

California High Cost Fund-B Administrative Committee (CHCF-B-AC)

September 12, 2014

Paul Clanon
Executive Director
California Public Utilities Commission
505 Van Ness
San Francisco, CA 94102

SEP 12 2014
EXECUTIVE DIRECTOR'S OFFICE

CHCF-B ANNUAL REPORT – 2013-14

This CHCF-B Annual Report for 2013-14 is submitted to the California Public Utilities Commission by the CHCF-B-AC in compliance with California Public Utilities Code Section 273(b). It includes the AC-approved minutes of the Administrative Committee meetings for:

- December 11, 2013
- April 23, 2014

During FY 2013-14 the CHCF-B customer surcharge was 0.30%. The surcharge has remained at 0.30% since March 24, 2011, when it was reduced from 0.45%. Effective February 1, 2014, in Resolution T-17417, the surcharge rate was reduced to 0.00%, due to a high balance in the CHCF-B. Carrier claim payments, the Fund's most significant variable expense, were \$18.961 million in FY 2013-14.

Between October 2008 and June 2012 the State of California General Fund borrowed a total of \$134 million from the CHCF-B as a means of addressing the State's fiscal crisis. A portion of this loan, \$75 million, was repaid with interest June 30, 2014. The remaining \$59 million loan from the Fund is currently expected to be repaid at the end of 2017-18, unless the CHCF-B requires the repayment earlier.



Robert Lehman, chair
CHCF-B-AC

Public Utilities Commission
High Cost Fund B Admin Committee Fund- Fund 0470
Statement of Operations

		1st Qtr Yr-to-date (Sept) As of 9/30/13	2nd Qtr Yr-to-date (Dec.) 12/31/2013	3rd Qtr Yr-to-date (Mar.) 03/31/2014	4th Qtr Yr-to-date (June) 06/30/2014	
Beginning Fund Balance (Deficit)		42,883,942.24	46,119,529.93	51,131,583.94	60,540,877.01	
ADDITIONS:						
Program Revenues (Three months cumulative amounts)						
1	Surcharge Remittance Received from Carriers	4,125,328.41	10,919,468.53	15,676,039.82	4,570,464.65	
2	Interest on Invested Funds				749,277.91	
3	Delinquent Fees					
4	Income from Surplus Money Investments		21,290.11	27,227.22	73,431.54	
5	Return of Funds from General Fund Loan				75,000,000.00	
	Total Program Revenues	4,125,328.41	10,940,758.64	15,703,267.04	80,393,174.10	111,162,528.19
DEDUCTIONS:						
Program Expenditures						
State Operations						
6	Carrier Claim Payment FY 2013-14	737,885.11	5,788,598.43	5,642,276.23	6,792,560.05	
7	Commission Ordered Payments			514,099.48		
8	Equipment Purchases					
9	Prior Year Carrier Claim Payments	1,747.65	(2,912.63)			
10	Interest for Untimely Payments					
11	Other Legislative Mandated Programs					
12	Audits					
13	Banking Fees					
14	Printing/Copy Serv					
15	Contractor-Consult					
16	Software Design & Development					
Adm. Committee Costs						
17	Per Diem					
18	Travel and Others					
19	Special Needs Accommodation and Teleconferencing					
PUC Staff and Admin Costs						
20	Inter-Agency Fee				169,531.69	
21	Pro-Rata Costs	66,406.25	66,406.25	66,406.25	66,406.25	
22	CPUC Staff and Adm. Costs	83,701.71	76,612.58	71,192.01	604,713.52	
23	Total Program Expenditures	889,740.72	5,928,704.63	6,293,973.97	7,633,211.51	20,745,630.83
24	Cumulative (Net) Program Costs	3,235,587.69	5,012,054.01	9,409,293.07	72,759,962.59	
25	Less: Loan to General Fund	-	-	-	-	
26	Ending Fund Balance (Deficit)	46,119,529.93	51,131,583.94	60,540,877.01	133,300,839.60	

Notes:

On 9/2/2011, \$65,000,000 was transferred to the General Fund. Repayment was completed 6/30/2014.
On 6/5/2012, \$10,000,000 was transferred to the General Fund. Repayment was completed 6/30/2014.
On 10/20/2008, \$35,000,000 was transferred to the General Fund. PUC Budget Office has not informed about the due date of the loan.
On 04/01/2009, \$24,000,000 was transferred to the General Fund. PUC Budget Office has not informed about the due date of the loan.

