



California High Cost Fund-B Options



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- **Findings:** The CHCF-B program has a large fund balance (\$161 Million as of August 2016)
- **Recommendation:** CD staff should perform an analysis of necessary financial reserves and present options to the Commission addressing disposition of excess funds to be used for other purposes
- **The Current Fund Balance:** Approximately \$128 million as of April 2018; including an unappropriated liquid balance of approximately \$41.4 million, and outstanding loans of \$86.4 million





Option 1: Status Quo, Allow Fund Balance to Decrease Gradually

- Total annual expenditures authorized at \$22.3 million
- It would take approximately 2 years to decrease the unappropriated (liquid) balance to zero
- It would take approximately 5.5 years to decrease the total fund balance, including unpaid loans, to zero
- No implementation steps required





Option 2: Use Program Funds to Facilitate the Commission Safety Directive for Fire Preparedness

- B-Fund carriers proposed that the excess CHCF-B program funds be used as a reimbursement to implement safety compliance measures associated with various fire prevention implementation costs
- Decision 17-12-024 sets forth fire safety rules for all companies, who have the option of passing these costs on to customers
- California fire zone maps show that affected areas are often consistent with and overlap similar geographic areas that are designated as CHCF-B eligible census block groups
- This option presents challenges in determining the level of allowable recovery and consistency with existing Commission decisions and statutes
- Option could be viewed as contrary to the conclusion about cost of recovery in D.17-12-024 (COL 9) and inconsistent with the CHCF-B statutory purpose as expressed in P.U. Code Section 276.5
- To implement, a Commission order is necessary, requiring Staff to prepare a Rulemaking Order (OIR), or, alternatively, draft a proposed Resolution





Option 3: Fund Transfer Option: Move Excess B Fund Balance Amounts to Other Public Purpose Programs

- Requires determination of the amount to transfer, and to which programs funds should the amount be distributed (i.e. all programs; some programs?)
- Some parties may question whether funds collected for rural high cost support should be used for another universal service program
- Implementation would require legislation to facilitate funds transfer, as the existing statute allows CHCF-B funds to be used only for specific program purposes





Option 4: Customer Refund Option

- Approximately 700 authorized carriers remit surcharges
- Surveyed Carriers have indicated that they will require numerous additional hours and expense of retrieving archived data, programming and testing, using already-allocated resources
- Programmable capacity to accommodate negative surcharge *or* refunds questionable for some carriers
- Refund would end up going to current customers for each carrier and would not necessarily go to the customers that paid the initial CHCF-B fund surcharge





Conclusion

- Communications Division recommends Option 1 status quo as fund balance has gradually decreased
- If the Commission wants to utilize CHCF-B funds in a more timely manner, then Option 3 may be a viable alternative, but this option would require legislation
- CD does not recommend Options 2 or 4, given reasons discussed in Option Paper

