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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION  
Telecommunications Branch

RESOLUTION NO. T-12071  
February 24, 1988

R E S O L U T I O N

ALL LOCAL EXCHANGE TELEPHONE CORPORATIONS AND AT&T COMMUNICATIONS OF CALIFORNIA (U-5002-C). ORDER LIMITING SPENDING ON DEAF AND DISABLED TELECOMMUNICATIONS PROGRAMS PROVIDED UNDER PUBLIC UTILITIES CODE SECTION 2881 AND AUTHORIZATION TO ESTABLISH A MEMORANDUM ACCOUNT TO ACCEPT COSTS INCURRED UNDER THIS SECTION AND NOT PAID BY THE D.E.A.F. TRUST. .

SUMMARY

All local exchange companies and AT&T of California are instructed to limit spending on handicapped service programs, for which they are reimbursed under Public Utilities Code Section 2881, to current levels. We do not intend that any diminution in present service levels or quality result from this resolution. Likewise, no increase in spending is authorized. Should demand for these services increase, it must be met with present staffing and resources. The companies are urged to continue controlling all deferrable costs as they have done in the recent past, and should exercise management judgment to reduce spending as much as possible. We authorize the establishment of a memorandum account into which the companies will debit their costs not reimbursed by the Trust. The Trust will make payments to to the companies within the means of its available surcharge revenues provided by Section 2881. The memorandum accounts will be allowed to accumulate an unfunded balance until June 1, 1988, after which time the companies will reduce spending on these programs to remain within the surcharge revenues and be allowed to recover the unfunded balance in the memorandum accounts as will be directed by the Commission.

BACKGROUND

The Commission has designed and implemented programs under Section 2881 of the Public Utilities Code through which each local exchange telephone corporation provides:

a) a Telecommunications Device for the Deaf (TDD), at no additional charge, to individuals certified as deaf or severely hearing-impaired (SB 687)

b) TDDs at no additional charge to subscribers which are organizations serving the deaf and severely hearing-impaired (AB 3369) or are an agency of the State Government (SB 227).

c) a dual party relay system, using third party intervention to connect deaf or severely hearing-impaired persons with persons of normal hearing (SB 244)

d) specialized supplemental telephone communications equipment to subscribers certified as disabled at no additional charge. (SB 60)

These programs, until August 1987, were funded by a three cent (\$.03) per month surcharge on each local exchange company subscriber telephone line in the state. The SB 244 (relay) program commenced operations in January 1987, and the SB 60 (disabled) program started in June 1987. Customer demand for the additional programs far outstripped the original estimates. The relay popularity has even stimulated demand for the TDD themselves. In response to petitions from the Deaf and severely hearing-impaired, the Commission has extended TDD distribution to qualified individuals of small business (D.87-10-077).

The D.E.A.F. Trust notified the Director of the Commission Advisory and Compliance Division in July 1987 that costs of the above programs to meet anticipated demand would far exceed the available surcharge revenues. The Trust recommended an immediate increase in the applied monthly surcharge from three cents to ten cents, which action the Commission endorsed in Resolution T-12043 on August 12, 1987.

The Trust warned that even the ten cent monthly revenues were insufficient to meet the anticipated demand for the handicapped telecommunications service programs. The Commission ordered Investigation No. 87-11-031, currently in progress, to consider program changes and alternate funding proposals. A Decision in I.87-11-031, along with a legislative change in Public Utilities Code Section 2881 to permit spending more than the equivalent of ten cents a line to continue the programs is not expected before July 1, 1988. By late March 1988, however, the Trust estimates that it will incur expenses (on an accrual basis) for which it may not have future adequate revenues to pay when billed for those expenses.

This Commission wholeheartedly supports the handicapped service programs provided by the local exchange companies and managed by the D.E.A.F. Trust. We anticipate a legislative solution to the funding problems, and until such time wish to continue them with no

diminution in service level or quality.

However, the companies are instructed not to increase spending on these programs above the current level (\$2.66 million per month). Furthermore, as requested by the Commission's Executive Director in a letter to all local exchange companies and AT&T on November 12, 1987, the companies have been deferring controllable costs such as inventories, outreach activities, and new hires in order to reduce costs. We again exhort the companies to exercise management fiscal constraints to continue these programs while controlling costs.

To assist in maintaining a positive balance in the D.E.A.F. Trust Fund, we authorize the companies to establish a memorandum account for the programs. The Trust will reimburse the companies for all costs incurred for the programs to the extent of the available surcharge revenues collected (\$1.55 million per month). Any unpaid portion will be debited to the memorandum account of the respective company. This memorandum account will accumulate an unfunded balance owed by the Trust to the company until June 1, 1988, after which no further deficit spending by the Trust is authorized. Should no legislative remedy to the funding problem be reached by June 1, 1988, the companies will be instructed by the Commission to curtail the programs as necessary so that the Trust will be able to pay all expenses incurred for the programs along with amortizing the balance in the memorandum account within the period prescribed by the Commission.

IT IS ORDERED That:

- 1) All local exchange telephone companies and AT&T of California will limit the handicapped programs that are reimbursed under Public Utilities Code Section 2881 to remain at or below current spending levels (\$2.66 million per month). We do not intend that any diminution in present service levels or quality result from this resolution. Likewise, no increase in spending is authorized. Should demand for these services increase, it must be met with present staffing and resources.
- 2) The companies will exercise all possible management judgment to continue fiscal controls to reduce the programs' costs and remain within the current spending limit.
- 3) All companies will establish a memorandum account for costs not reimbursed by the Trust for these programs. The D.E.A.F. Trust will make payments against the companies' costs within the capabilities of its monthly surcharge revenues. The companies are allowed to accumulate the unfunded balance of their costs in the memorandum accounts until June 1, 1988.
- 4) After June 1, 1988, unless further extended by this Commission, the companies will be instructed by the Commission to curtail the handicapped service programs to a level consistent with the

available surcharge revenues along with the amortization of the unfunded balance in the memorandum accounts over a period prescribed by the Commission.

5) The Executive Director is instructed to ensure that the cost controls and memorandum accounts are established by March 15, 1988.

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 February 24, 1988. The following Commissioners approved it:

STANLEY W. HULETT  
President  
DONALD VIAL  
JOHN B. OHANIAN  
Commissioners



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Executive Director