

REVISED DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Consumer Programs Branch**

**RESOLUTION T- 17264
April 22, 2010**

R E S O L U T I O N

**Resolution T-17264 Approval of the California Teleconnect Fund
Program Surcharge Rate of 0.16% Effective May 15, 2010.**

Summary

This resolution adopts a revised California Teleconnect Fund (CTF) program surcharge rate of 0.16% effective May 15, 2010, until further revised by the Commission. Consistent with Decision 96-10-066, all telephone and telegraph corporations shall assess a CTF surcharge rate of 0.16% on all revenues collected from end users for intrastate telecommunications services subject to surcharge on May 15, 2010 and thereafter.

Background

The California Teleconnect Fund (CTF) program was implemented under Decision (D.) 96-10-066 on October 25, 1996. In this decision, the California Public Utilities Commission (Commission) reaffirmed its commitment to universal service, and in accordance with state and federal directives, created the CTF to provide discounted rates for a variety of telecommunications services for schools and libraries, government-owned health care providers and qualifying community based organizations.

Commission D.08-06-020, dated June 12, 2008, ordered several changes to the CTF program. The Decision expanded eligibility to community colleges, California

Telehealth Network participants, and non-profit community based organizations providing 2-1-1 Information and Referral Services. Additionally, D.08-06-020 authorized wireless and cable providers to offer broadband Internet access services at discounted rates in partnership with certificated or registered carriers.

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 CTF and five other funds be expended pursuant to §§ 270-281 and upon appropriation in the State's Annual Budget Act.

In Resolution T-17214, dated August 20, 2009, the Commission adopted a CTF budget of \$69.907 million for fiscal year 2010-11.

The CTF program is funded by a surcharge assessed on revenues collected from end users for intrastate telecommunications services subject to surcharge, consistent with D.96-10-066. Historical CTF surcharge rates are available online at <http://www.cpuc.ca.gov>.

Discussion

The Commission's Communications Division (CD) periodically reviews universal service public program balances and surcharge rates to ensure that the programs are sufficiently funded.

The Commission has adopted the following CTF program budgets:

| Fiscal Year | Resolution(s) | Adoption Date | Amount (Millions) |
|----------------------|----------------------|----------------------|--------------------------|
| 2006-07 | T-16942 | September 22, 2005 | \$22.002 |
| 2007-08 | T-17046 | July 20, 2006 | \$25.057 |
| 2008-09 ¹ | T-17104 | August 23, 2007 | \$46.554 |
| 2009-10 | T-17162 | August 21, 2008 | \$60.340 |
| 2010-11 | T-17214 | August 20, 2009 | \$69.907 |

¹ Resolution T-17104 adopted a budget of \$33.202 million for Fiscal Year 2008-09, which was supplemented by \$13.352 million via Resolution T-17162 to fund program expansions, pursuant to D.08-06-020.

At the time these budgets were developed, CD expected the budgeted amounts to equal the expenses incurred by the CTF during those fiscal years. Furthermore, the expenses incurred during each fiscal year will be realized over the course of up to three years.

CD recommends the projected program expenses be based on past actual expenses, escalated by the growth rate of the effective total available appropriations. CD estimates the CTF program realized expenses of \$33.225 million during the period April 1, 2009 through March 31, 2010.² During those twelve months, expenses were charged to four appropriations, with an effective total of \$122.367 million (Appendix A). Over the next twelve month period, April 1, 2010 through March 31, 2011, the expenses will be charged to four appropriations with an effective total of \$165.589 million (Appendix B). This represents a 35% growth in the active budgets and total anticipated obligations. Accordingly, CD estimates the CTF program will realize expenses of \$44.854 million between April 1, 2010 and March 31, 2011.

CD recommends that an adjustment of the CTF surcharge rate is warranted to fund the program and better align program revenues and expenses. Increasing the surcharge from 0.079% to 0.16% will yield an ending fund balance of \$9.265 million on March 31, 2011, on a cash basis of accounting (Appendix C).

Thus, CD recommends the Commission adopt a surcharge rate of 0.16% effective May 15, 2010, to fund CTF program expenses. Appendices A, B and C demonstrate the development of this revised surcharge rate.

