

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Telecommunications Division
Public Programs Branch**

**RESOLUTION T- 16916
February 24, 2005**

R E S O L U T I O N

**Resolution T-16916. Approval of the California High Cost Fund-A
(CHCF-A) Administrative Committee Fund Surcharge Rate Effective
April 1, 2005.**

Summary

This resolution adopts a surcharge rate of 0.15% effective April 1, 2005, until further revised by the Commission, to fund the California High Cost Fund –A (CHCF-A) Administrative Committee Fund¹ Fiscal Year (FY) 2004-05 and 2005-06 budgets². All regulated telecommunications carriers shall assess a CHCF-A rate of 0.15 % on their end-user's billings for intrastate telecommunications services rendered on April 1, 2005, and thereafter.

Background

The California High Cost Fund (HCF) was implemented by 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.

¹ Pursuant to Public Utilities Code § 270 (a) (1), the fund name will be California High Cost Fund A Administrative Committee Fund.

² The Commission in Resolutions T-16793, dated December 19, 2003, and Resolution T-16876, dated October 28, 2004, adopted the FY 2004-05 and FY 2005-06 budgets, respectively.

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 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.

§ 270(b) requires that the monies in the CHCF-A and five other funds may only be expended pursuant to § 270-281 and upon appropriation in the annual Budget Act. Since FY 2001-02, the CHCF-A Fund expenditures have been authorized in the State's Annual Budget Act.

Discussion

In this Resolution, the Commission adopts a surcharge rate of 0.15% effective April 1, 2005 from the current rate of 0.17% until further revised by the Commission.

Appendix A shows a comparison of the approved CHCF-A FY 2004-05 Budget and the updated FY 2004-05 Budget reflecting the CHCF-A Calendar Year (CY) 2005 support to the small LECs approved in Resolution T-16893, dated December 2, 2004. The updated FY 2004-05 and FY 2005-06 budgets also consider a revised billing base for FY 2004-05 and FY 2005-06. The forecasted billing bases for fiscal years 2004-05 and 2005-06 are \$18,441,522,000 and \$18,828,692,000, respectively, and these billing base forecasts were adopted in Resolution T-16898, dated December 16, 2004.

The updated CHCF-A FY 2004-05 budget reflects an updated CHCF-A support to the small LECs in accordance with Resolution T-16893. The updated CY 2005 support results in a substantial ending cash balance for FY 2004-05 if the surcharge rate were left unchanged at the existing rate of 0.17%. Thus, the surcharge rate is decreased to 0.15% effective April 1, 2005, to maintain an ending cash balance as of June 30, 2006 equivalent to approximately one month of forecasted program expenses.

All certificated telecommunications carriers shall assess a revised CHCF-A rate of 0.15% on their end-user's billings for intrastate telecommunications services rendered on April 1, 2005 and thereafter.

Modified Advice Letter Filings

In accordance with Resolution T-16901, dated December 2, 2004, SBC shall file an Advice Letter on or before March 15, 2005, modifying the CHCF-A surcharge from 0.17% to 0.15% to take effect on April 1, 2005 and thereafter, until further revised by the Commission.

To maximize administrative efficiency, SBC is allowed to file simultaneously on or before March 15, 2005 the revised tariff schedules in compliance with resolutions revising various public program surcharges effective on April 1, 2005 and thereafter in accordance with the provisions of G.O. 96, as modified by first, second, and third interim orders. SBC is not required to inform competing carriers of tariff changes which comply with this resolution.

Comments

In compliance with PU Code § 311 (g), copies of the notice letter were e-mailed on January 25, 2005 to all telecommunications carriers, the CHCF-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 www.cpuc.ca.gov/static/industry/telco/resolutions/index.htm and is available for public comments. In addition, the Telecommunications Division (TD) informed these parties of the availability of the conformed resolution at the same website.

On February 7, 2005, The Greenlining Institute filed comments on the draft resolution supporting the revision of the CHCF-A surcharge rate from 0.17% to 0.15% effective April 1, 2005.

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-A (CHCF-A) Administrative Committee Fund may only be disbursed pursuant to § 270-281 and upon appropriation in the annual Budget Act.
3. Current conditions require the Fiscal Year (FY) 2004-05 and FY 2005-06 billing base to be revised to account for a projected decrease in the billing base due to the effects of Voice Over Internet Protocol (VOIP).

4. The revised billing base for FY 2004-05 is \$18,441.522 million.
5. The forecasted billing base for FY 2005-06 is \$18,828.692 million.
6. The CHCF-A support to the small LECs for FY 2004-05 is in accordance with the Calendar Year (CY) 2005 CHCF-A support to the small LECs adopted by the Commission in Resolution T-16893, dated December 2, 2004.
7. The updated amount of CHCF-A support for CY 2005 allows the Commission to revise the surcharge rate for the CHCF-A fund from 0.17% to 0.15% effective April 1, 2005 and thereafter, until further revised by the Commission. This decrease will enable the CHCF-A fund to register an ending cash balance equivalent to approximately one month of forecasted program expenses as of June 30, 2006.
8. All certificated telecommunications carriers should assess the revised CHCF-A surcharge of 0.15% on their end-user's billings for intrastate telecommunications services rendered on April 1, 2005, and thereafter, until further revised by the Commission.
9. In accordance with Resolution T-16901, dated December 2, 2004, SBC should file an Advice Letter on or before March 15, 2005, modifying the CHCF-A surcharge rate from 0.17% to 0.15% to take effect on April 1, 2005, and thereafter, until further revised by the Commission.
10. To maximize administrative efficiency, SBC is allowed to file simultaneously on or before March 15, 2005 the revised tariff schedules in compliance with resolutions revising various public program surcharges effective on April 1, 2005 and thereafter in accordance with the provisions of G.O. 96, as modified by first, second, and third interim orders.
11. Copies of the notice letter advising parties of the availability of this draft resolution for public comments and the conformed resolution, when adopted by the Commission on the Commission's web site, were e-mailed to all telecommunications carriers, the CHCF-AC, and the parties of record in R.01-08-002 and A.99-09-044 on January 25, 2005.
12. On February 7, 2005, The Greenlining Institute filed comments on the draft resolution supporting the revision of the CHCF-A surcharge rate from 0.17% to 0.15% effective April 1, 2005.

