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

October 10. 2017

Tim Sullivan
Executive Director
California Public Utilities Commission
505 Van Ness; 5th Floor
San Francisco. CA 94102

CHCF-B ANNUAL REPORT-
2016-17

This CHCF-B Annual Report for 2016-17 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 CHCF-B-AC-adopted minutes of the Administrative Committee meetings for:

- June 6, 2016 - Adopted
- October 20, 2016 - Adopted
- February 23, 2017 - Adopted

Due to high CHCF-B account balances, the CHCF-B customer surcharge was reduced on March 24, 2011 from 0.45% to 0.30%. It was reduced again, effective February 1, 2014, in Resolution T-17417, to 0.00%. Carrier claim payments, the Fund's most significant variable expense, were $16,613,537 million in FY 2016-17 and budgeted to be $20,777,000 million for FY 2017-18. Total program budgeted expenditures for FY 2017-18 are $22,289,000 million.

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. An additional $10 million was transferred from the Fund on June 26, 2015 to the Railroad Accident Prevention and Response Fund (RAPR). Repayment had been expected on July 1, 2017, however, repayment was postponed and no new date for repayment has been set. Another $10 million loan was transferred in late June 2016, also to RAPR. Repayment of this loan is expected after repayment of the 2015 loan. The remaining $59 million loan from the CHCF-B to the State's General Fund is currently expected to be repaid after the end of 2017-18, unless the CHCF-B requires the repayment earlier.

Sincerely,

Patrick Hoglund

Patrick Hoglund, Chairperson
CHCF-B-Administrative Committee

Minutes of CHCF-B Administrative Committee (AC) Meeting
February 23, 2017 @ 10:30 am

ADOPTED

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

Attendees
Primary Members
Patrick Hoglund, ORA
Michael Foreman, AT&T
Charlie Born, Frontier

Liaisons
Michelle Morales, CPUC – Fiscal Office
Sindy Yun, CPUC – Legal Division

Others
Felix Robles, CPUC – Communications Division
Miriam Sidney, CPUC – Communications Division

The meeting was called to order at 10:35 am

1. Introductions – None

2. Announcements
Vacancies for committee chair and vice-chair need filling (See Agenda Item 6).

3. Public Comments – None

4. Review and Approval of Minutes
Committee postponed vote on June 9, 2016 and October 20, 2016 draft minutes. Felix Robles committed Richard Maniscalco to emailing draft minutes from June 9, 2016 and October 20, 2016 to committee members for review prior to vote at the next scheduled meeting.

5. Liaison Staff Reports

a. Fiscal Report

Michelle Morales provided detailed information regarding claims against fund and provided a statement of operations. Claims clarification consisted of: blue items represent claims paid up to January 31st of Fiscal Year 2015/2016. Statement of operations clarifications included:

statement represents data through January 31st of Fiscal Year 2015/2016; negative balances relate to refunding of inadvertent payments to the MTS B-fund fund; the purpose of temporary B fund collections was to support MTS implementation, e.g. budgets for computer systems and contractors; late reports, adjustments, and refunds account MTS fund transactions subsequent to restoration of the zero B-fund surcharge rate. Additionally, Michelle Morales noted a preliminary report from recent internal audit of all programs indicated correct program administration. Sindy Yun made a procedural inquiry regarding the slated sunset of the fund in 2020. Charlie Born responded with anticipation that a carrier of last resort will work with a senator(s) and legislator(s) to sponsor a bill extending fund operations.

b. Legal report – None

c. Communications Division report – None

6. Other Administration Matters

a. Sindy Yun cited Sections 6.1 and 6.2 as authorities to elect a committee chair and a vice-chair and provided conflict of interest reviews. Sindy Yun confirmed that there was a quorum of committee members present to elect new committee positions. Mike Foreman nominated Patrick Hoglund from ORA for committee chair, and Charlie Born seconded the nomination. Patrick Hoglund accepted the nomination. Mike Foreman accepted nomination for vice chair. Sindy Yun provided legal review for naming Asia Powell of Frontier as Charlie Born's alternate and provided legal approval, pending a letter to CPUC's Executive Director. Sindy Yun provided legal review and approval of naming Manisha Lakhanpal as ORA alternate.

b. Sindy Yun inquired after a report due to the Commission on or before October 1, 2016. Patrick Hoglund consented to write the report, if necessary.

7. New agenda items for next meeting – Review and approval of minutes.

8. Date and Time for future meeting:

The next meeting will be held on Wednesday, May 24, 2017 from 10:30 am to 12:00 pm.

The meeting was adjourned at 11:28 am.

Minutes were submitted by Miriam Sidney and will be edited by Richard Maniscalco.

Minutes of CHCF-B Administrative Committee (AC) Meeting
October 20, 2016 @ 10:30 am

ADOPTED

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

Attendees
Primary Members
Michael Foreman, AT&T

Liaisons
Michelle Morales, CPUC – Fiscal Office
Richard Maniscalco, CPUC – Communications Division
Sindy Yun, CPUC – Legal Division

Others
Felix Robles, CPUC – Communications Division
Miriam Sidney, CPUC – Communications Division
Manisha Lakhanpal, CPUC – Office of Ratepayer Advocates
Asia Powell, Frontier (for Charlie Born)

The meeting was called to order by Manisha Lakhanpal.

1. Introductions
All attendees introduced themselves.

2. Announcements – None.

3. Public Comments – None.

4. Review and Approval of Minutes –Regular member Charlie Born of Frontier was not present; hence, approval postponed.

5. Liaison Staff Reports

a. Fiscal Report
One change report from last year not yet incorporated.
While there is no PPP surcharge rate, there is a MTS surcharge to recover costs.

