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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION
Auditing and Compliance Branch

RESOLUTION NO. T-12093
June 17, 1988

R E S O L U T I O N

ALL TELECOMMUNICATIONS UTILITIES. ORDER MAINTAINING THE SURCHARGE RATE ON INTRALATA TOLL AND INTRASTATE INTERLATA SERVICES AT 4% TO SUPPORT THE UNIVERSAL LIFELINE TELEPHONE SERVICE PROGRAM PURSUANT TO THE MOORE UNIVERSAL TELEPHONE SERVICE ACT, ASSEMBLY BILL (AB) 386, DATED JULY 15, 1987.

SUMMARY

All telecommunications companies are authorized to continue collection of a 4% surcharge on service rates of intraLATA toll and intrastate interLATA services to fund the Universal Lifeline Telephone Service (ULTS) program.

BACKGROUND

Assembly Bill (AB) 386 was enacted on July 15, 1987 to replace AB 1348 (1983) and to provide funding for the ULTS program. The Commission, in conformance with the Bill, authorized in Decision 87-07-090 a 4% surcharge on service rates of intrastate inter-Local Access and Transport Area (LATA) services beginning on July 29, 1987. The 4% surcharge was subsequently extended to intrastate intraLATA toll beginning on January 1, 1988 to provide adequate funding for the program.

AB 386 further requires the Commission to initiate, at least annually, a proceeding to set rates for universal telephone service. It also requires all telephone corporations providing that service to annually file proposed universal telephone service rates and a statement of projected revenue needs to meet the funding requirements, together with proposed funding methods to provide the necessary funding.

DISCUSSION

The Commission, in D. 87-10-088, established an annual filing procedure whereby Pacific Bell (Pacific) would file the funding

requirement and the required surcharge percentage for the ULTS program on April 15 for the next fiscal year beginning on July 1. On April 15, 1988, Pacific filed the ULTS funding requirement and surcharge percentage for the fiscal year of July 1, 1988 through June 30, 1989 as directed. Pacific provided 6 different surcharge percentage alternatives, based on the following projections:

(a) The estimated funding requirement is \$146.5 million for the fiscal year ending June 30, 1989.

(b) The estimated revenue subject to surcharge is \$4,601.0 million; \$1,735.5 for the Interexchange Companies (IECs), and \$2,865.5 for the Local Exchange Companies (LECs).

The specifics of the 6 alternatives are as follows:

	Rate on <u>LECs</u>	Rate on <u>IECs</u>	<u>Surplus Amount</u>
Alternative A	4.0%	4.0%	\$37.5 million
Alternative B	3.0%	5.0%	\$26.0 million
Alternative C	3.6%	3.6%	\$19.0 million
Alternative D	3.0%	4.0%	\$ 9.0 million
Alternative E	2.7%	4.0%	\$.5 million
Alternative F	3.2%	3.2%	\$.5 million

The Commission staff has reviewed these alternatives and concluded that the 4% surcharge rate under Alternative A should be adopted for 1988/89. The 4% surcharge will provide adequate funding for the program. In addition, it will also provide a cumulative program surplus of \$61.4 million which equals about five months' program expenditures. This surplus will assure that sufficient funds are available for future contingencies and any program modifications made by the Commission or the Legislature.

FINDINGS

The Commission finds that:

(1) A surcharge rate of 4% will provide sufficient funds to cover the estimated funding requirements of the ULTS program for the fiscal year ending June 30, 1989, and will also allow the ULTS trust fund to add \$37.5 million to the surplus.

(2) A fund surplus of \$61.4 million at June 30, 1989 is reasonable, given the fluctuations of the program in the past and also the need for working cash.

(3) The rates, charges and conditions authorized in this Resolution are just and reasonable.

(4) The Commission reserves the right in the future to review the surcharge rate and adjust it as necessary to support the ULTS program requirements.

IT IS ORDERED THAT:

(1) All telecommunications companies are authorized to continue collection of a 4% surcharge on service rates of intraLATA toll and intrastate interLATA services to fund the Universal Lifeline Telephone Service program.

(2) The surcharge rate shall be effective for the period July 1, 1988 to June 30, 1989.

(3) All telecommunications utilities subject to the surcharge shall file revised tariff schedules in accordance with the provisions of G.O. 96-A on or before June 22, 1988 which shall be effective on July 1, 1988.

The effective date of this Resolution is today.

I hereby certify that the foregoing Resolution was duly introduced, passed and adopted at a regular meeting of the Public Utilities Commission of the State of California, held on June 17, 1988, the following Commissioners voting favorably thereon:

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners



Executive Director