

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



July 3, 2025

**Agenda ID: 23604**  
**RESOLUTION T-17740**

TO: Parties on the Res T-17740 Service List

Service List(s): thirteen Small ILECs, CHCF-A Administrative Committee, and parties of record in R.11-11-007.

This is Draft Resolution T-17740 of the Communications Division: This Draft Resolution will appear on the agenda at the next Commission meeting to be held August 14, 2025, which is at least 30 days after the date of this letter. The Commission may vote on this Resolution at that time, or it may postpone a vote until a later meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting. When the Commission votes on a Draft Resolution, it may adopt all or part of it as written, amend, modify, or set it aside and prepare a different Resolution. Only when the Commission acts does the Resolution become binding on the parties.

Any member of the public may serve comments on the Draft Resolution as provided in Public Utilities Code § 311(g) and Rule 14.5 of the Commission's Rules of Practice and Procedure (Rules).

Comments along with a certificate of service (COS) shall be sent via email to: hannah.steiner@cpuc.ca.gov by July 27, 2025 at 5:00 PM.

Those submitting comments on the Draft Resolution must serve their comments on the entire service list the Draft Resolution was served to on the same date that the comments are submitted to the Communications Division.

Comments shall focus on factual, legal, or technical errors in the proposed Draft Resolution. Comments that merely reargue positions taken in the advice letter or protests will be accorded no weight and are not to be submitted. Comments should list the recommended changes to the Draft Resolution.>

Sincerely,

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



/s/

Robert Osborn

Director

Communications Division

California Public Utilities Commission

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Communications Division

RESOLUTION T-17740  
August 14, 2025

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

Resolution T-17740. Response to Ponderosa Telephone Company's  
Petition for Modification of Resolution T-17637.

PROPOSED OUTCOME:

- Grants Ponderosa Telephone Company's (Ponderosa) Petition for Modification of Resolution T-17637, Adopting California High-Cost Fund-A Support for 2019, and modifies it for additional changes to the Pro-Rata adjustment.
- Adopts a total of \$558,756.11 in additional California High Cost Fund-A (CHCF-A) support for 2019 for Ponderosa Telephone Company.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this resolution.

ESTIMATED COST:

- The cost will be \$558,756.11 to the CHCF-A.

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**SUMMARY**

This Resolution grants Ponderosa Telephone Company's (Ponderosa) Petition for Modification of Resolution T-17637, Adopting California High-Cost Fund-A Support for 2019, and modifies it for additional changes to the Pro-Rata adjustment. This Resolution adopts a total of \$558,756.11 in additional California High Cost Fund-A (CHCF-A) support for 2019 for Ponderosa Telephone Company.

## **BACKGROUND**

### **1. California High Cost Fund-A (CHCF-A)**

The California High Cost Fund 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 for Small Incumbent Local Exchange Carriers (ILECs) in rural areas whose basic service rates would otherwise be increased to levels that would threaten universal service. These decisions provide foundational program guidelines. Of the 13 Small ILECs eligible for CHCF-A funding, ten currently request CHCF-A support.<sup>1</sup>

Public Utilities (P.U.) Code § 275.6 requires the California Public Utilities Commission (Commission) to implement the CHCF-A program to reduce any rate disparity in rural areas charged by small telephone corporations that are subject to rate-of-return regulation. The CHCF-A program funding supplements the Small ILECs' customer revenue so that the Small ILECs can meet the revenue requirements needed to achieve their authorized rates-of-return.

### **2. Annual CHCF-A Support Resolution**

In D.91-09-042, the Commission directs the Small LECs to file an advice letter each year "incorporating the net settlements effects upon such company of regulatory changes ordered by the Commission and the Federal Communications Commission (FCC). These advice letter filings will include ...all other regulatory changes of industry-wide effect such as changes in levels of interstate high-cost funding, interstate NTS assignment, other FCC-ordered changes in separations and accounting methodology and Commission-ordered changes."<sup>2</sup>

The Commission then evaluates these advice letters and adjusts the amount of CHCF-A support that each Small ILEC will receive for the upcoming calendar year. The annual adjustment to CHCF-A support amounts ensures that each Small ILEC has an opportunity to earn its authorized rate of return. The Commission adopts the new CHCF-A support amounts each year through a resolution. In recent years, the annual

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<sup>1</sup> The ten Small ILECs that currently request CHCF-A support are: Calaveras Telephone Company, Cal-Ore Telephone Company, Ducor Telephone Company, Foresthill Telephone Company, Kerman Telephone Company, Pinnacles Telephone Company, The Ponderosa Telephone Company, Sierra Telephone Company, Siskiyou Telephone Company, and Volcano Telephone Company. The three Small ILECs that currently do not request CHCF-A support are Happy Valley Telephone Company, Hornitos Telephone Company, and Winterhaven Telephone Company.

