

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA  
COMMISSION ADVISORY & COMPLIANCE DIVISION RESOLUTION NO. T-13061  
Telecommunications Branch April 26, 1989

R E S O L U T I O N

RESOLUTION T-13061. ALL TELECOMMUNICATIONS UTILITIES, ORDER LOWERING D.E.A.F. TRUST SURCHARGE TO BE 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 CORPORATION TO RECOVER COSTS AS THEY ARE INCURRED UNDER SECTION 2881 OF THE PUBLIC UTILITIES CODE.

SUMMARY

By this Resolution, all Telecommunications Utilities will lower the Deaf Equipment Acquisition Fund (D.E.A.F.) Trust surcharge uniformly applied to 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 from the current level of one-half of one percent to three-tenths of one percent. This three-tenths of one percentage rate surcharge will be effective for billing cycles occurring on or after July 1, 1989, and will be remitted to the the Deaf Equipment Acquisition (D.E.A.F.) Trust through its Trustee.

The requirements for the remittance of revenue generated by the D.E.A.F. Trust surcharge to the D.E.A.F. Trust will be changed so that utilities receiving less than one thousand dollars of monthly revenue will report and remit such revenue on a quarterly basis. Those utilities generating more than one thousand dollars monthly from the surcharge will continue to report and remit the revenue to the trustee of the D.E.A.F. Trust on a monthly basis.

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 at a percentage surcharge rate of one-half of one percent which is applied to a

subscriber's intrastate service, other than one-way radio paging and Universal Telephone Service, both within a service area and between service areas. This funding generates approximately four million dollars monthly which exceeds the Trust's monthly expenditures of approximately \$2.3 million.

In 1987 and 1988, the D.E.A.F. Trust experienced a funding crisis which resulted in first, increasing the surcharge from a flat rate of three cents per telephone line to ten cents per line and secondly, the legislature's amendment of the PUC Code. With the passage of Senate Bill 2268, the changes to Public Utilities Code, section 2881, allowed the Commission to establish a rate recovery mechanism through a surcharge of no more than one-half of one percent.

To alleviate deficits initiated by the addition of two new legislated programs, the California Relay System (CRS) in January 1987 (SB 244, chapter 741, 1983) and the disabled supplemental equipment distribution in June 1987 (SB 60, chapter 585, 1985) the maximum surcharge percentage rate of one half of one percent was assessed to each subscriber's intrastate service, except for one-way radio paging service and basic Universal Life Telephone Service. This included interexchange carriers and resellers, cellular radiotelephone carriers and resellers, and radio telephone utilities that were once exempt from applying the surcharge. Now that the D.E.A.F. Trust has reimbursed the telephone companies for previous expenses incurred but not paid and has verified initial surcharge revenue estimates by more than six months operating experience, we note that the highest percentage surcharge rate allowed by law is no longer necessary to ensure full operations.

#### DISCUSSION

The D.E.A.F. Trust Fund is presently operating at surplus resulting from the one-half of one percent surcharge. In a letter written to Commission Executive Director Victor Weisser, D.E.A.F. Trust Administrative Committee Chairman John K. Mott recommends that the surcharge percentage rate be reduced to three tenths of one percent.

The D.E.A.F. Trust submitted the 1989 program budget based on a reduction of the surcharge and estimates that, even with the decrease in surcharge, the fund balance will grow by approximately one percent per month. The D.E.A.F. Trust Administrative Committee has advised that the one percent growth rate in the fund will allow for moderate program growth in 1990 without adjusting the surcharge.

The new surcharge will be effective for each telecommunications utility's billing cycle beginning on or after July 1, 1989.

All telecommunications utilities will file advice letters implementing the lower surcharge to be effective on regular notice prior to assessing the lower surcharge rate.

It is intended 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 purchased by utilities acting as resellers to the public or by common carriers.

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 879)
- 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.

Staff has recommended that the remittance schedule for utilities collecting monthly D.E.A.F. Trust surcharge revenues of less than one thousand dollars be changed from the current monthly reporting requirement to reporting and remittance on a quarterly basis. The timing for the reporting of the surcharge revenue for utilities collecting under one thousand dollars per month will be as follows: Utilities would accumulate the surcharge revenue from the bills of February - April which is to be remitted to the Trust by the tenth day of June, the second month preceding the final billing month of the quarterly cycle. The revenues from the months of May - July, August - October, November - January should be remitted to the Trust in the months of September, December, and March, respectively.

