PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division RESOLUTION T-17767**

**Carrier Oversight and Programs Branch August 4, 2022**

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

**Resolution T-17767, Kerman Telephone Company, Siskiyou Telephone Company and Volcano Telephone Company.** This Resolution directs disbursement of additional California High Cost Fund -ASupportto Kerman Telephone Company ($416,264), Siskiyou Telephone Company ($353,880) and Volcano Telephone Company ($52,744) for 2019 through 2022 inclusive, per Decision 21-09-018 in Petition for Rehearing of Resolution T-17637.

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**SUMMARY**

This Resolution directs Communications Division to disburse additional California High Cost Fund -A(CHCF-A) support of $416,264 to Kerman Telephone Company (Kerman), $353,880 to Siskiyou Telephone Company (Siskiyou) and $52,744 to Volcano Telephone Company (Volcano) for 2019 through 2022 per Decision (D.) 21-09-018 in Application (A.) 19-02-006 for rehearing of Resolution T-17637. The additional CHCF-A support for each company represents annual support of $104,066 for Kerman, $88,470 for Siskiyou and $13,186 for Volcano for each of those years.

The additional CHCF-A support payments resulted from D.21-09-18, which modified and denied rehearing of the Resolution T-17637 determination of lower revenue requirements and correspondingly lower CHCF-A support for 2019. Resolution T-17637 incorporated the effect of the 2017 Tax Cut and Jobs Act (TCJA) on deferred income tax reserve and reduced income tax liability, resulting in reduced 2019 revenue requirements and corresponding CHCF-A support amounts by $104,066 for Kerman, $88,470 for Siskiyou and 13,186 for Volcano. In turn, D. 21-09-018 modified Resolution T-17637 by removing the TCJA’s effect on deferred income tax reserve for 2019, thereby increasing income tax liability, the revenue requirements, and the corresponding CHCF-A amounts for Kerman, Siskiyou, and Volcano. D.21-09-018 postponed consideration of the TCJA’s effect to each company’s next general rate case (GRC) proceeding. This Resolution also authorizes the same additional CHCF-A support amounts for 2020 through 2022 as were approved for 2019 in D.21-09-018, to compensate for support shortfalls for all four years.

**BACKGROUND**

The CHCF-A was implemented in accordance with Public Utilities (P.U.) Code § 275.6 to provide universal service rate support to small independent telephone corporations (also known as Small Incumbent Local Exchange Carriers, or Small ILECs) in amounts sufficient to meet the revenue requirements established by the Commission through rate-of-return regulation in furtherance of the state’s universal service commitment to the continued affordability and widespread availability of safe, reliable, high quality communications services in rural areas of the state.[[1]](#footnote-1)

CHCF-A promotes customer access to advanced services and deployment of broadband-capable facilities in rural areas that is reasonably comparable to that in urban areas, consistent with national communications policy. The program is funded by an all-end user surcharge collected by telecommunications carriers. Procedures for the administration of CHCF-A are outlined in Commission Decision (D.)91-09-042.

In the Commission’s annual CHCF-A support review, Resolution T-17637 adopted total CHCF-A support amounts of $3,356,985.30 for Kerman, $4,097,134.42 for Siskiyou and $4,266,345.02 for Volcano for 2019. T-17637 adopted revenue requirements and corresponding CHCF-A support amounts determined by lower federal income tax estimates by applying the TCJA on deferred income tax reserve. However, the served draft Resolution T-17637 circulated for parties’ comments did not incorporate the effect of the 2017 TCJA on deferred income tax reserve and showed higher revenue requirements and correspondingly higher CHCF-A support amounts than those adopted by T-17637. The application of the 2017 TCJA on deferred income tax reserve as shown in the adopted T-17637 produced lower revenue requirement and correspondingly lower CHCF-A support by $104,066 for Kerman, $88,470 for Siskiyou and $13,186 for Volcano.

Kerman, Siskiyou, and Volcano along with other Small ILECs filed Application
(A.) 19-02-006 for rehearing of the adopted Resolution T-17637. A.19-02-006, among other things, objected to the application of the 2017 TCJA on deferred income tax reserve to calculate the revenue requirements and the corresponding CHCF-A support for Kerman, Siskiyou, and Volcano.