Report documents PPP collections in absence of PPP surcharge from factors such as late submissions from delinquent companies and misapplied payments erroneously applied to B-fund.
General fund loan repayments slated for July 1, 2017 and June 30, 2018.

b. Legal report – No Legal report.

c. Communications Division report
Discussion of FY 2017-18 Expense Budget Resolution. New procedure to combine all program budgets into one resolution. Will use figures from FY 2016-17 for FY 2017-18 budget. Some discussion of the February 2017 deadline.

Cox requested and secured relief (effective August 2016) from COLR obligation through Advice Letter process.

6. Other Administration Matters – None.

7. New agenda items for next meeting – None.

8. Date and Time for future meeting:
The next meeting will be held on January 19, 2017 @ 10:30 am

The meeting was adjourned at 11:26 am.

Minutes were submitted by Miriam Sidney and will be edited by Richard Maniscalco

Minutes of CHCF-B Administrative Committee (AC) Meeting
June 9, 2016 @ 10:30 am

ADOPTED

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

Attendees
Primary Members
Charlotte Chitadje, Chairman
Michael Foreman, AT&T
Charlie Born, Frontier

Liaisons
Richard Maniscalco, CPUC – Communications Division
Sindy Yun, CPUC – Legal Division

Others
Felix Robles, CPUC – Communications Division
Miriam Sidney, CPUC – Communications Division

The meeting was called to order at 10:35 am by Charlotte Chitadje

1. Introductions
All attendees introduced themselves.

2. Announcements – None.

3. Public Comments – None.

4. Review and Approval of Minutes
The draft minutes from the February 10, 2016 meeting were reviewed. Charlotte, Mike and Charlie voted to approve the minutes.

5. Liaison Staff Reports

a. Fiscal Report
Since Fiscal's Michelle Morales was not in attendance, Richard Maniscalco spoke about the 4th Quarter B Fund Statement of Operations report that Michelle had provided him several days prior to the meeting. Richard informed the committee that he had sent Michelle an email asking for what was the encumbrance amount of <$167,150.04> on line 18 of the

report. Richard also brought to the attention of the committee the fact that two AT&T claims from October 2015 appeared on the second page of the report. Richard explained that the claims amount of $916,811.62 was in error and AT&T had sent back the payment check in that amount. Fiscal sent the check to the State Controller's Office so that the amount could be put back into the B Fund account. The second amount for October 2015 claim amount was for $857,282.94. This was the correct figure and a check for this amount was sent to AT&T.

b. Legal report – Sindy Yun reported that AB-2395 had died in the legislature. This bill would have established a process for a telephone corporation to withdraw legacy public switched telephone network services and transition to Internet Protocol (IP) enabled services and networks, beginning January 1, 2020. SB-1122 was brought up and it was noted that it was still making its way through the Legislature. This bill would require the California Public Utilities Commission (CPUC) to make a final decision in a general rate case (GRC) of a small independent telephone company no later than 390 days following the company's filing.

c. Communications Division report

Charlie Born asked Richard to refresh his memory about CD's discovery of overpayments to Verizon from August 2014, which was caused by Verizon's submission of incorrect B Fund claims. The claims contained incorrect CBG coding which put the Verizon customer into the wrong high-cost CBG. The aggregate effect was to erroneously increase Verizon payments during this period to approximately $179,000.

Richard next reported that Cox had submitted advice letter #1442 requesting to opt out of its COLR obligations. Cox is a B Fund carrier which operated in high cost CBGs in Orange and San Diego Counties. Cox stated it would still provide service to its customers. Richard further noted that Commission decisions and general orders said a COLR could opt out of being a COLR by filing an advice letter provided that there was another COLR that operated in the same service territory. Since AT&T operates in these same CBGs, Cox could use the advice letter process to opt out of being a COLR. However since it was not clear what tier advice letter should be used and to ensure proper notice would be given to parties to comment, a legal opinion from Sindy Yun recommended that a resolution be drafter to bring this matter before the Commission. Richard stated that he had drafted resolution T-17526 for this advice letter and given it to Felix Robles for his review. Felix mentioned that this resolution most probably would be on the Commission's August 18, 2016 agenda.

Finally, Richard talked about a draft spreadsheet document that he had handed to the attendees which showed the expenditure categories for the fiscal year 2017-18 budget. Local Operations (claims) were $19.12

million; State Operations were $1.6 million; Fi$Cal was $24,000; and State Controller's Office was $237. The committee did not vote on this draft budget as industry members Mike Foreman and Charlie Born had to recuse themselves.

6. Other Administration Matters – Richard asked Charlie Born to speak about Frontier's transition in acquiring Verizon's landline business. Charlie briefly explained the challenges that Frontier faced after the acquisition of Verizon's landlines took place. He explained that this mostly affected the FIOS customers and mostly in coastal areas especially in Long Beach. He stated that the Commission was still reviewing this transition and that more information could be obtained from the hearing transcripts, from the call completion proceeding, from June 1, 2016.

7. New agenda items for next meeting – Richard stated that he planned to report on the adopted B Fund Expense Budget Resolution at the next meeting.

8. Date and Time for future meeting:
The next meeting will be held on Thursday, October 20, 2016, from 10:30 am to 12:00 pm.

Charlotte Chitadje motioned to adjourn the meeting and Michael Foreman seconded the motion.

The meeting was adjourned at 11:11 am.

Minutes were submitted by Richard Maniscalco