

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

TELECOMMUNICATIONS DIVISION

RESOLUTION T-15983
December 20, 1996

R E S O L U T I O N

RESOLUTION T-15983. PACIFIC BELL. REQUEST FOR APPROVAL OF BUDGET FOR CALIFORNIA HIGH COST FUND ADMINISTRATION EXPENSES FOR 1995. REQUEST TO RECOVER FROM THE FUND THE EXPENSES OF ADMINISTERING THE FUND DURING 1995.

BY ADVICE LETTERS NO. 17112 FILED SEPTEMBER 30, 1994, NO. 17763 FILED OCTOBER 2, 1995, AND SUPPLEMENT NO. 17763A FILED APRIL 4, 1996.

SUMMARY

Pacific Bell (Pacific) requests approval of a budget for administering the California High Cost Fund (CHCF) during 1995, and requests recovery from the CHCF of 1995 expenses of \$165,070 for administering the CHCF, as authorized in ordering paragraph 73 of Decision No. (D.) 94-09-065.

No protests to Advice Letters No. 17112 or No. 17763 were filed.

This Resolution approves Pacific's budget estimate for 1995 CHCF administration expenses, and authorizes the CHCF to pay Pacific \$163,970.00 as reimbursement for the expenses actually incurred by Pacific in administering the CHCF during 1995.

BACKGROUND

The CHCF was established by D.85-06-115 as a means of subsidizing reasonable basic exchange rates for the customers of smaller local exchange telephone companies (LECs) that concurred in statewide average toll, private line, and access rates. Decision No. 94-09-065 eliminated the carrier common line rate element of switched access rates and the increment to this rate element that had provided the funding for the CHCF until the end of 1994. This decision ordered the CHCF to be funded from January 1, 1995 forward by an all-end-user surcharge. This expanded the number of payees into the CHCF from approximately 22 LECs to approximately 400 telecommunications providers.

Ordering paragraph 71 of D.94-09-065 ordered Pacific to continue administering the CHCF, and page 290 (mimeo) stated that it is fair that Pacific should be compensated for its expanded duties

of administering the CHCF. Ordering paragraph 73 of D.94-09-065 ordered Pacific to develop an annual budget for the costs of its administration of the CHCF and submit an advice letter by October 1 of each year requesting approval of the budget for the following calendar year.

Pacific filed Advice Letter No. 17112 on September 30, 1994 requesting approval of the estimated budget of \$165,354 for its administration of the CHCF for calendar year 1995. Telecommunications Division (TD) staff from the former Commission Advisory and Compliance Division (CACD) examined the budget requested in Advice Letter No. 17112, found the expense estimate reasonable, but has not previously prepared a resolution for formal Commission approval of this budget.

By Advice Letter No. 17763, filed on October 2, 1995, Pacific seeks Commission authorization to recover the expenses it incurred administering the CHCF during 1995. Pacific based the amount of this recovery request on the seven months of expense data it had recorded as of the preparation of this advice letter. On April 4, 1996, Pacific supplemented this advice letter with the actual amounts of expenses it incurred in administering the CHCF during 1995.

NOTICE

Pacific states that it mailed copies of these advice letters and supplement to competing and adjacent utilities and/or other utilities, and interested parties, as requested, and additionally, to parties on the Service List for I.87-11-033 Phase III and to all certificated telecommunications providers. The advice letters and supplement were listed in the Commission's Daily Calendars of October 5, 1994, October 4, 1995, and April 8, 1996.

PROTESTS

No protests to Advice Letters No. 17112 or No. 17763 were filed.

DISCUSSION

Decision 94-09-065 left the task of establishing administration guidelines for the CHCF, under its new funding source, to the TD staff (from the former CACD), working with Pacific. Because of its responsibilities for checking the voluminous tariff and other filings triggered by D.94-09-065 during the closing months of 1994, CACD was not able to establish detailed administration guidelines prior to the implementation of the newly-funded CHCF on January 1, 1995. CACD staff met with Pacific personnel during early 1995 and discussed the broad outlines of how the CHCF should work, including the idea of creating a trust to serve as the entity to carry out Pacific's administrative responsibilities. Since that meeting, CACD staff has met with and frequently conferred by phone with the Pacific Bell employee chiefly involved in the day-to-day operation of the CHCF.

