

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Telecommunications Division  
Public Programs Branch

RESOLUTION T-16088  
November 19, 1997

R E S O L U T I O N

RESOLUTION T-16088. PACIFIC BELL (U-1001-C). REQUEST FOR APPROVAL OF AN ADMINISTRATIVE BUDGET FOR CALIFORNIA HIGH COST FUND ALSO KNOWN AS CALIFORNIA HIGH COST FUND A FOR 1998.

BY ADVICE LETTER NO. 19051 FILED ON OCTOBER 1, 1997

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SUMMARY

In compliance with Decision (D.) 94-09-065, on October 1, 1997, Pacific Bell (Pacific) filed Advice Letter No. (AL) 19051 requesting a budget of \$116,500 for administering the California High Cost Fund (CHCF) known as the California High Cost Fund A (CHCF-A) since the issuance of D.96-10-066 for 1998.

No protests to AL 19051 have been received.

This resolution approves a budget of \$116,500 for the administration of the CHCF-A during 1998 to be paid out of the CHCF-A.

BACKGROUND

D.86-06-115 created in principle the CHCF as a means of maintaining basic exchange service rates at a reasonable level for the customers of small local exchange telephone companies that concurred in state-wide average toll, private line, and access rates. In 1987, Public Utilities (P.U.) Code § 739.3 was enacted. This section directed the Commission to develop and maintain a program to establish a fair local rate structure aided by transfer payments to small independent telephone companies serving rural and small metropolitan areas.

D.88-07-022 modified some of the CHCF's principles adopted in D.86-06-115 to be consistent with P.U. Code § 739.3. D.88-07-022 also established a funding mechanism and ordered implementation of the CHCF. D.88-07-022 further designated Pacific as the administrator for the CHCF, and directed Pacific not to separately account for any incremental administrative costs incurred in administering the CHCF, but rather to treat such costs as additional expenses of administering the access charge pool. (At Appendix B.)

D.94-09-065 changed the funding source for the CHCF from an increment in the access charge pool adopted in D.88-07-022 to an all-end-user surcharge. The referenced decision also ordered Pacific to continue administering the CHCF. To compensate Pacific for its duties of administering the CHCF, D.94-09-065 directed 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. (O.P. 71.) Pacific may recover the budgeted amounts approved by the Commission from the CHCF. (Id.)

D.96-10-066 renamed the CHCF to CHCF-A and ordered the Commission to take over the administration of the CHCF-A within 6 months (by April 25, 1997). (At O.P. 11 as amended by D.97-01-020.)

On February 19, 1997, the Director of TD and the Assistant General Counsel of the Legal Division submitted a letter to the Executive Director providing him with recommendations for the appointment of 3 Commission staff members to the Interim Administrative Committee (IAC). The IAC would be responsible for oversight of the CHCF-A, the California High Cost Fund B, and the California Teleconnect Fund. Staff's letter request was granted on February 24, 1997.

On April 18, 1997, the IAC requested a six-month time extension to complete the steps required to assume the administration of the CHCF-A. IAC's request was granted on May 2, 1997. On September 10, 1997, IAC requested an additional time extension to July 1, 1998 to implement D.96-10-066 with respect to the administration of the CHCF-A. IAC's second request was granted on September 16, 1997.

In compliance with D.94-09-065, on October 1, 1997, Pacific filed AL 19051 requesting approval of an administrative budget in the amount of \$116,500. The proposed budget is for calendar year 1998.

**NOTICE/PROTESTS**

Pacific states that copies of AL 19051 were mailed to competing and adjacent utilities and/or other utilities, and interested parties, as requested. Notice of AL 19051 was published in the Commission Daily Calendar of October 3, 1997. No protests to the aforementioned advice letter have been received.

**DISCUSSION**

Staff of the Telecommunications Division (TD) has reviewed the 1998 administrative budget requested in AL 19051. Table 1 below is a summary of the various costs projected by Pacific for administering the CHCF-A for calendar year 1998.

Administrative		\$24,000
Legal		
Regulatory	\$14,000	
Tax	<u>\$6,000</u>	\$20,000
Annual Audit (1997)		\$8,500
Bank and Trustee Fees		\$36,000
Errors and Omissions Insurance		<u>\$28,000</u>
<b>Total</b>		<b>\$116,500</b>

The budget was developed by Pacific on a cash basis, i.e. expenses paid during the year. This practice is consistent with the budget development used by Pacific in previous years. TD finds the total budget and various cost estimates proposed by Pacific for administering the CHCF-A for 1998 to be reasonable. TD recommends that the Commission approve this filing.

The IAC is arranging with Pacific for a takeover of the administrative responsibilities for the CHCF-A. TD believes Pacific's proposed administrative budget could also apply to the IAC after it assumes the administrative role. Should the IAC later find significant changes to the budget are needed, it should duly inform the Commission by filing a letter with the Executive Director requesting approval of the revised budget.

#### FINDINGS

1. Pacific filed Advice Letter (AL) No. 19051 requesting Commission approval of a budget of \$116,500 for administering the CHCF-A for 1998.
2. Pacific's AL filing is consistent with Ordering Paragraph 73 of D.94-09-065.
3. Staff of the Telecommunications Division finds the budget request for administering the CHCF-A for 1998 to be reasonable.

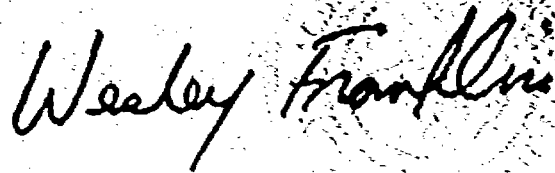
November 19, 1997

**THEREFORE, IT IS ORDERED that:**

1. The total budget of \$116,500 proposed by Pacific Bell (Pacific) for administering the California High Cost Fund A (CHCF-A) for 1998 is approved.
2. The administrative costs for the CHCF-A shall be paid out of the CHCF-A.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on November 19, 1997. The following Commissioners approved it:



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WESLEY M. FRANKLIN  
Executive Director

P. GREGORY CONLON  
President  
JESSIE J. KNIGHT, Jr.  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
RICHARD A. BILAS  
Commissioners