Therefore, consistent with Decision 96-10-066, all telephone and telegraph corporations should assess a CTF surcharge rate of 0.16% on revenues collected from end users for intrastate telecommunications services subject to surcharge on May 15, 2010, and thereafter, until further ordered by the Commission.

Advice Letter Filing

In Resolution T-16901, issued December 2, 2004, the Commission modified the current tariff process for revising telecommunications Public Programs surcharge rates. The new process requires all certificated carriers filing tariffs with the Commission to file a generic tariff reference to AT&T California (formerly SBC California) tariffs for the list of Public Program surcharge rates and the Reimbursement Fee. This process change is

² State Controllers Office Fund Reconciliation Reports (4/30/09 through 1/31/10), and claims approved by CD and submitted to the Fiscal Office during the months of February-2010 and March-2010.

effective with surcharge rates and reimbursement fees implemented on January 1, 2005 and thereafter, until revised by the Commission.

In order to comply with the modified tariff process, AT&T California should file an Advice Letter on or before May 14, 2010, to modify the CTF surcharge rate from 0.079% to 0.16%, effective May 15, 2010 and thereafter, until further revised by the Commission. Pursuant to Ordering Paragraph #1 of Resolution T-16901, all other carriers with Commission-filed scheduled tariffs should be cross-referenced to AT&T California's tariff for all future changes in the Public Program surcharges, including the CTF. Therefore, these carriers are not required to file an Advice Letter reflecting the new surcharge rate of 0.16% effective on May 15, 2010 and thereafter. These concurring carriers, however, are required to implement the new CTF surcharge rate of 0.16% effective May 15, 2010.

Finally, consistent with Decision 96-10-066, all telephone and telegraph corporations must ensure that the revised CTF surcharge rate of 0.16% is assessed on revenues collected from end users for intrastate telecommunications services subject to surcharge on May 15, 2010 and thereafter, until further revised by the Commission.

Comments

In compliance with Public Utilities (PU) Code § 311(g), a notice letter was emailed on March 17, 2010, to all telecommunications carriers, the CTF Administrative Committee (CTF-AC), and the parties of record in R.95-01-020/I.95-01-021 informing these parties of the availability of the draft of this Resolution for public comments at the Commission's web site <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.

Findings

1. The California Teleconnect Fund (CTF) program was implemented by Decision (D.) 96-10-066.
2. In October 1999, Public Utilities (PU) Code §§ 270-281 were codified as a result of the enactment of Senate Bill 669.

3. PU Code Section 270(b) requires that the monies in CTF Administrative Committee (CTF-AC) Fund may only be disbursed pursuant to PU Code Sections 270-281 and upon appropriation in the annual Budget Act.
4. Resolution T-17046, approved on July 20, 2006, adopted a CTF expense budget of \$25.057 million for Fiscal Year 2007-08.
5. Resolution T-17104, approved on August 23, 2007, adopted a CTF expense budget of \$33.202 million for Fiscal Year 2008-09.
6. Resolution T-17162, approved on August 20, 2008, adopted a CTF expense budget of \$60.340 million for Fiscal Year 2009-10, and a supplemental budget of \$13.352 million for Fiscal Year 2008-09 to fund CTF program expansions.
7. Resolution T-17214, approved on August 20, 2009, adopted a CTF expense budget of \$69.907 million for Fiscal Year 2010-11.
8. The projected ending fund balance is \$9.265 million at March 31, 2011, based upon the surcharge rate of 0.16% and utilizing the cash basis of accounting, as shown in Appendix C.
9. The CTF surcharge rate is set to maintain an appropriate fund balance, based on a cash basis of accounting.

THEREFORE, IT IS ORDERED that:

1. The California Teleconnect Fund surcharge rate of 0.16% shall be effective May 15, 2010, until further revised by the Commission, is adopted.
2. AT&T shall file an Advice Letter on or before May 14, 2010, modifying the surcharge rate for the California Teleconnect Fund from 0.079% to 0.16%, effective May 15, 2010, and thereafter, until further revised by the Commission.
3. All telephone and telegraph corporations shall revise the California Teleconnect Fund surcharge rate from 0.079% to 0.16% effective May 15, 2010.
4. Consistent with Decision 96-10-066, all telephone and telegraph corporations shall assess 0.16% surcharge rate on revenues collected from end users for intrastate telecommunications services subject to surcharge on May 15, 2010 and thereafter, until further ordered 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 April 22, 2010. The following Commissioners approved it:

Paul Clanon
Executive Director

Appendix A

CALIFORNIA TELECONNECT FUND
Active Budgets April 1, 2009 through March 31, 2010
(Millions of Dollars)

| Fiscal Year | Adopted Resolution | Budget Amount | Months Available (Out of 12) | Effective Total |
|------------------------|---------------------------|----------------------|-------------------------------------|------------------------|
| 2006-07 | T-16942 | \$22.002 | 3 | \$5.501 |
| 2007-08 | T-17046 | \$25.057 | 12 | \$25.057 |
| 2008-09 [a] | T-17104 | \$46.554 | 12 | \$46.554 |
| 2009-10 | T-17162 | \$60.340 | 9 | \$45.255 |
| Effective Total | | | | \$122.367 |

[a] Resolution T-17104 adopted a budget of \$33.202 million for Fiscal Year 2008-09, which was supplemented by \$13.325 million via Resolution T-17162.

Appendix B

CALIFORNIA TELECONNECT FUND
Active Budgets April 1, 2010 through March 31, 2011
(Millions of Dollars)

| Fiscal Year | Adopted Resolution | Budget Amount | Months Available (Out of 12) | Effective Total |
|------------------------|---------------------------|----------------------|-------------------------------------|------------------------|
| 2007-08 | T-17046 | \$25.057 | 3 | \$6.264 |
| 2008-09 [a] | T-17104 | \$46.554 | 12 | \$46.554 |
| 2009-10 | T-17162 | \$60.340 | 12 | \$60.340 |
| 2010-11 | T-17214 | \$69.907 | 9 | \$52.340 |
| Effective Total | | | | \$165.589 |

[a] Resolution T-17104 adopted a budget of \$33.202 million for Fiscal Year 2008-09, which was supplemented by \$13.325 million via Resolution T-17162.

Appendix C

CALIFORNIA TELECONNECT FUND
Pro Forma Fund Status
Cash Basis – Millions of Dollars

| A | B | C | D |
|----|---|------------------------------------|------------------------------------|
| | | April 1, 2009 to March 31, 2010 | April 1, 2010 to March 31, 2011 |
| 1 | Projected Intrastate Revenues Subject to Surcharge | \$ 22,800.000 | \$ 22,800.000 |
| 2 | Surcharge Rate from April 1, 2009 to May 30, 2010 | 0.079% | 0.079% |
| 3 | Surcharge Rate effective May 1, 2010 | | 0.16% |
| 4 | Effective Total of Active Budgets [a] | \$ 122.367 | \$ 165.589 |
| 5 | Percent Growth of Effective Total of Active Budgets [b] | | 35% |
| 6 | Beginning Fund Balance [c] | \$ 36.238 | \$ 22.025 |
| 7 | Revenues: | | |
| 8 | Estimated Surcharge (Lines 1 - 3) [d] | \$ 18.012 | \$ 31.094 |
| 9 | Estimated Investment Income [e] | \$ 1.000 | \$ 1.000 |
| 10 | Total Revenues (Lines 8 & 9) | \$ 19.012 | \$ 32.094 |
| 11 | Expenditures: | | |
| 12 | Actual Expenses [f] | \$ 21.698 | |
| 13 | Projected Expenses [g] | \$ 11.527 | \$ 44.854 |
| 14 | Total Expenditures (Lines 12 & 13) | \$ 33.225 | \$ 44.854 |
| 15 | Ending Fund Balance (Line 6 + Line 10 - Line 14) | \$ 22.025 | \$ 9.265 |

[a] Refer to Appendices A and B

[b] $(165.589 - 122.367) / 122.367 = 35\%$

[c] Column C is based on the State Controllers Office Fund Reconciliation Report (3/31/09), and Column D is the ending balance of Column C

[d] CD expects the CTF to realize revenue from the 0.16% surcharge starting July 15, 2010

[e] Cal Star Q24 Year End Report - Receipts by Organization, 6/30/09

[f] State Controllers Office Fund Reconciliation Reports (4/30/09 through 1/31/10)

[g] Column C is based on claims approved by CD and submitted to the Fiscal Office during the months of February-2010 and March-2010, and Column D is based on the prior 12 months actual expenses, escalated by 35% (Line 5)