<sup>2</sup> See D.91-09-042, Appendix A

adjustments to CHCF-A support have primarily been the result of changes in the amount of federal high cost support that each Small ILEC receives.

3. Net Interstate Expense Adjustment – Projected USF HCLS

The Net Interstate Expense Adjustment for Universal Service Fund (USF) High-Cost Loop Support (HCLS) is one of the adjustments that the Commission considers as part of the annual support resolution. HCLS is a type of federal USF support that is available to rural price-cap and rate-of-return carriers.<sup>3</sup> For the purpose of ratemaking, revenue from HCLS is designated as intrastate.

In D.91-09-042, the Commission authorizes the Small ILECs to include any changes to their federal USF support in the annual CHCF-A filings, thus changes in the amount of HCLS are included. Resolution T-16117 specifically states that “Rule B requires the small LECs to include the changes in levels of USF in the annual CHCF-A filings”<sup>4</sup> and describes how the Net Interstate Expense Adjustment for 1998 should be calculated, stating that it “should include the difference between the 1998 USF support as forecasted and the 1997 USF support as approved. Once approved, the forecasted 1998 support would become the approved 1998 USF support for the 1999 CHCF-A filings”.<sup>5</sup>

Thus, when determining the annual adjustments to CHCF-A support, the Commission calculates the difference between the forecasted HCLS for the current year and the forecasted HCLS support for the coming year. An increase in the projected HCLS would result in a downward adjustment in CHCF-A support and a decrease in HCLS would result in an upward adjustment in CHCF-A support.

For the upcoming year’s forecasted USF-HCLS, the Commission uses the amount projected by the USF administrator, the National Exchange Carrier Association, Inc (NECA). NECA publishes this information by October 1 of each year in Appendix E of the USF Data Submission.<sup>6</sup>

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<sup>3</sup> See <https://www.usac.org/high-cost/funds/legacy-funds/high-cost-loop/>

<sup>4</sup> See Resolution T-16117 at 6

<sup>5</sup> See Resolution T-16117 at 6

<sup>6</sup> The USF Data Submission for the current year is available at <https://www.neca.org/member-services/usf/current-results>

4. Adjustment for Pro-Rata Changes

The annual CHCF-A support resolutions include an adjustment due to changes in the Pro-Rata adjustment<sup>7</sup>. The Pro-Rata adjustment is applied to all HCLS recipients' support amounts to ensure that the total is within the HCLS funding cap. Pro-Rata adjustments reduce the amount of HCLS that the Small ILECs receive, and therefore, result in the Commission increasing the amount of CHCF-A support. The same cost study that is used to calculate the projected HCLS is also used to determine the pro-rata amount. However, while the projected HCLS is forward-looking (2017 data is used to determine projected support for 2019), the Pro-Rata adjustments in the annual CHCF-A support resolutions are backwards-looking. Pro-Rata adjustments are included when the Small LECs actually receive their HCLS payments, and they submit data to the Communications Division (CD) afterwards to calculate what the impact of the Pro-Rata adjustments were in prior years.

5. Resolution T-17637 (2019 CHCF-A Support) and Petition to Modify

As part of the process for determining the CHCF-A support adjustments for 2019, Ponderosa Telephone Company (Ponderosa) submitted Advice Letter (AL) 472. In AL 472, Ponderosa requested adjustments of \$234,957.45, which resulted in a total request of \$2,931,811.16 in CHCF-A support for Calendar Year (CY) 2019.

On January 10, 2019, the Commission adopted Resolution T-17637, which adopted \$30.110 million in CHCF-A support for CY 2019 to be disbursed to seven Small ILECs<sup>8</sup>, including \$2,862,478.34 for Ponderosa. The adopted CHCF-A support amount for Ponderosa included an adjustment due to the projected 2019 federal HCLS amount of \$4,190,561.23 released by NECA on September 19, 2018.<sup>9</sup>

On January 9, 2020, Ponderosa submitted a Petition for Modification (PFM) of Resolution T-17637<sup>10</sup>, in which they requested an increase amount of \$567,856 in CHCF-A support for CY 2019 due a decrease in the projected HCLS amount for 2019.