In issuing D.21-09-018 to modify T-17637, the Commission removed incorporation of the effect of the TCJA on deferred income tax reserve in determining the 2019 CHCF-A support amounts and postponed consideration of this issue to Kerman’s, Siskiyou’s, and Volcano’s next GRC proceedings. D.21-09-018 also ordered disbursement of additional CHCF-A support to account for the resulting changes.[[2]](#footnote-2)

**Staff’s Review of Additional CHCF-A Disbursement Amounts and Means Test**

The Commission issued subsequent annual CHCF-A support Resolutions for years 2020 through 2022 prior to D.21-09-018 being issued.[[3]](#footnote-3) In writing these resolutions, Staff used the lower revenue requirements and correspondingly lower 2019 CHCF-A support amounts from Resolution T-17637 for Kerman, Siskiyou and Volcano, by entering the lower 2019 amounts in worksheets prepared for appendices, and then carrying forward the results to 2022.[[4]](#footnote-4) Thus, Staff calculated 2020 through 2022 CHCF-A support amounts starting with the CHCF-A amounts adopted by T-17637 for 2019.

Since D.21-09-018 modified T-177637, thereby increasing revenue requirements and corresponding CHCF-A support for Kerman, Siskiyou, and Volcano for 2019, the revenue requirements and corresponding CHCF-A support adopted in Resolutions
T-17662, T- 17710 and T-17758 for 2020 through 2022 should also be similarly increased by the same amounts. Staff has completed worksheet recalculations for 2020 through 2022 as reflected in this Resolution’s appendices.[[5]](#footnote-5)

In performing its analysis and writing this Resolution, Staff considered that D.21-09-018 ordered additional support amounts and performed calculations to ensure that the increased revenue did not exceed guidelines developed by CHCF-A implementation rules regarding authorized rate of return (ROR) and the Commission’s Means Test,[[6]](#footnote-6) which was designed to evaluate whether a revenue/ROR threshold has been exceeded. Staff conducted the Means Test for years 2019 through 2022, finding that the RORs of Kerman, Siskiyou, and Volcano did not exceed their respective authorizations for any of those years. Therefore, Staff recommends that the additional support amounts should be approved for Kerman, Siskiyou, and Volcano, for years 2019 through 2022.

**COMMENTS**

In compliance with P.U. Code § 311(g), the Commission emailed a notice letter on July 1, 2022, informing Kerman, Siskiyou, and Volcano, and all parties of record in the Application 19-02-006 service list of the availability of this Resolution for public comments at the Commission’s website www.cpuc.ca.gov. Comments are due within twenty (20) days of Daily Calendar notification. The notice letter also informed parties that the final conformed Resolution adopted by the Commission will be posted and available at the same website.

**FINDINGS OF FACT/CONCLUSIONS OF LAW**

1. The ResolutionT-17637 adopted amounts for Kerman Telephone Company, Siskiyou Telephone Company and Volcano Telephone Company incorporated the effect of the 2017 Tax Cut and Jobs (TCJA) on deferred income tax reserve.
2. Resolution T-17637 adopted CHCF-A support amounts of $3,356,985.30 for Kerman Telephone Company, $4,097,134.42 for Siskiyou Telephone Company and $4,266,345.02 for Volcano Telephone Company for 2019.
3. Application (A.) 19-02-006 for rehearing of Resolution T-177637 objected to the incorporation of the effect of the 2017 TCJA on deferred income tax reserve in calculating the revenue requirements and the corresponding CHCF-A support for Kerman Telephone Company, Siskiyou Telephone Company, and Volcano Telephone Company.
4. Resolution T-17637’s incorporation of the effect of 2007 Tax Cut and Jobs on deferred income tax reserves resulted in lower revenue requirements and correspondingly lower CHCF-A support amounts payments by $104,066 for Kerman, $88,470 for Siskiyou and $13,186 for Volcano for 2019.
5. Decision 21-09-018 modified T-17637, removing incorporation of the effect of 2007 Tax Cut and Jobs Act on deferred income tax reserve and postponed its consideration to the next general rate case proceedings for Kerman Telephone Company, Siskiyou Telephone Company, and Volcano Telephone Company.
6. The Decision 21-09-018 removal of the impact of 2017 Tax Cut and Jobs Act on deferred income tax reserve resulted in granting higher annual CHCF-A support amounts of $3,461,051.30 for Kerman, $4,185,604,.42 for Siskiyou and $4,279,531.02 for Volcano for 2019.
7. The additional revenue requirements and corresponding CHCF-A support amounts for 2019 authorized by D.21-09-018 are $104,066 for Kerman, $88,470 for Siskiyou and 13,186 for Volcano, and are reasonable.
8. Staff developed the adopted revenue requirements and corresponding CHCF-A support for 2020 through 2022 for Kerman, Siskiyou and Volcano based on lower Resolution T-17637 amount for 2019 and should be revised to reflect higher amounts adopted in D.21-09-018.
9. The revenue requirements and corresponding CHCF-A support amounts reflecting D.21-09-018 are an additional $104,066 for Kerman, $88,470 for Siskiyou and 13,186 for Volcano for each of 2020, 2021 and 2022, and are reasonable.
10. The total additional CHCF-A support payments for 2019 through 2022 are $416,264 for Kerman, $353,880 for Siskiyou and $52,744 for Volcano, are reasonable, and should be adopted.
11. The Commission’s Communications Division, in concert with the Administrative Services Division, is responsible for disbursement of CHCF-A support payments.

**THERFORE, IT IS ORDERED that:**

1. In compliance with Decision 21-09-018, an additional California High-Cost Fund-A support of $104,066 for Kerman Telephone Company for each of 2019, 2020, 2021 and 2022 is authorized.
2. In compliance with Decision 21-09-018, an additional California High-Cost Fund-A support of $88,470 for Siskiyou Telephone Company for each of 2019, 2020, 2021 and 2022 is authorized.
3. In compliance with Decision 21-09-018, an additional California High-Cost Fund-A support of $13,186 for Volcano Telephone Company for each of 2019, 2020, 2021 and 2022 is authorized.
4. Communications Division, in concert with the Administrative Services Division, shall disburse the total additional CHCF-A support payments to the three Small Incumbent Local Exchange Carriers as shown in Table 1 for 2019, 2020, 2021, and 2022 within 45 days from the effective date of this Resolution.

**Table 1**

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| **Additional CHCF-A Support (Annual)** |  |
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| **Small Incumbent Local Exchange Carrier** | **Calendar Year 2019** | **Calendar Year 2020** | **Calendar Year 2021** | **Calendar Year 2022** | **Total** |
| Kerman Telephone Company |  104,066  |  $104,066  |  $104,066  |  $104,066 | $416,264 |
| Siskiyou Telephone Company |  $88,470  |  $88,470  |  $88,470  | $88,470 | $353,880 |
| Volcano Telephone Company |  $13,186  |  $13,186  |  $13,186  |  $13,186 | $52,744 |

This Resolution is effective today.

I certify that the foregoing Resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the following Commissioners voting favorable thereon:

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| RACHEL PETERSONExecutive Director |

Appendix A-1

**2020**



Appendix A-2

2020



Appendix A-3

2020



Appendix B-1

2021



Appendix B-2

2021



Appendix B-3

2021



Appendix C-1

2022



Appendix C-2

**2022**



Appendix C-3

2022



1. 1 P.U. Code § 275.6(c)(4) Provides universal service rate support from the CHCF-Administrative Committee Fund to small independent telephone corporations in an amount sufficient to supply the portion of the revenue requirement that cannot reasonably be provided by the customer of each small independent telephone corporation after receipt of federal universal service rate support. [↑](#footnote-ref-1)
2. The table in D.21-09-018, O.P. 13 replaced the table at p. 23 in Resolution T-17637. D21-09-018 orders support of $3,461,051.30 for Kerman, $4,185,604.62 for Siskiyou, and $4,279,531.02 for Volcano, replacing the support ordered in T-17637 of $3,356,985.30 for Kerman, $4,097,134.42 for Siskiyou, and $4,266,345.02 for Volcano. This results in an annual support differential of $104,066 for Kerman, $88,470 for Siskiyou, and $13,186 for Volcano. [↑](#footnote-ref-2)
3. *See* Resolutions T-17662, T- 17710 and T-17758 for subsequent years 2020, 2021 and 2022. [↑](#footnote-ref-3)
4. See Line 1, Column A (2019 CHCF-A Requirement) of Appendices A-1, A-2, A-3 (Kerman, Siskiyou, and Volcano, respectively for 2020), B-1, B-2, B-3 (Kerman, Siskiyou, and Volcano for 2021), and C-1, C-2 and C-3 Kerman, Siskiyou, and Volcano for 2022). [↑](#footnote-ref-4)
5. See Line 14, Columns B and C (Supplemental Payment for CY) of Appendices A-1, A-2, A-3 (Kerman, Siskiyou, and Volcano, respectively for 2020), B-1, B-2, B-3 (Kerman, Siskiyou, and Volcano for 2021), and C-1, C-2 and C-3 Kerman, Siskiyou, and Volcano for 2022). [↑](#footnote-ref-5)
6. D.91-09-042, Appendix, Implementation Rules, requires that except following 12 months after a decision or resolution is rendered by the Commission in a Small ILEC’s rate case, each Small ILEC’s CHCF-A support request shall be subject to a means test. The Implementation Rules also state, “Utilities shall be eligible for support from the fund limited to the amount which are forecasted to result in earnings not to exceed authorized intrastate rates of return or to the current funding level amount for the year for which HCF is being requested, whichever amount is lower.” [↑](#footnote-ref-6)