000	\$10.000
Committee Costs	\$0.004	\$0.004	\$0.004
All Other Costs	\$0.902	\$0.881	\$0.881
Total Program Budget	\$ 57.591	\$ 56.283	\$ 56.283

Carrier Payments

Carrier payments for FY 2011-12 are estimated at \$45.398 million, an increase of \$3.713 million from the FY 2010-11 adopted budget of \$41.685 million. The increase is primarily due to the small LECs including adjustments for wireless intercarrier compensation, separations methodology changes and impact of the FCC National Broadband Plan.

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.

Committee Costs

The Committee Costs budget is now \$3,700 due to an increase in the travel budget in the amount of \$100.

All Other Costs

All Other Costs have decreased by \$21,000 from FY 2010-2011 to FY 2011-2012 due to lower estimates for inter-agency fees.

Total Program Budget

For FY 2011-2012, the total program budget is \$56.283 million as compared to \$57.591 million for FY 2010-2011.

Notice/Protests

Notice of the CHCF-A AC Chairperson's letter request was published in the Commission Daily Calendar on June 28, 2010.

No comments have been received.

Comments

In compliance with PU Code § 311 (g), notice letters were e-mailed on July 13, 2010, 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.

No comments were received.

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, reduces the total number of small LECs eligible for CHCF-A support from 17 to 14 utilities for the proposed FY 2010-2011 budget.

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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 25, 2010, the CHCF-A AC submitted to the Commission a proposed Fiscal Year (FY) 2011-2012 expense budget for the CHCF-A AC Fund in the amount of \$56.283 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 28, 2010.
10. In compliance with PU Code § 311 (g), notice letters were e-mailed on July 13, 2010, to the 14 small LECs, the CHCF-A AC, and the parties of record in R.01-08-002 and A.99-09-044. No comments were received.
11. Communications Division's proposed FY 2011-2012 expense budget of \$56.283 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 2011-2012 in the amount of \$56.283 million, as set forth in Appendix A of this resolution, is adopted.

This Resolution is effective today.

DRAFT

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

Program Expenses	July 2010-June 2011	July 2011-June 2012	July 2011-June 2012
	Adopted per Res. T-17213	Proposed	Adopted
a	b	c	d
Expenses			
Program Costs			
1 Carrier Payments ¹	\$ 41,685,571	\$ 45,397,986	\$ 45,397,986
2 Other Program Services			
3 Other Legislative Mandated Programs ²	\$ 15,000,000	\$ 10,000,000	\$ 10,000,000
4 Audits	\$ 72,000	\$ 72,000	\$ 72,000
5 Banking Fees ³	\$ 5,000	\$ 5,000	\$ 5,000
6 Data Processing Automation ⁴	\$ 10,000	\$ 10,000	\$ 10,000
Administrative Committee Costs⁵			
7 Per Diem	\$ 1,200	\$ 1,200	\$ 1,200
8 Travel and Others	\$ 2,400	\$ 2,500	\$ 2,500
9 Special Needs Accomodation and Teleconferencing			
PUC Staff and Admin Costs			
10 Inter-Agency Fee ⁶	\$ 374,000	\$ 353,000	\$ 353,000
11 CPUC Staff and Administrative Costs ⁷	\$ 441,000	\$ 441,000	\$ 441,000
12 Total Program Expenses	\$ 57,591,171	\$ 56,282,686	\$ 56,282,686

Notes

- 1 Carrier Payments for FY 2011-12 are based on projections submitted by the small LEC's in May 2010.
- 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 lockbox and other banking fees.
- 4 Based on estimated costs for programming costs for the carrier reporting program.
- 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 2011-12.
- 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.