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<sup>7</sup> Pro-Rata Adjustment is shown on Line 3b of the appendices to Res. T 17637.

<sup>8</sup> The seven Small ILECs that received CY 2019 support as adopted by Res. T-17637 were Calaveras Telephone Company, Cal-Ore Telephone Company, Kerman Telephone Company, The Ponderosa Telephone Company, Sierra Telephone Company, Siskiyou Telephone Company, and Volcano Telephone Company.

<sup>9</sup> The adjustment to Ponderosa's CHCF-A support due to changes in HCLS is shown on Line 5, Net Interstate Expense Adjustment, in Appendix A-9 to Res. T-17637.

<sup>10</sup> On April 20, 2021, Ponderosa submitted a revised PFM of Resolution T 17637, which corrected the labeling of the attachments.

NECA calculates the projected HCLS for each year using data submitted by the companies. Ponderosa stated that they initially submitted data to NECA that contained an error, and this incorrect data was used to develop the estimated HCLS amount included in NECA's September 2018 Appendix E.<sup>11</sup> Ponderosa states that this was an inadvertent error relating to excess deferred taxes due to changes in the tax code from the 2017 Tax Cuts and Jobs Act. The Commission used the information included in NECA's September 2018 Appendix E to calculate 2019 CHCF-A support for Ponderosa, which was adopted in Resolution T-17637.

In December 2018, Ponderosa discovered the error and then corrected and resubmitted its 2018 USF-HCLS Data Collection Form to NECA. This resulted in a reduction of projected 2019 USF payments of \$584,698. Ponderosa states that of the total reduction to 2019 HCLS, \$567,856 was associated with the excess deferred tax issue, while the remainder resulted from several other minor corrections in the data. Ponderosa did not submit any corrected information to the Commission at that time.

Ponderosa acknowledges that Resolution T-17637 correctly determined Ponderosa's CHCF-A support for 2019 based on the data that was submitted at the time (in AL 472). However, since the 2019 HCLS projections were lowered as a result of the correction, in their PFM of T-17637, Ponderosa requests additional CHCF-A support for 2019 in the amount of \$567,856. Ponderosa's PFM only requests that the CHCF-A support be adjusted for the HCLS reduction related to the excess deferred tax issue.

#### 6. Tax Cuts and Jobs Act

The Tax Cuts and Jobs Act (TCJA) was signed into law on December 22, 2017, and became effective January 1, 2018. Among other things, the TCJA reduced the top corporate income tax rate from 35% to 21%. Accordingly, the reduced federal income tax rate justified a reduction in the Small ILEC companies' respective revenue requirements and CHCF-A support. This also justified adopting a methodology to ensure that ratepayers received the benefits of "normalized" excess deferred income tax for the four companies whose GRC proceedings were determined for TY 2018.<sup>12</sup>

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<sup>11</sup> NECA's Appendix E is the source that the Commission uses to verify the projected HCLS amounts included as part of the annual CHCF-A support adjustment process. See Appendix 2 for a copy of NECA's 2018 Appendix E.

<sup>12</sup> Cal-Ore (Resolution T-17617); Ponderosa (T-17618); Sierra (T-17619); and Calaveras (T-17626)

## DISCUSSION

The Commission has reviewed Ponderosa's PFM of Resolution T-17637 and finds that there is sufficient evidence to support Ponderosa's assertion that the 2019 projected HCL support was reduced by \$567,856 after Ponderosa corrected their submitted data related to deferred taxes.

In Resolution T-17637, the Commission adopted \$2,862,478.34 in CHCF-A support for Ponderosa for 2019. The calculation of the 2019 CHCF-A support amount included an adjustment for changes in the projected 2019 HCLS support. Since the calculation of 2019 CHCF-A support included projected 2019 HCLS, a revision that lowered the projected 2019 HCLS would cause a corresponding increase in the 2019 CHCF-A support amount.

However, the Commission finds that there should also be a reduction in 2019 CHCF-A support of \$9,099.89 due to related changes in the Pro-Rata Adjustment. Therefore, the Commission adopts \$558,756.11 in additional CHCF-A support payments to Ponderosa for CY 2019. A summary of this calculation is shown in Table 1 below.

Table 1

Adjustments to 2019 CHCF-A Support	
For Reduction in 2019 Projected HCLS	\$ 567,856.00
For Change in Pro-Rata Adj. Impacts	\$ (9,099.89)
Total	\$ 558,756.11

Details of the analysis supporting the Commission's conclusion are included in the following sections:

- Submission
- Projected 2019 USF-HCLS
- Adjustments for Pro-Rata Changes
- Means Test

### 1. Submission

Resolution T-17637 was approved by the Commission on January 10, 2019. Therefore, Ponderosa's submission of this PFM on January 9, 2020, was within one year, as required by Rule 16.4(d).



