

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Program Management and Implementation Branch**

**RESOLUTION T-17142
April 24, 2008**

R E S O L U T I O N

Resolution T-17142. Adopting a California Teleconnect Fund (CTF) Surcharge rate of 0.079%, beginning June 1, 2008.

Summary

This resolution reduces the CTF surcharge rate from 0.130% to 0.079% effective June 1, 2008 until further revised by the Commission. All certificated communications carriers shall assess the revised CTF surcharge rate of 0.079% on their end-user's bills rendered for intrastate telecommunications services on June 1, 2008, and thereafter.

Background

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

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

In Resolution T-17104 dated August 23, 2007, the CPUC adopted a CTF-AC Fund Fiscal Year 2008-09 budget of \$33.202 million.

Discussion

The Commission's Communications Division (CD) staff periodically reviews universal service public program balances and surcharge rates to ensure that program is sufficiently funded to cover program obligations. After a recent review of the CTF program, CD staff determined that the fund balance was growing, as revenues were exceeding program expenditures. As forecasted data indicates a continuation of this trend, CD staff believes an adjustment of the CTF surcharge rate is warranted to better align program revenues and expenses.

Therefore, by this resolution, CD recommends the surcharge rate be reduce from 0.130% to .079%. The development of this revised surcharge rate is demonstrated in Appendix A. A CTF surcharge rate level of 0.079% will provide funding to cover the estimated obligations shown in Appendix A. The anticipated program expenses from FY 08-09 are within the limits set by Resolution T-17104. The new rate would also reduce the amount of CTF surcharges paid by customers.

The 0.079% CTF surcharge rate shall take effect on June 1, 2008, until further revised by the Commission. All certificated communications carriers shall assess a revised CTF surcharge rate of 0.079% on their end-user's bills rendered for intrastate telecommunications services on June 1, 2008, and thereafter.

Modified Advice Letter Filings

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

To comply with the modified tariff process, AT&T California should file an Advice Letter on or before May 14, 2008, to modify the CTF surcharge rate from 0.130% to 0.079%, effective June 1, 2008 and thereafter, until 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 SBC 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 0.079% effective on June 1, 2008 and thereafter. These concurring carriers are required to implement the new CTF surcharge rate change from 0.130% to 0.079% on June 1, 2008 and thereafter on their intrastate billings, until revised by the Commission.

Finally, all carriers must ensure that the revised surcharge rate of 0.079% is implemented on their intrastate billing starting June 1, 2008, and will continue thereafter, until revised by the Commission.

Notice of Availability and Comments

To comply with PU Code § 311 (g), copies of the notice letter were e-mailed on March 25, 2008 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 that this draft resolution is available at the Commission's website

<http://www.cpuc.ca.gov>

and is available for public comments. In addition, the Communications Division informed these parties of the availability of the conformed resolution at the same website.

Comments filed on a timely basis will be addressed by the Communications Division in this resolution.

CD did not receive any comments on this resolution.

Findings

1. In October 1999, Public Utilities Code (PU) Code Sections 270-281 were codified as a result of the enactment of Senate Bill 669.
2. 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.
3. In Resolution T-17104, the CPUC adopted a CTF-AC Fund Fiscal Year 2008-09 budget of \$33.202 million.
4. An adjustment to reduce the CTF surcharge rate from .130% to .079% is warranted to better align projected program revenues and expenses.
5. A CTF surcharge rate level of 0.079% is necessary to fund the estimated obligations.
6. The CTF surcharge rate of 0.079% is reasonable and should be adopted.
7. To comply with Resolution T-16901, dated December 2, 2004, AT&T California should file an Advice Letter on or before May 14, 2008, to modify the CTF surcharge rate from 0.130% to 0.079%, effective June 1, 2008 and thereafter, until revised by the Commission.
8. To comply with Ordering Paragraph #1 of Resolution T-16901, the modified Advice Letter filing, requires all other carriers with Commission-filed scheduled tariffs should cross-reference to AT&T California's revised tariffs for the new surcharge rates, including the CTF, effective on June 1, 2008 and thereafter.