THEREFORE, IT IS ORDERED that:

1. The California High Cost Fund-A Administrative Committee (CHCF-A AC) fund surcharge rate of 0.15% effective April 1, 2005, until further revised by the Commission, is adopted.
2. In compliance with Resolution T-16901, dated December 2, 2004, SBC shall file an Advice Letter on or before March 15, 2005, modifying the surcharge rate for the CHCF-A AC fund from 0.17% to 0.15%, effective April 1, 2005, and thereafter, until further revised by the Commission.
3. To maximize administrative efficiency, SBC is allowed to file simultaneously on or before March 15, 2005 the revised tariff schedules in compliance with resolutions revising various public program surcharges effective on April 1, 2005 and thereafter in accordance with the provisions of G.O. 96, as modified by first, second, and third interim orders.
4. All certificated telecommunications carriers shall assess the revised CHCF-A AC fund surcharge of 0.15% on their end-user's billings for intrastate telecommunications services rendered on April 1, 2005, and thereafter, until further revised by the Commission.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on February 24, 2005. The following Commissioners approved it:

/s/ STEVE LARSON

STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
President
GEOFFREY F. BROWN
SUSAN P. KENNEDY
DIAN M. GRUENEICH
Commissioners

CALIFORNIA HIGH COST FUND-A ADMINISTRATIVE COMMITTEE FUND
FY 2004-05 AND FY 2005-06 APPROVED AND UPDATED BUDGETS

A TELECOMMUNICATIONS REVENUE SUBJECT TO SURCHARGES ¹	\$20,947,125,000	\$18,441,522,000	\$18,828,692,000
B SURCHARGE RATES			
a effective January 1, 2004	0.17%	0.17%	
b effective April 1, 2005		0.15%	0.15%

	Resolution T-16793 July 2004 - June2005	Updated July 2004 - June2005	Resolution T-16876 ³ July 2005-June2006	Updated July 2005-June 2006
1 BEGINNING FUND BALANCE ²	\$16,899,623	\$25,718,492		\$15,594,520
2 PRIOR PERIOD ADJUSTMENTS				
a 03-04 Revenues Received in 04-05	\$0	\$0		\$0
b 03-04 Expenses paid after 6/30/04	\$0	(\$2,535,122)		\$0
c 03-04 Outstanding Claims and Expenses Needing Additional Appropriation Authority	\$0	\$0		\$0
3 REVISED BEGINNING FUND BALANCE (sum of Ln 1 and Ln 2)	\$16,899,623	\$23,183,369		\$15,594,520
4 TRANSFER TO GENERAL FUND	\$0	\$0		\$0
5 FUND AVAILABLE (Sum of Ln 3 and Ln 4)	\$16,899,623	\$23,183,369		\$15,594,520
6 REVENUES				
a Surcharges (based on surcharge rates in Ln B)	\$35,610,113	\$31,450,984		\$28,243,038
b Investment Income (based on projected cash flow)	\$238,090	\$544,481		\$221,672
c Others	\$0	\$0		\$0
d Total Revenues (sum of a thru c)	\$35,848,202	\$31,995,465		\$28,464,710
7 PROGRAM EXPENSES				
a Carrier Claims	\$36,205,355	\$27,920,699	\$28,039,696	\$28,039,696
b Other Program Services	\$0	\$0	\$0	\$0
c Other Legislative Mandated Programs	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
d Administrative Committee-Per Diem	\$300	\$300	\$300	\$300
e Administrative Committee-Travel and Others	\$500	\$500	\$500	\$500
f Administrative Committee-Special Needs Accommodation	\$0	\$0	\$0	\$0
g Financial Audit	\$100,000	\$100,000	\$100,000	\$100,000
h Compliance Audit	\$500,000	\$500,000	\$300,000	\$300,000
i Surcharge Remittance Audit	\$600,000	\$600,000	\$400,000	\$400,000
j Claim Audit	\$0	\$0	\$0	\$0
k Banking Fees	\$23,000	\$23,000	\$50,000	\$50,000
l Interagency cost	\$207,815	\$207,815	\$210,000	\$210,000
m AB 140 Staffing	\$79,000	\$79,000	\$0	\$0
n CPUC Staff and Administrative Costs	\$103,000	\$103,000	\$500,000	\$500,000
o Other operating costs	\$50,000	\$50,000	\$50,000	\$50,000
p Total Program Expenses (sum of a thru o)	\$47,868,970	\$39,584,314	\$39,650,496	\$39,650,496
8 FUND BALANCE (Ln 5 + Ln 6d - Ln 7n)	\$4,878,855	\$15,594,520		\$4,408,734

¹ The estimated billing bases for fiscal years 2004-05 and 2005-06 were adopted in Resolution 16898, dated December 16, 2004.

² Beginning fund balance for FY 2004-05 is based on the Certification of Year-End 6/30/04 Financial Report.

³ Resolution T-16876 dated October 28, 2004 adopted the California High Cost Fund-A Expense Budget for Fiscal Year 2005-06.