Minutes of CHCF-B Administrative Committee (AC) Meeting
April 23, 2014 @ 10:30 am

ADOPTED

Venue

California Public Utilities Commission
505 Van Ness Ave., Room 3204
San Francisco, CA 94102

Attendees

Primary Members

Robert Lehman, Chairman
Michael Foreman, AT&T
Margo Ormiston, Verizon; (alternate for Charlie Born)

Liaisons

Richard Maniscalco, CPUC – Communications Division
Benson Jung, CPUC - Fiscal Office

Others

Felix Robles, CPUC - Communications Division

The meeting was called to order at 10:37 am by Robert Lehman (RL)

1. Introductions

All attendees introduced themselves; Margo Ormiston attended as alternate for Charlie Born, who was travelling out of the country.

2. Announcements – Bob Lehman asked Michael Foreman if carriers could issue a surcharge credit on customers' phone bills if the B Fund sun-setted on January 1, 2015 with a sizable balance remaining in the program fund. Mike answered that there had been a sur-credit issued in the past on customers' bills but it didn't involve a refund of program surcharges. Richard also said that a surcharge credit might not reach all the subscribers that had originally paid past surcharges as some of those subscribers might no longer subscribe to telephone service and would not receive the credit.

3. Public Comments – None

4. Review and Approval of Minutes

The draft minutes from the December 11, 2013 meeting were reviewed by all attendees. Commenting on an item from the December 11, 2013 meeting, Richard said that he had sent the draft November 26, 2012 meeting minutes to the members by email for their review and approval and said that all members had approved them. Robert Lehman

motioned to approve the minutes from the December 11, 2013 meeting and Michael Foreman seconded the motion. The minutes from the December 11, 2013 meeting were approved.

5. Liaison Staff Reports

a. Fiscal Report

Benson Jung (BJ) attended for Michelle Morales (MM) who could not attend as she was in training. A copy of Fiscal's Statement of Operations for the B Fund from the 1st, 2nd and 3rd quarters for fiscal year 2013-14 was distributed to all present. There were several items on the report that raised questions from the attendees. The first was that the delinquent fees and the surcharge revenue amounts from the 3rd quarter of FY 2013-14 were much higher than usual. During a discussion on this matter, Mike Foreman mentioned that it could be from the TracFone proceeding in which the Commission ordered TracFone to remit unpaid surcharges and fees. Felix said that was most probably the explanation for those increases. Felix then said he would go and get information regarding the TracFone payment to the Commission. Felix returned and had information that TracFone had made a \$10.6 million payment to the B Fund which included \$4.3 million in delinquent fees. Bob Lehman had a question as to why the surcharge revenue was only \$4.1 million for the 1st quarter of FY 2013-14. Benson said that he would ask Michelle Morales for an explanation. Another question arose about the \$514,099 Commission Ordered Payment from 3rd quarter of FY 2013-14. Richard informed the attendees that this was for intervenor fees paid to TURN and another party in the B Fund Proceeding. Bob Lehman said that intervenor fees should come out of the revolving fund and not the program funds. The members asked Benson to ask Michelle to check into this issue as well. Before Benson left the meeting he was also asked to find out what would happen to the considerable balance in the B Fund if it is allowed to expire on January 1, 2015.

b. Legal report –

No legal report as Sindy Yun (SY) was not in attendance.

c. Communications Division report on FY 2014-15 Budget and Surcharge Reduction Resolutions

Felix gave the group an update on SB 1364, which would extend both the A and B funds until January 1, 2019. Felix said that the bill is moving along in the senate and that it had passed a 9-0 vote before the Senate Utility committee. Bob asked if the bill would have to go before the assembly next. Mike Foreman answered that he thought it would have to go before the assembly members as well.

6. Other Administration Matters

None.

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6. Other Administration Matters

None.

7. New agenda items for next meeting

Questions for Michelle Morales of Fiscal: (1) Why was the surcharge revenue only \$4.1 million for the 1st quarter of FY 2013-14? (2) Why are intervener fees put under the "Commission Ordered" payment category in the B Fund's Statement of Operations? Shouldn't they come out of the revolving fund and not the program fund? (3) What would happen to the funds that remained in the B Fund account if the B Fund was to be phased out?

