

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION
Telecommunications BranchRESOLUTION NO. T-12043
August 12, 1987RESOLUTION

ALL LOCAL EXCHANGE TELEPHONE CORPORATIONS. ORDER DIRECTING AN INCREASE TO TEN CENTS (\$0.10) IN THE MONTHLY SURCHARGE FOR EACH TELEPHONE LINE SUBSCRIBER ESTABLISHED UNDER PUBLIC UTILITIES CODE SECTION 2881 TO ALLOW TELEPHONE CORPORATIONS TO RECOVER COSTS INCURRED UNDER THIS SECTION. RESOLUTION NO. T-12043

SUMMARY

This resolution directs telephone corporations to increase the surcharge for each subscriber line established under Public Utilities Code Section 2881.(d) from the present three cents (\$0.03) per month to the maximum authorized amount of ten cents (\$0.10) per month. This increase is warranted by the increased demands on the Deaf Equipment Acquisition Fund (D.E.A.F.) caused by the recently implemented Disabled Equipment Program, under SB60, and increased expense projections from the recently implemented California Relay Service. The increase will allow telephone corporations to recover costs, from the Fund, as they are incurred. Failure to enact this change will result in a negative balance by mid-October of this year.

BACKGROUND

The Commission has designed and implemented a program under Section 2881 of the Public Utilities Code whereby each local exchange telephone corporation provides a telecommunications device for the deaf (TDD) at no additional charge to any subscriber who is certified as deaf or severely hearing-impaired. By the end of 1986, through the participation of the local exchange companies and the administration of the D.E.A.F. Trust Administrative Committee, approximately \$29.7 million had been reimbursed to the telephone companies for purchase, distribution and maintenance of TDDs.

The program is presently funded by a three cent (\$0.03) per month surcharge on each subscriber line (\$0.003 per Centrex line) under the rate recovery mechanism established by Public Utilities Code Section 2881.(d). The D.E.A.F. Trust Fund had accumulated a balance of \$15,409,980 as of December 31, 1986.

Since 1986, the D.E.A.F. Trust Administrative Committee has assumed responsibility for two additional programs that originated through Legislative and Commission direction and which severely stress the finances of the D.E.A.F. Trust Fund, and call for an increase in the monthly subscriber line surcharge to the maximum authorized by Section 2881. (d) of ten cents (\$0.10) per line (\$0.01 per Centrex line).

These programs are:

1) The Dual Party Relay System, established in response to SB244 and Section 2881 (b) of the Public Utilities Code, and,

2) Telecommunications Equipment for the Disabled, established by SB60 and Section 2881 (c) of the Public Utilities Code.

User demand for the Dual Party Relay has exceeded original estimates, and the system has had to expand to maintain the accepted standard for grade of service. This expansion has taxed the present funding capabilities of the D.E.A.F. Trust Fund. Projections for the SB60 Disabled Telecommunications Equipment distribution expenses similarly pose funding difficulties for the D.E.A.F. Trust Fund at the present three cent surcharge level.

Estimates from the D.E.A.F. Trust Administrative Committee indicate that if funding continues at only the present rate of three cents per line per month, the Fund will incur a deficit (negative balance) by mid-October 1987.

If local exchange telephone corporations begin collecting the ten cents per line per month surcharge on September 1, 1987, the D.E.A.F. Trust Administrative Committee estimates that it can operate existing programs at the present grade of service until mid-January 1988 before incurring a deficit.

The D.E.A.F. Trust Administrative Committee estimates that a \$.22 per line per month surcharge is required to maintain the Trust's current operations at the current grade of service. This Commission has authority to increase the surcharge to a maximum of \$.10 per line per month under Section 2881 (d); authority to further increase the surcharge would have to result from state legislative action.

To expeditiously collect increased revenues by September 1, 1987, the local exchange companies must have sufficient time, 15 to 30 days, to accomplish billing software modifications and to file timely Advice Letters implementing the surcharge increase.

The projections of the D.E.A.F. Trust Administrative Committee clearly indicate a immediate funding crisis if nothing is done to increase the present three cent monthly subscriber line surcharge. This Commission has the authority under Section 2881 (d) to increase the surcharge to \$.10 per subscriber line per month. We conclude that the D.E.A.F. Trust Administrative Committee should

fully report its current financial and operating statistics to the Commission on a monthly basis for the next year, and should submit its recommendations as to sources of possible additional funding and possible freezing or even reduction of grade of service for its programs. This report should include recommendations on cost-effective operator answering times for the Dual Party Relay, possible administrative fees to process equipment distribution and service expenses, and customer priority classifications for equipment distributions, among other considerations.

In the interim, it is both reasonable and necessary to increase the monthly three cent subscriber line surcharge to the maximum allowed under Section 2881 (d), i.e., ten cents per subscriber line per month (\$0.01 per Centrex line per month).

Furthermore, since Local exchange companies require 15 to 30 days to effect software billing changes and to file Advice Letters implementing the surcharge increase, to start increased revenue flow into the D.E.A.F. Trust by September 1, 1987, such Advice Letter filings would have to be on less than the statutory 40-day period required under our General Order 96-A. It is in this Commission's interest for the survival of the projects directed under Public Utilities Code Section 2881 that these Advice Letter filings become effective no later than September 1, 1987. To eliminate the need to provide the surcharge increase (due to advanced billing practices by some utilities), the surcharge may be implemented with bills dated after the effective date of September 1, 1987.

FINDINGS

- 1) The D.E.A.F. Trust Fund has incurred additional operating expenses due to SB244 and SB60 program additions.
- 2) Present revenue recovery at three cents per subscriber line per month is inadequate and will result in the Fund incurring a deficit in mid-October 1987.
- 3) An increase in the monthly surcharge from three cents to ten cents per line (\$0.003 to \$0.010 for each Centrex line) is warranted to extend the D.E.A.F. Trust Fund's financial viability for its current programs into early 1988.
- 4) Timely Advice Letter filing should be made by each local exchange company such that the surcharge increase can be implemented by September 1, 1987.
- 5) The D.E.A.F. Trust Administrative Committee should report current financial and operating statistics monthly to the Commission while the funding crisis persists, and will submit its recommendations for solution to the funding crisis, including possible limitation or reduction in the Trust's projects.

IT IS ORDERED that:

- 1) All local exchange telephone corporations shall raise the monthly surcharge for each subscriber line authorized in Section 2881 (d) from three cents to ten cents (from three tenths cent to one cent for Centrex lines).
- 2) All local exchange companies are ordered to file Advice Letters immediately to implement the surcharge increase; the effective date of these Advice Letter filings shall be September 1, 1986. The surcharge may be implemented with bills dated after the effective date of September 1, 1987
- 3) The D.E.A.F. Trust Administrative Committee should submit monthly financial and operating statistic reports to the Commission, and should report within thirty days of the effective date of this order on its recommendations for solutions to the funding shortage, including a consideration of possible project limitation or reduction in grade or scope of service.

The effective date of this resolution is today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 12, 1987. The following Commissions approved it:


Executive Director

DONALD VIAL
FREDERICK R. DUDA
JOHN B. OHANIAN
Commissioners

Commissioner Stanley W. Hulett, being necessarily absent, did not participate.

Commissioner G. Mitchell Wilk, being necessarily absent, did not participate.