The rationale for this modification is that since the D.E.A.F. Trust surcharge has been applied to all utilities other than one-way paging and basic Universal Telephone Service, the trustee has received monthly remittance checks of less than one dollar. In such cases the cost of processing the remittance of the surcharge to the Trust is greater than the actual amount remitted. Reporting on a quarterly basis, will allow the trustee of the D.E.A.F. Trust Fund to continue to monitor the compliance of utilities while decreasing the costs of adherence. The reporting requirements for utilities collecting monthly revenues in excess of one thousand dollars will continue to remit such revenues on a monthly basis.

The surcharge will remain in effect until further action is taken by the Commission

Although we note that at a surcharge of three-tenths of one percent, the Trust will accumulate a cash balance of \$19.4 million at the end of 1989 and a cash balance of \$20.6 million in July of 1990; on July 1, 1990, the rate recovery mechanism authorized by the Public Utilities Code Section 2881 (d) reverts back to a flat ten cents per subscriber line. This is the

equivalent of \$19 million revenue per year, which is well below the current expense level of \$28 million per year. Although proposed legislation may extend or remove the sunset provision in 1990 for the percentage use surcharge mechanism, we will continue to monitor the funding situation closely and be prepared to continue to provide the programs in a deficit spending mode (depleting any Fund surplus) until a long term solution is found that matches program expenses with authorized revenues.

#### FINDINGS

1. Because the D.E.A.F. Trust now has a budget surplus, the maximum one-half of one percent surcharge will be reduced to three-tenths of one percent to be uniformly applied to 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.
2. The reduction of the surcharge rate to three-tenths of one percent is recommended by the D.E.A.F. Trust Administrative Committee. Staff concurs with this recommendation.
3. The D.E.A.F. Trust submitted the 1989 program budget based on a reduction of the surcharge and estimates that, even with the decrease in the surcharge, the fund balance will grow by approximately one percent per month.
4. The new surcharge percentage rate will be effective for the billing cycles beginning on or after July 1, 1989, for all telecommunications utilities.
5. All telecommunication utilities will file advice letters to be effective on regular notice implementing the lower surcharge rate.
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. Staff has recommended that the remittance schedule for utilities collecting monthly revenues of less than one thousand dollars per month be changed from the current monthly reporting requirement to reporting and remittance on a quarterly basis.
8. The timing for the reporting of the surcharge for utilities collecting under one thousand dollars per month would be as follows: Utilities would accumulate the surcharge revenues from the bills of November - January to be remitted to the Trust by the tenth day of March. The revenues generated from the surcharge applied to the bills from February - April, May - July, August - October would be remitted to the Trust by the tenth day of June, September, and December, respectively.

9. Those utilities collecting over one thousand dollars in monthly surcharge revenues will continue to remit the surcharge payments on a monthly basis.

10. 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 879), FCC interstate network access charges.

11. For Universal Telephone Service, only the basic monthly rates are to be exempt from this surcharge.

12. This surcharge of three-tenths of one percent will remain in effect until further action is taken by the Commission.

THEREFORE, IT IS ORDERED that:

1) All telecommunications utilities including local exchange companies, interexchange carriers and resellers, cellular radiotelephone carriers and resellers, and radio telephone utilities, except for one-way radio paging, shall lower the current D.E.A.F Trust surcharge rate of one-half of one percent to three-tenths of one percent.

2) The D.E.A.F. Trust surcharge of three-tenths of one percent shall be applied to all telecommunication utility subscriber intrastate tariffed services, both within a service area and between service areas. The surcharge shall be effective for the first billing cycle occurring on or after July 1, 1989 and shall be identified on subscriber's bills as "communication devices funds for deaf and disabled."

3) This 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 879)

3) FCC Network Access Charges for interstate calling.

4) All telecommunication utilities shall file advice letters to be effective on regular notice implementing the lower surcharge rate.

5) 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.

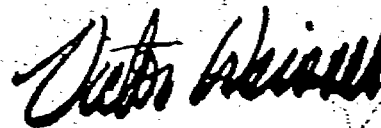
6. Utilities collecting less than one thousand dollars per month in revenues generated by the D.E.A.F. Trust surcharge shall remit collected funds to the trustee of the D.E.A.F. Trust Fund on a quarterly basis with remittance dates occurring on the tenth day of December for the billing cycle occurring from August - October, the tenth day of March for the billing cycle occurring from November - January, the tenth day of June for the billing cycle occurring from February - April, and the tenth day of September for the billing cycle occurring from May - July.

7. Utilities collecting more than one thousand dollars in monthly revenues as generated by the D.E.A.F. Trust surcharge shall continue to remit collected funds to the trustee of the D.E.A.F. Trust Fund on a monthly basis.

8. This surcharge will remain effect until otherwise ordered by the Commission.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 26, 1989. The following Commissioners approved it:

G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
STANLEY W. HULETT  
JOHN B. OHANIAN  
PATRICIA M. ECKERT  
Commissioners



Executive Director