

Mailed Date: March 8, 2007

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**Telecommunications Division  
Public Programs Branch**

**RESOLUTION T-17078  
March 1, 2007**

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

**Resolution T-17078. Approval of the California High Cost Fund-B  
Administrative Committee Fund Surcharge Rate of 1.30% Effective  
April 1, 2007.**

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**Summary**

This resolution adopts a surcharge rate of 1.30% for the California High Cost Fund-B (CHCF-B) Administrative Committee (AC) Fund effective April 1, 2007 and thereafter, until further revised by the Commission. All regulated telecommunications carriers shall assess a CHCF- B surcharge rate of 1.30% on their end-user's bills rendered for intrastate telecommunications services on April 1, 2007, and thereafter.

**Background**

In Decision (D) 96-10-066, the Commission established the CHCF-B program to provide universal service subsidy support in the high cost areas of AT&T California, Verizon of California, SureWest Telephone, Citizens Telecommunications Company of California, and new carriers that become Carriers of Last Resort (COLR).

In October 1999, PU Code § 270-281 were codified as a result of the enactment of Senate Bill (SB) 669 (Stats. 1999, Chapter 677). § 270(b) requires that the monies in the CHCF-B and five other funds may only be expended pursuant to § 270-281 and upon appropriation in the annual Budget Act.

For Fiscal Year (FY) 2006-07, the State Budget appropriated the amount of \$434.135 million for the California High Cost Fund-B Administrative Committee Fund (Chapters 47 & 48, Stats 2006.

## **Discussion**

In this Resolution, the Telecommunications Division (TD) recommends a CHCF-B AC Fund surcharge rate of 1.30% effective April 1, 2007 and thereafter, until further revised by the Commission.

Appendix A shows the actual fiscal year 2005-06, and forecasted CHCF-B FY 2006-07 and FY 2007-08 results of operations. In addition the new surcharge rate is based on the June 30, 2006 ending cash balance as reflected in the Certification of Year-end financial reports submitted to the State Controller's Office on August 11, 2006.

All certificated telecommunications carriers shall assess a revised CHCF- B rate of 1.30% on their end-user's bills rendered for intrastate telecommunications services on April 1, 2007 and thereafter.

## **Advice Letter Filing**

In accordance with Resolution T-16901, dated December 2, 2004, AT&T (formally SBC) shall file an Advice Letter on or before March 22, 2007, modifying the CHCF- B surcharge from 2.00% to 1.30% to take effect on April 1, 2007 and thereafter, until further revised by the Commission.

To maximize administrative efficiency, AT&T is allowed to file simultaneously on or before March 22, 2007 the revised tariff schedules in compliance with resolutions revising various public program surcharges effective on April 1, 2007 and thereafter in accordance with the provisions of G.O. 96, as modified by first, second, and third interim orders. AT&T is not required to inform competing carriers of tariff changes which comply with this resolution.

## **Comments**

In compliance with PU Code § 311 (g), a notice letter was e-mailed on January 30, 2007 to all telecommunications carriers, the CHCF-B AC, and the parties on the service list of R.06-06-028 informing these parties that this draft resolution is available at the Commission's website <http://www.cpuc.ca.gov/static/documents/index.htm> and is available for public comments. In addition, TD informed these parties of the availability of the conformed resolution at the same website.

TD did not receive any comments on this resolution.

## Findings

1. In October 1999, Public Utilities (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-B (CHCF-B) Administrative Committee (AC) Fund may only be disbursed pursuant to § 270-281 and upon appropriation in the annual Budget Act.
3. All certificated telecommunications carriers should assess the revised CHCF-B surcharge of 1.30% on their end-user's bills rendered for intrastate telecommunications services on April 1, 2007, and thereafter, until further revised by the Commission.
4. In accordance with Resolution T-16901, dated December 2, 2004, AT&T should file an Advice Letter on or before March 22, 2007, modifying the CHCF-B surcharge rate from 2.00% to 1.30% to take effect on April 1, 2007, and thereafter, until further revised by the Commission.
5. To maximize administrative efficiency, AT&T is allowed to file simultaneously on or before March 22, 2007 the revised tariff schedules in compliance with resolutions revising various public program surcharges effective on April 1, 2007 and thereafter in accordance with the provisions of General Order (G.O) 96, as modified by first, second, and third interim orders.
6. Copies of the notice letter advising parties of the availability of this draft resolution and the conformed resolution, when adopted by the Commission on the Commission's web site were e-mailed on January 30, 2007 to all telecommunications carriers, the CHCF-B AC, and the parties on the service list of R.06-06-028.
7. TD did not receive any comments on this resolution.

