

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION RESOLUTION T-14081
Telecommunications Branch May 22, 1990

R E S O L U T I O N

RESOLUTION T-14081. ALL LOCAL EXCHANGE COMPANIES AND INTEREXCHANGE CARRIERS. ORDER INCREASING THE SURCHARGE RATE ON INTRALATA TOLL AND INTRASTATE INTERLATA TOLL 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 3.4% surcharge on service rates of intraLATA toll and intrastate interLATA toll 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. Resolution No. T-12093 dated June 17, 1988 maintained the surcharge rate of 4% on both intraLATA toll and intrastate interLATA toll services. Resolution No. T-13071 decreased the surcharge rate to 2.5% on both intraLATA toll and intrastate interLATA toll services.

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 July 1. On April 16, 1990, Pacific filed the ULTS funding requirements and surcharge percentage for the fiscal year July 1, 1990 through June 30, 1991 as directed. Pacific provided 6 different surcharge alternatives, based on the following projections:

- (A) The estimated funding requirement is \$165.6 million for the fiscal year ending June 30, 1991.
- (B) The estimated revenue subject to surcharge is \$4.894 billion derived from local and interexchange companies.

The specific of the alternatives are as follows:

I	II	III	IV
SURCHARGE OPTION	ULTS SURCHARGE	TOTAL CONTRIBUTION*	INCREMENTAL EFFECT ON JUNE 30, 1990 ULTS FUND BALANCE**
A.	2.0%	\$ 97.9 million	-\$67.7 million
B.	2.5%	\$ 122.4 million	-\$43.2 million
C.	3.0%	\$ 146.8 million	-\$18.8 million
D.	3.4%	\$ 166.4 million	+\$ 0.8 million
E.	3.5%	\$ 171.3 million	+\$ 5.7 million
F.	4.0%	\$ 195.8 million	+\$30.2 million

* Derived by multiplying the amount in Column II by \$4.894 billion, which is the projected revenue subject to ULTS surcharge.

** Derived by subtracting the projected 1990-91 ULTS funding requirement of \$165.6 million from the amount in Column III. It should be emphasized that Column IV does not include the existing ULTS fund balance on June 30, 1990

The Commission staff has reviewed these alternatives and concluded that the 3.4% surcharge under alternative D should be adopted for the fiscal year 1990/91. At June 30, 1990, the surplus for the ULTS trust fund is projected to be \$69 million. The surcharge rate of 3.4% will bring the ULTS program close to a break-even point. The fund investments (Government Securities) are projected to earn \$6 million during the next fiscal year, which will result in a cumulative surplus of \$75 million at the end of the fiscal year. 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 3.4% will provide sufficient revenue to fund the projected expenses. This will result in a ULTS fund balance of approximately \$75 million at June 30, 1991.
- (2) A fund surplus of \$75 million at June 30, 1991 is reasonable given the fluctuations of the program in the past and also the need for working cash. This surplus is approximately 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.

THEREFORE, IT IS ORDERED that:

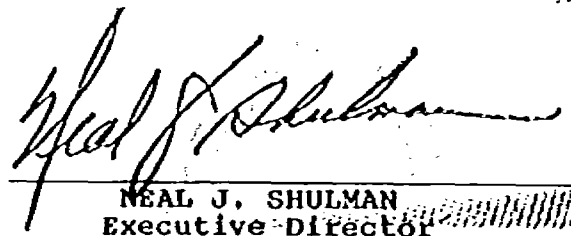
1. All Local Exchange Companies and Interexchange Carriers are to collect a 3.4% surcharge on service rates of intraLATA toll and intrastate interLATA toll to fund the Universal Lifeline Telephone Service program.
2. The surcharge rate shall be effective for the first billing cycle occurring on or after July 1, 1990 through June 30, 1991.
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 22, 1990 which shall be effective on July 1, 1990.
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 hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on May 22, 1990. The following Commissioners approved it:

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

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


NEAL J. SHULMAN
Executive Director