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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION
Telecommunications Branch

RESOLUTION NO. T-13071
June 7, 1989

R E S O L U T I O N

ALL LOCAL EXCHANGE COMPANIES AND INTEREXCHANGE CARRIERS.
ORDER REDUCING THE SURCHARGE RATE ON INTRALATA TOLL AND
INTRASTATE INTERLATA SERVICES 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 Local Exchange Companies (LECs) and Interexchange Carriers (IECs) are authorized to collect a 2.5% 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 interLATA toll beginning on January 1, 1988 to provide adequate funding for the program. Resolution No. T-12093 dated June 17, 1988 maintained the surcharge rate of 4% on both intraLATA toll and intrastate interLATA toll services.

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 ULTS 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 17, 1989, Pacific filed the ULTS funding requirements and surcharge percentage for the fiscal year of July 1, 1989 through June 30, 1990 as directed. Pacific provided 6 different surcharge percentage alternatives, based on the following projections:

- (A) The estimated funding requirement is \$151.0 million for the fiscal year ending June 30, 1990.
- (B) The estimated revenue subject to surcharge is \$4.756 billion; \$1.888 for the interexchange companies (IECs,) and \$2.868 for the local exchange companies (LECs).

The specifics of the alternatives are as follows:

	Rate on IECs	Rate on LECs	Surplus (Deficit) FY 89/90 (Millions)	Projected Surplus at June 30, 1990 (Millions)
Alternative A	4.0%	4.0%	\$39.2	\$144.9
Alternative B	3.5%	3.5%	15.5	121.2
Alternative C	4.0%	2.7%	1.9	107.6
Alternative D	3.0%	3.0%	-8.4	97.3
Alternative E	2.5%	2.5%	-32.1	73.6
Alternative F	3.0%	2.0%	-37.0	68.7

The Commission staff has reviewed these alternatives and concluded that the 2.5% surcharge under alternative E should be adopted for the fiscal year 1989/90. At June 30, 1989, the surplus for the ULTS trust fund is projected to be \$105.7 million, which is greater than the target of \$75 million (equal to about 6 months worth of expenditures). Although the surcharge rate of 2.5% will cause the ULTS program to operate with a deficit of \$32.1 million for the fiscal year ending June 30, 1990, it will provide a cumulative program surplus close to \$75 million. This surplus will assure that sufficient funds are available for future contingencies and any program modifications made by the Commission or the Legislature.

For clarity to the subscriber, the staff believes that the surcharge should be identified on the subscriber's bill as "Universal Telephone Service Surcharge."

FINDINGS

The Commission finds that:

- (1) A surcharge rate of 2.5% will decrease the \$105.7 million surplus by causing the ULTS program to operate with a \$32.1 million deficit for the fiscal year. This will result in a

ULTS fund balance of approximately \$75 million at June 30, 1990.

- (2) A fund surplus of \$75 million at June 30, 1990 is reasonable, given the fluctuations of the program in the past and also the need for working cash. This \$75 million surplus is equal to 6 months of projected program expenses.
- (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.
- (5) Subscribers may have a better understanding of their telephone bill if the utilities are required to include the surcharge as a separate line item.

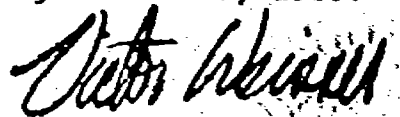
IT IS ORDERED that:

1. All Local Exchange Companies and Interexchange Carriers are to collect a 2.5% 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 first billing cycle occurring on or after July 1, 1989 through June 30, 1990.
3. All telecommunications utilities subject to the ULTS surcharge shall file revised tariff schedules in accordance with the provisions of G.O. 96-A on or before June 23, 1989 which shall be effective on July 1, 1989.
4. The surcharge shall be identified on the subscriber's bill as "Universal Lifeline Telephone Service Surcharge."

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 June 7, 1989. The following Commissioners approved it:

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



Executive Director

Commissioner Frederick R. Duda,
being necessarily absent, did
not participate.