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9. All certificated telecommunications carriers in California should apply the CTF surcharge rate of 0.079% on their end-user's bills for intrastate telephone services rendered on and after June 1, 2008, until further revised by the Commission.
10. All telecommunications carriers, members of the California Teleconnect Fund Administrative Committee, and the parties of record in R. 95-01-020/I.95-01-021 were informed of the availability of the draft resolution as well as the conformed resolution, when adopted by the Commission, on the Commission web site, www.cpuc.ca.gov.
11. The Communications Division did not receive any comments on this resolution.

THEREFORE, IT IS ORDERED that:

1. The California Teleconnect Fund (CTF) surcharge rate of 0.079% is adopted and effective June 1, 2008 and thereafter, until further revised by the Commission.
2. In compliance with Resolution T-16901, dated December 2, 2004, AT&T California shall file an Advice Letter on or before May 14, 2008, modifying the surcharge rate for the CTF from 0.130% to 0.079%, effective June 1, 2008 and thereafter, until further revised by the Commission.
3. The modified surcharge Advice Letter filing process requires all other carriers with Commission-filed scheduled tariffs to cross-reference to AT&T California's revised tariffs for the new surcharge rates, including CTF, effective on June 1, 2008 and thereafter, until further revised by the Commission.
4. Telecommunications carriers certified in California are ordered to revise the CTF surcharge from the current level of 0.130% to 0.079% effective June 1, 2008 and thereafter, until further revised by the Commission.

APPENDIX A

CALIFORNIA TELECONNECT FUND ADMINISTRATIVE COMMITTEE FUND			
		Pro Forma Statement	Pro Forma Statement
		FY 2007-08	FY 2008-09
1	Projected Intrastate Revenues Subject to Surcharge	\$23,416,629,000	\$24,425,238,000
2	Surcharge Rate from Dec 31, 2005 thru May 31, 2008 1/	0.130%	
3	Surcharge Rate effective June 1, 2008	0.079%	0.079%
4	Beginning Fund Balance 2/	\$9,764,318	\$13,814,530
5	Revenues:		
6	Surcharge (based on Ln 1 thru Ln 3)	\$29,446,411	\$19,295,938
7	Investment Income	\$233,454	\$187,230
8	Repayment from General Fund 3/	\$5,000,000	\$5,000,000
9	Total Revenues (Ln 6 + Ln 7 + Ln 8)	\$34,679,865	\$24,483,168
10	Expenditures:		
11	Prior Year Adjustment 4/	\$5,498,653	
12	FY 2007-08 3/	\$25,131,000	
13	FY 2008-09 5/		\$33,202,000
14	Total Expenditures (sum of Ln 11 thru Ln 13)	\$30,629,653	\$33,202,000
15	Ending Fund Balance (Ln 4 + Ln 9 – Ln 14)	\$13,814,530	\$5,095,698
The following comparison is for information purpose only:			
16	Required surcharge rate w/o prior year accumulated fund balance (Ln 14 / Ln 1)	0.131%	0.136%
17	Adopted surcharge rate (Ln 3)	0.079%	0.079%
18	Incremental surcharge rate reduction due to prior year accumulated fund balance (Ln 16- Ln 17)	-0.052%	-0.057%

1/ Source: Resolution T-16888, Dec. 1, 2005

2/ Source: CalStar G02 (Post-Closing Trial Balance, 6/30/07) and SCO Fund Reconciliation Report (6/30/07)

3/ Source: CA Governor's Budget, <http://www.ebudget.ca.gov/pdf/GovernorsBudget/8000/8660.pdf>

4/ To account for FY 06-07(2) expenditures that were not accrued

5/ Source: Resolution T-17104, Aug. 23, 2007