**THEREFORE, IT IS ORDERED that:**

1. The California High Cost Fund (CHCF) -B Administrative Committee (AC) surcharge rate of 1.30%, effective April 1, 2007 until further revised by the Commission, is adopted.
2. In compliance with Resolution T-16901, dated December 2, 2004, AT&T shall file an Advice Letter on or before March 22, 2007, modifying the surcharge rate for the CHCF-B AC Fund from 2.00% to 1.30%, effective April 1, 2007, and thereafter, until further revised by the Commission.
3. To maximize administrative efficiency, AT&T is allowed to file simultaneously on or before March 22, 2007, the revised tariff schedules in compliance with resolutions revising various public program surcharges effective on April 1, 2007 and thereafter, in accordance with the provisions of General Order (G.O.) 96, as modified by first, second, and third interim orders.
4. All certificated telecommunications carriers shall assess the revised CHCF-B AC Fund surcharge of 1.30% on their end-user's bills rendered for intrastate telecommunications services on April 1, 2007, and thereafter, until further revised by the Commission.

This Resolution is effective today.

I hereby certify that the Public Utilities Commission at its regular meeting on March 1, 2007 adopted this Resolution. The following Commissioners approved it:

/s/ STEVE LARSON

STEVE LARSON  
Executive Director

MICHAEL R. PEEVEY  
President  
DIAN M. GRUENEICH  
JOHN A. BOHN  
RACHELLE B. CHONG  
TIMOTHY A. SIMON  
Commissioners

## Appendix A

**California High Cost Fund - B Projected cash flow analysis for FY 2006-07 and FY 2007-08**

	Financial Reports submitted to the State Controller's Office FY 2005-06	Pro Forma Statement FY 2006-07	Pro Forma Statement FY 2007-08
1 Projected Intrastate Revenues Subject to Surcharge <sup>1</sup> (based on actual intrastate billings subject to surcharges from Sep 04 through Aug 05)	\$21,270,761,000	\$21,270,761,000	
2 Projected Intrastate Revenues Subject to Surcharge (based on actual intrastate billings subject to surcharges from Oct 05 through Sept 06)		\$21,791,772,242	\$21,791,772,242
3 Surcharge Rate from Jul 1, 2005 thru Dec 31, 2005	2.00%		
4 Surcharge Rate effective Jan 1, 2006	2.00%	2.00%	
5 Surcharge Rate effective April 1, 2007		1.30%	1.30%
6 Beginning Fund Balance	\$239,025,514	\$221,751,215	\$192,764,719
7 Revenues:			
8 Surcharge	\$560,760,446.37	\$394,226,435	\$283,293,039
9 Surcharge for FY 2004-05	(\$60,750,000.00)	\	
10 Investment Income	\$9,194,270.00	\$6,911,651	\$6,217,739
11 Total Revenues (Sum of Ln 8 thru Ln 10)	\$509,204,716.37	\$401,138,086	\$289,510,778
12 Expenditures:			
13 Prior Period Adjustment			
14 FY 2003-04	\$8,352,099		
15 FY 2004-05	\$83,647,365	\$ (10,418.63)	
16 FY 2005-06	\$434,479,552	\$ (5,000,000.00)	
17 FY 2006-07 (Resolution T-16955)		\$ 435,135,000.00	
18 FY 2007-08 (Resolution T-17028)			\$435,979,000
19 Total Expenditures (sum of Ln 13 thru Ln 18)	\$526,479,016	\$430,124,581	\$435,979,000
20 Ending Fund Balance (Ln 6 + Ln 11 – Ln 19)	\$221,751,215	\$192,764,719	\$46,296,498
<b>The following comparison is for information purpose only</b>			
21 Required surcharge rate w/o prior year accumulated fund balance		2.02%	2.00%
22 Adopted surcharge rate (Ln 5)		1.30%	1.30%
23 Incremental surcharge rate reduction due to prior year accumulated fund balance (Ln 21 - Ln 22)		0.72%	0.70%

<sup>1</sup> \$21,270,761,000 is based on actual recorded twelve months intrastate billings amount (March 2005 through February 2006); beginning November 2006, billing base increased to \$21,692,036,972 based on twelve months intrastate billings amount (November 2005 through October 2006).