2. Projected 2019 USF-HCLS

CD staff have reviewed the supporting documentation that Ponderosa submitted with their PFM and compared them to those used for developing the original 2019 CHCF-A support amount adopted in Resolution T-17367. The Commission has concluded that these documents support Ponderosa's assertion that their 2019 projected HCLS was reduced by \$567,856 after they made the correction regarding the deferred tax.

Ponderosa's PFM, Attachment B – USF2010 Impact Analysis Report<sup>13</sup> shows the HCLS calculation before and after Ponderosa corrected their deferred tax information and other errors and verifies that Ponderosa's projected 2019 HCLS amount was lowered. As summarized in Table 2 below, Attachment B to Ponderosa's PFM shows that the 2019 HCLS was lowered by \$584,698. However, Ponderosa is only requesting an adjustment of \$567,856.00 to their CHCF-A support, which is the portion of this change directly related to the deferred tax issue.

Table 2

<b>Attachment B - USF2010 Impact Analysis Report (Year End 12/2017)</b>	
Prior - Estimated Expense Adjustment	\$ 4,190,539
Current - Estimated Expense Adjustment	\$ 3,605,841
Difference	\$ 584,698

Ponderosa's PFM included Attachments D and E<sup>14</sup>, which it states are the data collection forms that Ponderosa submitted to USAC. Attachment D is the original form and Attachment E is the revised version that corrects the deferred tax error<sup>15</sup>. As summarized in Table 3 below, comparing the "Final estimated Annual HCL Support" shown on line 36 of each attachment results in a difference of \$567,856.

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<sup>13</sup> See Appendix 1, Attachment B. Ponderosa's PFM of Res. T-17637 is included as Appendix 1 to this resolution.

<sup>14</sup> See Appendix 1, Attachments D and E. Markings to emphasize the numbers shown in Table 3 were added by staff.

<sup>15</sup> The original PFM incorrectly the labeled the attachments, the original form was labeled Attachment E and the revised was labeled Attachment D. This was corrected in the revised PFM submitted to the CD on April 20, 2021.

Table 3

Final Estimated Annual HCL Support from 2018 NECA USF 2018 Data Collection Form	
Attachment D - Original	\$ 4,173,716.00
Attachment E - Revised	\$ 3,605,860.00
Difference	\$ 567,856.00

This supports Ponderosa’s assertion that correcting the error reduced their projected 2019 HCLS by \$567,856.

The “original” Final Estimated Annual HCL Support amount shown in Attachment D is not exactly equal to the Annual Expense Adjustment shown in the September 2018 NECA letter or the Attachment B – USF2010 Impact Analysis Report to Ponderosa’s PFM, but the difference is only 4%. Therefore, the Commission concludes that it is reasonable to accept that the data in Attachments D and E to Ponderosa’s PFM are the basis of NECA’s final projected HCL support amounts.

Therefore, Ponderosa’s 2019 CHCF-A support should be increased by \$567,856 to adjust for the decrease in 2019 HCLS.

### 3. Adjustment for Pro-Rata Changes

As described previously, after a Small ILEC receives its HCLS payments, then the CHCF-A support is adjusted to compensate for the effects of Pro-Rata Changes. The Pro-Rata Adjustment impact that was included in the 2020 and 2021 CHCF-A support Resolutions (T-17682 and T-17710, respectively) relied upon the original and uncorrected projected 2019 HCLS amount. However, since Ponderosa corrected the data submitted to NECA, the correct Pro-Rata was applied in their actual HCLS payments.

At staff’s request, Ponderosa submitted a revised 2019 Pro-Rata Adjustment Calculation spreadsheet that reflects the revised data and calculated what the adjustment for the Pro-Rata Changes would have been if the correct data had been used.

Table 4 below shows the adjustments to Ponderosa’s CHCF-A support for Pro-Rata Changes relating to 2019 HCLS payments that were adopted in Resolutions T-17682 and T-17710, respectively. The total CHCF-A support related to these adjustments was \$55,403.89.