8. Date and Time for future meeting:

Robert Lehman asked the members if August 27, 2014 would be a good date for the next meeting. All present said it was okay.

The next meeting will be held on Wednesday, August 27, 2014 from 10:30 am to 12:00 pm.

Robert Lehman motioned to adjourn the meeting. Michael Foreman seconded the motion.

The meeting was adjourned at 11:17 pm.

Minutes were submitted by Richard Maniscalco

Minutes of CHCF-B Administrative Committee (AC)
December 11, 2013

ADOPTED

Venue

California Public Utilities Commission
505 Van Ness Ave., Room 2204
San Francisco, CA 94102

Attendees

Primary Members

Robert Lehman (RL), Chairman
Michael Foreman (MF), AT&T
Margot Ormiston (MO), Verizon; (alternate for Charlie Born)

Liaisons

Richard Maniscalco (RM), CPUC – Communications Division
Michelle Morales, (MM), CPUC - Fiscal Office

Others

Felix Robles (FR) CPUC - Communications Division
Jim Simmons (JS) CPUC – Office of Ratepayer Advocates

The meeting was called to order at 11:10 am by Robert Lehman (RL)

1. Introductions

All attendees introduced themselves; Margo Ormiston attended as alternate for Charlie Born, who could not attend.

2. Announcements - None

3. Public Comments – None

4. Review and Approval of Minutes

The minutes of the February 27, 2013 meeting were reviewed. Robert Lehman noted that the minutes from the November 26, 2012 had not been reviewed and voted on yet. Richard Maniscalco (RM) said he would send the draft November 26, 2012 meeting minutes to the members by email for their review and approval. Robert Lehman noted that he needed the November 26, 2012 meeting minutes for the annual report to Paul Clanon which is due by end of December 2013. Robert Lehman motioned to approve the minutes from the February 27, 2013 meeting and Michael Foreman seconded the motion. The minutes from the February 27, 2013 meeting were approved.

5. Liaison Staff Reports

a. Fiscal Report

Michelle Morales (MM) presented to all a Statement of Operations for the B Fund for the first quarter ending Sept. 30, 2013 and for the second quarter as of Oct. 31, 2013, the ending balances were \$53.77 and 55.34 million, respectively. Robert Lehman had a couple of questions for Michelle about the report, mostly about the format. Richard Maniscalco asked Michelle what would happen to the funds in the B Fund if it was to sunset as scheduled on January 1, 2015. Michelle thought that it might revert to the General Fund, but that she would check on it to be sure. MM then left the meeting.

b. Legal report –

No legal report as Sindy Yun (SY) was not in attendance.

c. Communications Division report on FY 2014-15 Budget and Surcharge Reduction Resolutions

Richard passed out copies of Resolution T-17417 and explained that this resolution, which was adopted by the Commission on December 5, 2013, reduced the B Fund surcharge from 0.30% to 0.00%, to be effective on February 1, 2014. He continued to explain that the current high balance in the B Fund and the decreasing claims amounts made it a prudent change. Also, he mentioned that the B Fund was due to sunset on January 1, 2015 and also that the State was due to repay loans totaling \$134 million sometime during the next two fiscal years.

Richard next passed out copies of Resolution T-17399, set the expenditure budget for the B Fund for Fiscal Year 2014-15, and explained that Appendix A to the resolution contained a comparison of the B Fund's Expenditures for Fiscal Years 2012-13, 2013-14 and 2014-15. The total proposed expenditures for FY 2014-15 is \$22.39 million, of which \$20.78 million are expected claims.

6. Other Administration Matters

None.

7. New agenda items for next meeting –

General Fund Credit information from Michelle Morales; news about new legislation to extend the B Fund;

5. Liaison Staff Reports

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b. Legal report –

No legal report as Cindy Yun (SY) was not in attendance.

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6. Other Administration Matters

None.

7. New agenda items for next meeting –

General Fund Credit information from Michelle Morales; news about new legislation to extend the B Fund;

8. Date and Time for future meeting:

Robert Lehman asked the members if April 23, 2014 would be a good date for the next meeting. All present said it was okay.

The next meeting will be held on Wednesday, April 23, 2014 from 10:30 am to 12:00 pm.

Robert Lehman motioned to adjourn the meeting. Michael Foreman and Margot Ormiston both seconded the motion.

The meeting was adjourned at 12:00 pm.
Minutes were submitted by Richard Maniscalco