

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
 COMMISSION ADVISORY AND COMPLIANCE DIVISION RESOLUTION T-14400
 Telecommunications Branch Date May 22, 1991

R E S O L U T I O N

RESOLUTION T-14400. ALL LOCAL EXCHANGE COMPANIES AND INTEREXCHANGE CARRIERS. ORDER DECREASING 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% 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 surcharge was extended to intrastate intraLATA toll beginning on January 1, 1988 to provide adequate funding for the program. Since that time, the surcharge rate has been changed as follows:

<u>Beginning</u>	<u>Resolution No.</u>	<u>Rate</u>
July 1, 1988	T-12093	4.0%
July 1, 1989	T-13071	2.5%
July 1, 1990	T-14081	3.4%

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 15, 1991, Pacific filed the ULTS funding requirements and surcharge percentage for the fiscal year July 1, 1991

through June 30, 1992 as directed. Pacific provided 6 different surcharge alternatives, based on the following projections:

- (A) The estimated funding requirement is \$177.2 million for the fiscal year ending June 30, 1992.
- (B) The estimated revenue subject to surcharge is \$5.337 billion derived from local and interexchange companies.

The specifics of the alternatives are as follows:

I	II	III	IV
SURCHARGE OPTION	ULTS SURCHARGE	TOTAL CONTRIBUTION*	INCREMENTAL EFFECT ON JUNE 30, 1991 ULTS FUND BALANCE**
A.	2.0%	\$ 106.8 million	-\$70.4 million
B.	2.5%	\$ 133.5 million	-\$43.7 million
C.	3.0%	\$ 160.2 million	-\$17.0 million
D.	3.3%	\$ 176.2 million	-\$ 1.0 million
E.	3.4%	\$ 181.6 million	+\$ 4.4 million
F.	4.0%	\$ 213.6 million	+\$36.4 million

* Derived by multiplying the amount in Column II by \$5.337 billion, which is the projected revenue subject to ULTS surcharge.

** Derived by subtracting the projected 1991-92 ULTS funding requirement of \$177.2 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, 1991.

The Commission staff has reviewed these alternatives and concluded that the 3% surcharge under alternative C should be adopted for the fiscal year 1991/92. At June 30, 1991, the surplus for the ULTS trust fund is projected to be \$91 million. The surcharge rate of 3% will result in a net \$12 million reduction in the fund balance, after adding the projected earnings of \$5 million on the fund investments. This will leave a cumulative surplus of \$79 million ($\$91 - 17 + 5 = \79) at June 30, 1992. 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 continue to be identified on the subscriber's bill as "Universal Lifeline Telephone Service Surcharge."

FINDINGS

The Commission finds that:

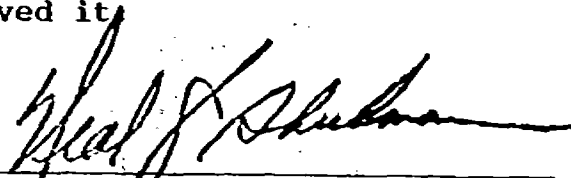
1. A surcharge rate of 3% will provide sufficient revenue to fund the projected expenses. This will result in a ULTS fund balance of approximately \$79 million at June 30, 1992.
2. A fund surplus of \$79 million at June 30, 1992 is reasonable given the fluctuations of the program in the past and also the need for working cash. This surplus is approximately 5 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% 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, 1991 and continue until changed by the Commission.
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 14, 1991 which shall be effective on July 1, 1991.
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 May 22, 1991. The following Commissioners approved it:


NEAL C. SHULMAN
Executive Director