

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION RESOLUTION T-15799
Telecommunications Branch November 21, 1995

R E S O L U T I O N

RESOLUTION T-15799. ALL LOCAL EXCHANGE COMPANIES, INTEREXCHANGE CARRIERS, CELLULAR CARRIERS AND OTHER CERTIFIED COMPANIES WHO ARE SUBJECT TO ASSESSING THE UNIVERSAL LIFELINE TELEPHONE SERVICE (ULTS) SURCHARGE. ORDER SETTING THE SURCHARGE RATE ON SERVICES SUBJECT TO THE ULTS SURCHARGE TO SUPPORT THE UNIVERSAL LIFELINE TELEPHONE SERVICE PROGRAM PURSUANT TO THE MOORE UNIVERSAL TELEPHONE SERVICE ACT.

SUMMARY

All Local Exchange Companies, Interexchange Carriers, Cellular Carriers and other companies who are subject to assessing the ULTS surcharge are ordered by the Commission to collect a 3.2% surcharge on service rates of all intrastate end user services except for: one way radio paging, ULTS services billed, public coin in box or debit card messages, contracts effective before September 15, 1994, usage by COPTs and Directory Advertising. The surcharge will fund the Universal Lifeline Telephone Service program and allow an adequate reserve.

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 compliance with the bill, authorized in Decision (D.)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. The surcharge was extended to all end user service, except for specific exceptions, by Decision (D.)94-09-065 on January 1, 1995. Since the inception of the program the surcharge rate has been changed as follows:

<u>Beginning</u>	<u>Decision or 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%
July 1, 1992	T-14960	4.0%
Mar 1, 1993	T-15221	5.0%
July 1, 1993	T-15322	6.0%
July 1, 1994	T-15558	6.0%
January 1, 1995	94-09-065	3.0%

AB 386 did not, after establishing an initial rate, provide specific directions for establishing surcharge rates or the related amount of reserve for the ULTS Fund. However, the legislation allows the Commission to "determine any questions of fact in the administration of this article."

DISCUSSION

The number of ULTS customers has grown steadily since 1987 and is projected to reach 3.1 million by December 31, 1996. The following table illustrates this growth. The ULTS Administrative Committee recommends a three month reserve. Three months is the period of time necessary to process a resolution to change the surcharge rate and to allow adequate time for companies, who bill the surcharge, to make changes in their billing systems which will put the changed rate into effect.

ULTS Customers

June 30, 1987	1,095,293
June 30, 1988	1,254,647
June 30, 1989	1,387,100
June 30, 1990	1,552,800
June 30, 1991	1,761,200
June 30, 1992	1,951,100
June 30, 1993	2,321,500
June 30, 1994	2,580,000
June 30, 1995	2,700,000
December 31, 1996	3,100,000 (projected)

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. The Commission, in Ordering Paragraph 76 of D. 94-09-065 effectively changed the funding periods for the ULTS Program by changing the date on which the revenue survey is to be filed, with Commission Advisory and Compliance Division (CACD), to August 1 of each year. The revenue estimate is used to establish the base for the respective surcharges for the

succeeding calendar year. In order to fulfill the direction of the IRD decision, CACD requested that Local Exchange Carriers file their projected claims for the calendar year 1996 on August 29, 1995 instead of April 15, 1995. In future years, the filing of both the projected claims and the revenue survey should be made on August 1 so that any required adjustments to the surcharge rate can be provided in time for changes to be made in billing systems effective on January 1 of the subsequent year. The forecast claims were filed by Local Exchange Companies as advice letters on August 29, 1995. No comments were received on the advice letter filings.

The revenue subject to the ULTS surcharge is projected to be \$12.3 billion for the fiscal year ended December 31, 1996, and the funding requirement is projected to be \$383 million. Based on these projected amounts, the surcharge should be increased to 3.2%. The rate is derived by dividing \$383 million by \$12.3 billion and rounding to the next higher tenth of one percent rate.

CACD has reviewed this computation and has concluded that the 3.2% surcharge rate should be adopted. At the 3.2% rate the program will have adequate funding to pay for its day-by-day costs and to maintain a reserve. The rate of 3.2% will result in a projected balance of \$89.6 million (\$79 million projected at December 31, 1995 plus an estimated \$10.6 million ULTS fund balance increase) as of December 31, 1996. The \$89.6 million balance is about three months of projected claims. Three months is the minimum time that would be required to process a resolution to revise the ULTS rate and allow time for changes to be made in billing systems to bill and collect the revised surcharge.

For clarity to the subscriber, the surcharge should continue to be specifically identified on the subscriber's bill as "Universal Lifeline Telephone Service Surcharge."

In Resolution T-15558 (June 8, 1994) we waived the notice requirements of General Order 96-A, Section III, G.1., the requirement to furnish competing utilities either public or private with copies of related tariff sheets. We did so because it did not appear to be in the public's interest for each utility to send and receive over one hundred notices advising them of regulation change they already know about. Since that time nothing has happened to change our opinion, so we will again waive this notice requirement, for tariff changes which comply with this resolution.

FINDINGS

The Commission finds that:

1. A surcharge rate of 3.2% will provide sufficient revenue to fund the projected ULTS program expenses. This will result in an ULTS fund balance of approximately \$89.6 million (\$79 million projected projected balance at December 31, 1995 plus \$10.6 million fund balance increase) at December 31, 1996.
2. A fund surplus of \$89.6 million at December 31, 1996 is necessary to meet the day-by-day costs of the program and to provide a reasonable reserve. This reserve is approximately three months of projected program costs. Three months is the minimum amount of time that would be required to process and approve a change in the ULTS surcharge rate and allow for billing system changes to be made to put the change into effect.
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 continue to include the surcharge as a separate line item on customers bills.
6. It is neither in the public's interest nor in the telecommunications utilities' interest to require all utilities to notice all other utilities of a Commission order of which they are all aware.
7. It is necessary to coordinate the dates of the filing of revenue estimates with the filing of estimated claims on the ULTS Fund that was ordered in D.87-10-088. Beginning on August 1, 1996 and on that date in each subsequent year, Local Exchange Carriers or any other telecommunications carrier who is eligible to file claims on the ULTS Trust, must file their estimate of claims for the coming calendar year with CACD. The first such year will be the calendar year ended December 31, 1997.

THEREFORE, IT IS ORDERED that:

1. All Local Exchange Companies, Interexchange Carriers, Cellular carriers and other certified companies who are subject to the collection of ULTS surcharges, shall collect a 3.2% surcharge on service rates of all intrastate end user services, except for those that have been specifically excluded, to fund the Universal Lifeline Telephone Service program.

2. The surcharge rate shall be effective for all billings processed on or after January 1, 1996 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 December 29, 1995 which shall be effective on January 1, 1996.

4. The surcharge shall be identified on the subscriber's bill as "Universal Lifeline Telephone Service Surcharge."


5. All Local Exchange companies and Interexchange Companies are granted an exemption from the noticing requirement of General Order 96-A, Section III, G.1 for this filing only.

6. Beginning on August 1, 1996 and on that date in each subsequent year, Local Exchange Carriers or any other telecommunications carriers who are eligible to file claims on the ULTS Trust, must file their estimate of claims for the coming calendar year with CACD. The first such filing will be for the calendar year ended December 31, 1997.

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 November 21, 1995.

The following Commissioners approved it:


WESLEY FRANKLIN
Executive Director

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners