

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION RESOLUTION T-14960
Telecommunications Branch Date May 20, 1992

R E S O L U T I O N

RESOLUTION T-14960. 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.

SUMMARY

All Local Exchange Companies (LECs) and Interexchange Carriers (IECs) are ordered to collect a 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. In conformance with the bill, the Commission 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%
July 1, 1991	T-14400	3.0%

DISCUSSION

In D. 87-10-088, the Commission 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 14, 1992, Pacific filed the ULTS funding requirements and surcharge percentage for the fiscal year July 1, 1992

through June 30, 1993 as directed. Pacific provided 6 different surcharge alternatives, based on the following projections:

- (A) The estimated funding requirement is \$217.9 million for the fiscal year ending June 30, 1993.
- (B) The estimated revenue subject to surcharge is \$4.607 billion derived from information provided by the local and interexchange companies.

In its own projection, Pacific assumed the rate effects of Implementation Rate Design (IRD) (Phase III of I.87-11-033) and intraLATA competition beginning January 1, 1993. Contel of California also included the effects of IRD in the projected revenue data it provided. The decisions on IRD and intraLATA competition will affect the financial position of the ULTS program, but to estimate and incorporate their effects is premature. Therefore, the rate effects of these two proceedings are not incorporated at this time. The Commission Advisory and Compliance Division (CACD) has reviewed the six alternatives presented by Pacific and revised the projections on the funding requirement and revenue base as follows:

- (A) The estimated funding requirement changes to \$191.8 million for the fiscal year ending June 30, 1993.
- (B) The estimated revenue subject to surcharge changes to \$5.045 billion.

The specifics of the alternatives are as follows:

I	II	III
SURCHARGE OPTIONS	ULTS SURCHARGE	INCREMENTAL EFFECT ON JUNE 30, 1992 ULTS FUND BALANCE*
A.	3.0%	-\$40.5 million
B.	3.5%	-\$15.2 million
C.	4.0%	+\$10.0 million
D.	4.5%	+\$35.2 million
E.	4.7%	+\$45.3 million
F.	5.0%	+\$60.5 million

- * Derived by multiplying the surcharge rate in Column II by \$5.045 billion (the revised forecasted revenue subject to ULTS surcharge) and subtracting \$191.8 million (the revised projected 1992-93 ULTS funding requirement). It should be emphasized that Column III does not include the existing ULTS fund balance on June 30, 1992.

CACD has reviewed these alternatives and concluded that the 4% surcharge under alternative C should be adopted for the fiscal year 1992/93. At the 4% rate, the program will have adequate funding to pay for its expenses and to increase its reserve. At June 30, 1992, the balance for the ULTS trust fund is projected to be \$59 million. The surcharge rate of 4%, after adding projected earnings of \$2.6 million on fund investments, will add an additional \$12.6 million to the fund. This will result in a projected balance of \$71.6 million at June 30, 1993.

To further ensure that the IRD and intraLATA competition proceedings do not adversely affect the financial position of the program, CACD will monitor their progress and review the resultant decisions to evaluate the impact on the program. If the program's funding becomes insufficient, CACD should immediately notify the Commission to examine the funding requirement so that adequate revenue will be generated to defray the expenses.

For clarity to the subscriber, 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 4% should be charged on service rates of intraLATA toll and intrastate interLATA toll for the fiscal year 1992/1993. This is projected to result in a ULTS fund balance of approximately \$71.6 million on June 30, 1993 before any effects of IRD.
2. The increase authorized in this Resolution is justified and the resulting rate is reasonable.
3. The Commission reserves the right in the future to review the surcharge rate and adjust it as necessary to support the ULTS program requirements.
4. Subscribers may have a better understanding of their telephone bills if the utilities are required to include the surcharge as a separate line item.

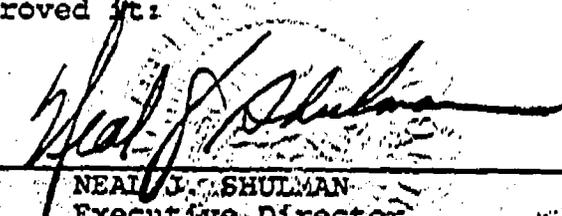
May 20, 1992

THEREFORE, IT IS ORDERED that:

1. All Local Exchange Companies and Interexchange Carriers shall collect a 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, 1992 and continue until changed by the Commission.
3. On or before June 15, 1992, all telecommunications utilities subject to the ULTS surcharge shall file revised tariff schedules in accordance with the provisions of G.O. 96-A to become effective on July 1, 1992.
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 20, 1992. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

DANIEL Wm. FESSLER
President
JOHN B. OGANIAN
NORMAN D. SHUMWAY
Commissioners

Commissioner Patricia M. Eckert,
being necessarily absent, did not
participate.