

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION
Telecommunications Branch

RESOLUTION NO. T-13005
July 22, 1988

R E S O L U T I O N

ALL TELECOMMUNICATIONS UTILITIES. ORDER ESTABLISHING A SURCHARGE NOT TO EXCEED ONE-HALF OF ONE PERCENT UNIFORMLY APPLIED TO A SUBSCRIBER'S INTRASTATE TELEPHONE SERVICE, OTHER THAN ONE-WAY RADIO PAGING SERVICE AND UNIVERSAL TELEPHONE SERVICE, BOTH WITHIN A SERVICE AREA AND BETWEEN SERVICE AREAS, TO ALLOW TELEPHONE CORPORATIONS TO RECOVER COSTS AS THEY ARE INCURRED UNDER SECTION 2881 OF THE PUBLIC UTILITIES CODE.

SUMMARY

All Telecommunications Utilities will begin to assess a surcharge of one-half of one percent uniformly applied to a subscriber's intrastate telephone service, other than one-way radio paging and Universal Telephone Service (the basic monthly service), both within a service area and between service areas. This percentage rate surcharge will be implemented by October 1, 1988, and remitted to the Disabled Equipment Acquisition Fund (D.E.A.F.) Trust through its Trustee.

The D.E.A.F. Trust will reimburse all telecommunications companies for all costs incurred for their deaf and disabled telecommunications service programs from the available funds collected.

BACKGROUND

The D.E.A.F. Trust is currently being funded by a flat \$0.10 surcharge which all local exchange company subscribers pay on each telephone line they purchase. This funding generates approximately \$19 million per year, which causes the D.E.A.F. Trust program to operate in a deficit. The estimated 1988 budget for the program is \$32 million.

The changes to Public Utilities Code, Section 2881 (Senate Bill 2268, see Appendix A) allows the Commission to establish a rate recovery mechanism through a surcharge of no more than one-half of

one percent. In addition, those utilities, (interexchange carriers and resellers, cellular radiotelephone carriers and resellers, and radio telephone utilities), that were once exempt from applying the \$0.10 per subscriber line surcharge, are now required to apply the surcharge of one-half of one percent to each subscriber's intrastate service, except for one-way radio paging service.

DISCUSSION

The D.E.A.F. Trust is presently operating from funds generated from a flat \$0.10 surcharge on all local exchange company subscriber telephone lines, and has been operating with a deficit since early 1987. This ten-cent surcharge generates revenues of less than \$19 million which falls short of covering the expected expenses of approximately \$32 million for all deaf and disabled telecommunications service programs managed by the Trust.

With the passage of Senate Bill 2268, interexchange carriers and resellers, cellular radiotelephone carriers and resellers, and radio telephone utilities, except for one-way radio paging service, are required to apply the one-half of one percent to each subscriber's intrastate service other than one-way radio paging and Universal Telephone services.

With all telecommunications utilities collecting a surcharge for the D.E.A.F. Trust of one-half of one percent on their subscriber's intrastate service, both within a service area and between service areas, the program is expected to operate efficiently and without a deficit.

We intend that all telecommunications utilities will file Advice letters implementing the surcharge and give notice to subscribers of the new funding mechanism, which is an increase, or a new surcharge for many subscribers.

We note that for the average residential telephone subscriber with a monthly bill of \$26, the new monthly surcharge will be 13 cents, an increase of 3 cents. For business subscribers, the increase will be greater.

Customer notice shall occur before September 1, 1988, in order that the surcharge can be collected starting October 1, 1988 for all monthly service (not exempt from the surcharge) billed in advance that month and for all usage after September 1, 1988 that is billed on or after October 1, 1988.

We intend that only the subscriber that is the end-user or consumer of telecommunications service should pay the surcharge. Accordingly, the surcharge should not be imposed on any telecommunications service that is for interconnection or access by common carriers or purchased by utilities acting as resellers to the public.

The surcharge should not apply to taxes or the following surcharges levied on a subscriber's service:

- 1) Public Utilities Commission Utilities Reimbursement Account fees (P.U. Code Section 431).
- 2) Universal Telephone Service fee (P.U. Code Section 739.2).
- 3) FCC Network Access Charges for interstate calling.

For Universal Telephone Service, only the basic monthly rate of that service will be exempt from the surcharge.

The surcharge of one-half of one percent will remain in effect until June 30, 1990, or until further action. After June 30, 1990, the surcharge will revert back to 10 cents per subscriber line; the definition of a "subscriber line" is the subject of a proceeding before this Commission, Investigation (I.) 87-11-031, and an interim Decision, D. 88-05-065, has been issued May 25, 1988.

FINDINGS

1. Public Utilities Code Section 2881.(d). has been changed by legislation (Senate Bill 2268, see Appendix A) which implements a new funding mechanism of a surcharge to be uniformly applied to a telephone corporation subscriber's intrastate tariffed telephone service, other than one-way radio paging and Universal Telephone Service, both within a service area and between service areas.
2. The present flat rate (\$.10/per subscriber line per month) surcharge mechanism is to be replaced by the new percent use surcharge mechanism.
3. Due to funding problems for the past year (program costs exceeding revenues) the maximum rate of one-half of one percent will be imposed.
4. The surcharge should commence on October 1, 1988; for that month it will apply to all monthly service (not exempt from the surcharge) billed in advance and for all usage billed after September 1, 1988, which is billed in October or later.
5. The surcharge may result in an increase for certain subscribers. Subscribers of interexchange carriers and resellers, and radiotelephone utilities, except for one-way radio paging service, are now required to pay the surcharge. Customer notice is required by all telecommunications utilities before September 1, 1988.

- 6) The surcharge should be paid by the subscriber, that is, the end user or consumer of the telecommunications service. The surcharge should not be imposed on common carrier access or interconnection charges or for service purchased by utilities for resale to the public.
- 7) The surcharge should not be applied to taxes or the following surcharges applied to the subscriber's service charges:
 - Regulatory fee (P.U. Code Section 431), Universal Service fee (P.U. Code Section 739.2), FCC interstate network access charges).
- 8) For Universal Telephone Service, only the basic monthly rates are to be exempt from this surcharge.
- 9) The surcharge of one-half of one percent should remain in effect until June 30, 1990, unless further action is taken by this Commission.
- 10) After June 30, 1990, the surcharge should not be more than 10 cents per subscriber line; the definition of a subscriber line is defined by this Commission in Decision 88-05-065, resulting from our Investigation No. 87-11-031.

IT IS ORDERED THAT

- 1) In addition to the local exchange companies who are currently funding the D.E.A.F. Trust, interexchange carriers and resellers, cellular radiotelephone carriers and resellers, and radio telephone utilities, except one-way radio paging, will all begin to surcharge customers pursuant to Public Utilities Code Section 2881.(d).
- 2) A surcharge of one-half of one percent will be applied to all telecommunication utility subscriber intrastate tariffed services, both within a service area and between service areas. The surcharge will take effect on October 1, 1988, and shall be identified on subscriber's bills as "communications devices funds for deaf and disabled".
- 3) This surcharge will not apply to the basic monthly rate for Universal Telephone Service, nor to one-way radio paging service.
- 4) The surcharge will not apply to taxes or to the following surcharges:
 - 1) Public Utilities Commission Reimbursement Account fees (P.U. Code Section 431).
 - 2) Universal Telephone Service fee (P.U. Code Section 739.2).

3) FCC Network Access Charges for interstate calling.

5) By September 1, 1988, all telecommunication utilities shall file an advice letter providing implementation of this surcharge. The surcharge should commence on October 1, 1988; for that month it will apply to all monthly service (not exempt from the surcharge) billed in advance and for all usage billed after September 1, 1988, which is billed in October or later.

6) Due to the urgency of this matter and to meet the October 1, 1988 deadline, the Commission shall make these advice letters effective on October 1, 1988, on less than regular notice if appropriate.

7) All telecommunications utilities shall give notice to their customers of this surcharge by bill insert or other appropriate means before September 1, 1988. Only the subscriber that is the end-user or consumer should pay the surcharge. Accordingly, the surcharge should not be imposed on any telecommunications service that is for interconnection or access by common carriers or purchased by utilities for resale to the public.

8) All telecommunications utilities shall remit the funds collected under this surcharge to the D.E.A.F. Trust Fund through the Trustee specified by the D.E.A.F. Trust Administrative Committee.

9) This surcharge will remain in effect until June 30, 1990, unless otherwise ordered by this Commission. After June 30, 1990 the surcharge will revert to 10 cents per subscriber line.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 22, 1988. The following Commissioners approved it:

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



Executive Director

APPENDIX A

Resolution T-13005, July 22, 1988

Senate Bill 2268
Chapter 242 (1988)

CHAPTER 242

An act to amend Section 2881 of the Public Utilities Code, relating to telephones, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor June 30, 1988. Filed with Secretary of State June 30, 1988.]

LEGISLATIVE COUNSEL'S DIGEST

SB 2268, B. Greene. Telecommunications devices for the deaf or severely hearing impaired and the disabled.

Under existing law, the Public Utilities Commission implements programs whereby telecommunications devices are furnished to telephone subscribers who are deaf or severely hearing impaired and to statewide organizations representing the deaf or severely hearing impaired and whereby specialized or supplemental telephone communications equipment may be provided to subscribers who are certified to be disabled, and to adjust overall rates not to exceed a total of 10% per telephone line of each subscriber per month to pay for all of these programs. The commission is required to establish a separate fund for each of these programs.