In order to maintain separation between Pacific and the CHCF, and to facilitate gaining tax-exempt status for the CHCF, in October of 1995 Pacific established the California High Cost Fund Trust Administrative Committee (Committee), composed of current employees of Pacific Bell and Pacific Telesis. The purpose of the Committee is to fulfill and oversee Pacific's role as the California Public Utilities Commission's (CPUC) agent for administering the CHCF. The Committee immediately established the California High Cost Fund Trust (CHCF Trust). The CHCF Trust has applied to the Internal Revenue Service for a letter ruling granting this trust tax-exempt status, and is awaiting a ruling.

The system of administration of the CHCF, and CPUC oversight thereof, that has evolved in practice is that the Committee delegates day-to-day processing and resolution of CHCF issues to the Pacific Bell employee who is the CHCF administrator, and this administrator brings larger issues to the attention of either the Committee members or the CACD staff person assigned to monitor this operation, or both. Lacking a formally approved administrative expense budget, Pacific's CHCF administrator has proceeded to dedicate a large portion of her own time to the task of administering the CHCF, and has had the chairperson of the Committee sign letters to the bank handling the CHCF Trust account requesting payment of bills for CHCF administrative expenses.

TD has examined the budget requested in Advice Letter No. 17112. This advice letter requests a budget of \$165,354 to administer the CHCF during 1995. About 80% of this amount represents the salary and benefits costs incurred by Pacific for the CHCF administrator. TD finds the expense estimate contained in Advice Letter No. 17112 to be a reasonable estimate of what the administration of the CHCF during 1995 would cost. While it may seem superfluous to approve now a budget for a period already past, D.94-09-065 requires that a budget be approved before Pacific may recover the budgeted amounts from the CHCF. TD recommends that the Commission approve this Advice Letter and the budget it contains.

By Advice Letter No. 17763, filed on October 2, 1995, and Supplement 17763A filed April 4, 1996, Pacific seeks Commission authorization to recover the expenses it incurred administering the CHCF during 1995. TD has examined the information submitted by Pacific detailing its 1995 spending on CHCF administration, and finds that most of Pacific's spending to administer the CHCF during 1995 was prudent and should be recovered by Pacific. The only item recommended by TD for disallowance is a charge of \$1,110 for 4 hours of outside legal services for a project that was unrelated to the CHCF. Deducting this amount from Pacific's request for recovery leaves \$163,970, which TD recommends the Commission authorize Pacific to collect from the CHCF for its 1995 expenses for administering the CHCF.

TD concludes that the advice letters as supplemented meet the requirements set forth in G.O. 96-A, and recommends that the Commission approve these filings, as supplemented by Pacific and adjusted by TD.

FINDINGS

1. Pacific filed Advice Letter No. 17112 requesting Commission approval of a budget for administering the CHCF during 1995, as ordered in ordering paragraph 73 of D.94-09-065.

2. Pacific filed Advice Letter No. 17763A requesting recovery from the CHCF of 1995 expenses of \$165,070 for administering the CHCF, as authorized in ordering paragraph 73 of D.94-09-065.

3. Pacific's Advice Letter No 17763A included in its request for recovery an expense of \$1,100 for outside legal services unrelated to the CHCF.

4. Pacific's adjusted expenditures during 1995 of \$163,970 in administering the CHCF were reasonable, and recovery of this amount by Pacific from the CHCF should be authorized.

December 20, 1996

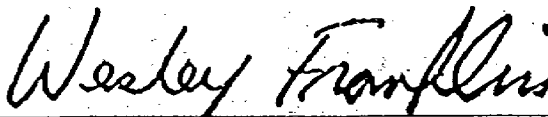
THEREFORE, IT IS ORDERED that:

1. The budget submitted by Pacific Bell (Pacific) for 1995 expenses of administering the California High Cost Fund (CHCF) is approved.

2. Pacific Bell is hereby granted authority to have the bank in custody of the CHCF monies pay to Pacific the amount of \$163,970 to reimburse Pacific for its 1995 expenses of administering the CHCF.

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 December 20, 1996. The following Commissioners approved it:


WESLEY M. FRANKLIN
Executive Director

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