Table 4

Approved Adjustments for Pro-Rata Changes Using Original HCLS Amount	
Resolution T-17682 - January to September 2019 Pro Rata Adjustment Impact	\$ 41,950.95
Resolution T-17710 - October to December 2019 Pro Rata Adjustment Impact	\$ 13,452.94
Total CHCF-A Funding Received for 2019 Pro Rata Adjustments (Based on Original 2019 HCLS Projection of \$4,190,561)	\$ 55,403.89

However, if the correct HCLS data had been used, the total CHCF-A support related to Pro-Rata changes for 2019 should have been only \$46,304. Table 5 shows the difference between the adopted adjustments to CHCF-A support for 2019 Pro-Rata (line 1) and the corrected 2019 Pro-Rata using revised data (line 2).

Table 5

Comparison of Pro-Rata Adjustments (Original vs Revised HCLS)	
Total CHCF-A Funding Received for 2019 Pro Rata Adjustments (Based on Original 2019 HCLS Projection of \$4,190,561)	\$ 55,403.89
2019 Pro-Rata Adjustment Using Final Pro Rata Percentage and Revised 2019 HCLS Projection (\$3,605,860)	\$ 46,304.00
Difference	\$ 9,099.89

The Commission should adjust Ponderosa's CHC-A support for the overpayments that resulted from Pro-Rata Adjustment amounts that were calculated using the original HCL support projections. Therefore, the additional CHCF-A support requested by Ponderosa should be reduced by \$9,099.89.

#### 4. Means Test

CY 2019 was the first year after Ponderosa's 2018 TY and thus it was not subject to a means test in Resolution T-17637. Therefore, after adjusting the CY 2019 support, it is not necessary to apply the means test. Additionally, pursuant to D.91-09-042, Appendix, Section D of the Implementation Rules and D.20-08-011, Ponderosa's waterfall was set at 100% for 2019.

### COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review. Any comments are due within

20 days of the date of its mailing and publication on the Commission's website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

### **FINDINGS AND CONCLUSIONS**

1. D.91-09-042 authorizes the Small ILECs to include any changes to their federal Universal Service Fund (USF) funding in the annual CHCF-A filings.
2. The Tax Cuts and Jobs Act (TCJA) was signed into law on December 22, 2017.
3. Resolution T-17637 adopted \$30.110 million in CHCF-A support for Calendar Year 2019 to be disbursed to seven Small ILECS.
4. Resolution T-17637 adopted \$2,862,478.34 in 2019 CHCF-A support for Ponderosa Telephone Company, which reflected projected 2019 HCLS of \$4,190,561.23.
5. In December 2018, Ponderosa discovered an error in its 2018 USF-HCLS Data Collection Form relating to effects of the 2017 Tax Cuts and Jobs Act and corrected and resubmitted its 2018 USF-HCLS Data Collection Form to NECA. This resulted in a projected USF payment reduction of \$584,698, with \$567,856 relating to the excess deferred tax issue.
6. On January 9, 2020, Ponderosa submitted a Petition for Modification of Resolution T-17637, in which they requested an increase in CHCF-A support for CY 2019 of \$567,856 due to an error in the data underlying the High Cost Loop Support estimate used to calculate the 2019 CHCF-A support amount.
7. On April 20, 2021, Ponderosa submitted a revised Petition for Modification of Resolution T-17637 to Communications Division that corrected the naming of Attachments D and E but did not make substantive changes.
8. Ponderosa submitted documentation to support their Petition for Modification of Resolution T-17637, including the NECA USF 2010 Impact Analysis Report for Year End 12/2017, NECA Appendix E from September 2018, and Initial and Revised USF Data Collection Form 2018.

9. Pro-Rata Adjustment Impact for 2019, included in 2020 and 2021 Resolutions (T-17682 and T-17710, respectively) relied on original 2019 HCLS projection and resulted in overpayments of \$9,099.89.
10. CY 2019 was the first year after Ponderosa's 2018 TY and thus it was not subject to a means test in Resolution T-17637.
11. Communications Division reviewed Ponderosa's Petition for Modification of T-17637 and the information provided, and recommends Commission approval of the requested modification and additional CHCF-A support payment, with additional modification for the change in Pro-Rata.

**THEREFORE IT IS ORDERED THAT:**

1. Ponderosa Telephone Company's Petition for Modification of Resolution T-17637 is granted with further modification for changes to the Pro-Rata Adjustments.
2. A one-time payment of \$558,756.11 in additional 2019 CHCF-A support for Ponderosa Telephone Company is adopted.

This Resolution is effective today.

Commissioner Signature blocks to be added  
upon adoption of the resolution

The foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on 08/24/2025; the following Commissioners voting favorably thereon:

Dated \_\_\_\_\_, at Sacramento, California