This bill would, until July 1, 1990, direct the commission to establish a rate recovery mechanism through a surcharge of not more than 1/2% uniformly applied to a subscriber's intrastate telephone service, other than one-way radio paging service and universal telephone service, for these purposes. The bill would direct the commission to establish this surcharge at a level to produce revenues of \$32,000,000 for 1988.

The bill would delete the requirement for a separate fund for each program.

The bill would direct the commission to report to the Legislature, by December 31, 1988, and annually thereafter, on the fiscal status of these programs, including specified matters.

The bill would declare that it is to take effect immediately as an urgency statute.

The people of the State of California do enact as follows:

SECTION 1. Section 2881 of the Public Utilities Code, is amended to read:

2881. (a) The commission shall design and implement a program whereby each telephone corporation shall provide a telecommunications device capable of servicing the needs of the deaf or severely hearing impaired, together with a single party line, at no charge additional to the basic exchange rate, to any subscriber

who is certified as deaf or severely hearing impaired by a licensed physician, audiologist, or a qualified state agency and to any subscriber which is an organization representing the deaf or severely hearing impaired, as determined and specified by the commission pursuant to subdivision (d).

(b) The commission shall also design and implement a program whereby each telephone corporation shall provide a dual party relay system, using third party intervention to connect deaf or severely hearing-impaired persons and offices of organizations representing the deaf or severely hearing impaired, as determined and specified by the commission pursuant to subdivision (d), with persons of normal hearing by way of intercommunications devices for the deaf or severely hearing impaired and the telephone system, making available reasonable access of all phases of public telephone service to deaf or severely hearing impaired telephone subscribers. In order to make a dual party relay system which will meet the requirements of deaf and severely hearing-impaired persons available at a reasonable cost, the commission shall initiate an investigation, conduct public hearings to determine the most cost-effective method of providing dual party relay service to the deaf or severely hearing impaired when using a telecommunications device, and solicit the advice, counsel, and physical assistance of statewide nonprofit consumer organizations of the deaf, during the development and implementation of the system. The commission shall phase in this program, on a geographical basis, over a three-year period ending on January 1, 1987.

(c) The commission shall also design and implement a program whereby specialized or supplemental telephone communications equipment may be provided to subscribers who are certified to be disabled at no charge additional to the basic exchange rate. The certification, including a statement of medical need for specialized telephone communications equipment, shall be provided by a licensed physician and surgeon acting within the scope of his or her license or by a qualified state agency, as determined by the commission. The commission shall, in this connection, study the feasibility of, and implement if determined to be feasible, personal income criteria, in addition to the medical certification of disability, for determining a subscriber's eligibility under this subdivision.

(d) The commission shall establish a rate recovery mechanism through a surcharge not to exceed one-half of 1 percent uniformly applied to a subscriber's intrastate telephone service, other than one-way radio paging service and universal telephone service, both within a service area and between service areas, to allow telephone corporations to recover costs as they are incurred under this section. The surcharge for 1988 shall be established at a level to produce revenues of not more than thirty-two million dollars (\$32,000,000). On and after July 1, 1990, the commission shall establish the rate recovery mechanism as a surcharge not to exceed ten cents (\$0.10)

per month for each line of a subscriber. The commission shall require that the programs implemented under this section be identified on subscribers' bills as "communication devices funds for deaf and disabled" and shall establish a fund and require separate accounting for each of the programs implemented under this section.

(e) The commission shall determine and specify those statewide organizations representing the deaf or severely hearing impaired which shall receive a telecommunications device pursuant to subdivision (a) or a dual party relay system pursuant to subdivision (b), or both, and in which offices the equipment shall be installed in the case of an organization having more than one office. The commission shall direct the telephone corporations subject to its jurisdiction to comply with its determinations and specifications in this regard.

(f) The commission shall prepare and submit to the Legislature, on or before December 31, 1988, and annually thereafter, a report on the fiscal status of the programs established and funded pursuant to this section and Section 2881.1. The report shall include a statement of the surcharge level established pursuant to subdivision (d) and revenues produced by the surcharge, an accounting of program expenses, and an evaluation of options for controlling those expenses and increasing program efficiency, including, but not limited to, the following proposals:

(1) The establishment of a means test for persons to qualify for program equipment or free or reduced charges for the use of telecommunication services.

(2) The imposition of limits or other restrictions on maximum usage levels for the relay service, which shall include the development of a program to provide basic communications requirements to relay users at discounted rates and, for usage in excess of those basic requirements, at rates which recover the full costs of service.

(3) More efficient means for obtaining and distributing equipment to qualified subscribers.

(4) The establishment of quality standards for increasing the efficiency of the relay system.

SEC. 2. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

An impending and substantial deficit will soon occur in the funding needed to support the telecommunications access programs required under Section 2881 of the Public Utilities Code due to the limitations imposed on the surcharge which supports these programs. In order to make available adequate revenues to support these programs as quickly as possible, it is necessary that this act take effect immediately.