

## FINAL

### Minutes of CHCF-B Administrative Committee (AC) September 13, 2007 Meeting

California Public Utilities Commission  
505 Van Ness Avenue, Room 4209  
San Francisco, CA 94102

#### Attendee:s

##### **Primary Members\***

Robert Lehman, DRA  
Mike Foreman, AT&T  
Greg Gierczak, SureWest  
Judith Walters (via teleconference)

##### **Liaisons:**

Donna Wong, CPUC – Communications Division  
Sindy Yun, CPUC – Legal Division  
Flora Tagnipes – CPUC - Fiscal

##### **Public:**

Natalie Billingsley, DRA  
Mike Amato, CPUC-CD  
Larry Hirsch, CPUC – CD  
Norman Low, CPUC – CD  
Chari Worster, CPUC – CD  
Marcus Nixon, CPUC – Public Advisor's Office

\*Member Peggy Hunt representing Tri County Sentry was absent, but did arrive at the Los Angeles Visiting Commissioner's office at the conclusion of the meeting.

The meeting was called to order at 10:40 am by Robert Lehman. On the phone (at the L.A. PUC, Visiting Commissioners' Office) were two participants – Judith Walters and Marcus Nixon. Three handouts were distributed: (A) Fund Balance reports; (B) Draft Minutes of the June 8, 2007 meeting; (C) Draft Annual Report 2006

#### **1. Introductions**

All attendees introduced themselves.

#### **2. Public Comments**

Since the Commission recently voted out D.07-09-020 in the current B-Fund Rulemaking proceeding, DRA's Natalie Billingsley asked if anyone had questions on DRA's positions in the proceeding. Natalie further stated that because of the need to plan and to budget for whatever is in this decision, she is almost certain some party will file an appeal. The only question came from Greg Gierczak who asked if we should discuss as part of the AC committee if DRA intends to file an appeal. Natalie said she had not read the decision yet, but that unless there was some significant change(s) from that which was circulated on the agenda, she very much doubted that DRA would appeal the decision. Norman

Low then added that the final decision, D.07-09-020, is out on the website (as of last week). He further indicated that there will be forthcoming revisions to this decision. They will cover non-substantive corrections such as typos, etc.

(Robert Lehman then announced we would take agenda item 4b out of sequence and then resume the printed order which was done. But for purposes of this draft report, I will follow the agenda and report in the order originally published.)

### **3. Approval of Minutes of the Previous June 8, 2007 Meeting**

- *Attendees information* - Judith Walters asked that attendees section of the minutes be amended “Judith Walters....was absent due to lack of notification follow up”. Donna Wong agreed to make these amendments.
- *Discussion about audits* – whether a financial audit of the CHCF-B program-related costs and activities has been conducted. Judith Walters indicated that the audit has been a consistent problem for many years. Mike Amato stated that the Department of Finance has conducted audits for the larger companies. For the smaller companies, the Water & Audits Division performed the audits. Robert asked whether these were compliance audits or financial audits. Mike Foreman explained the Legislature directed the PUC to conduct audits. Greg asked if the AC directed those audits. Greg indicated that the AC oversees the fund process. Donna referred to PU Code 274 which states the Commission shall conduct financial and compliance audits at least once every three years.
- *Audits on budgets* - Judith wanted an explanation of the disaggregation of the \$1,290,000 figure into different types of audits (which was mentioned in the draft minutes). Greg explained that there was no need to report the various audit types on the CHCF-B AC fund program expense budget for FY 2008-09, hence only the \$1,290,000 figure appeared in the minutes.
- Greg commented that the meeting minutes were very well done, more detailed than previous minutes.
- Judith needed clarification on the due date of the annual report – whether October was referring to “October 2007” or “October of each year”. Donna said it should be October 2007 and that she will correct the minutes.

The draft minutes of the June 8, 2007 meeting of the CHCF-B AC were approved by a vote of 3 to 1, as presented, with the following amendments (in italics):

- Judith Walters of Neighborhood House Association was absent due to lack of notification follow up
- The fund’s annual report is due in October 2007

#### **4a. Administrative Committee Budget Update (Liaison Staff report)**

Larry Hirsch mentioned that there is uncertainty with the FY 2008-09 budget numbers because the statutory provisions of Pub. Util. Code §739.3 are scheduled to sunset effective 1/1/2009. In addition there are pending changes in what the actual expenses will be because of the Commission’s decision to implement changes to the B-Fund program.

#### **4b. Financial Report on the CHCF-B Fund (Liaison Staff report)**

Flora Tagnipes (from the Fiscal Office) reported that there has not been much activity this fiscal year (FY 2007-08). Flora referred to Handout “A”, *Appropriation Balance for Fund 470 as of August 2007*, which does not show any to-date expenses for FY 2007-08. For FY 2005-06, the Fund submitted \$12,107 of expenses, with a leftover appropriation balance of \$23.1M, which will expire in May 2008 if unclaimed. For FY2006-07, there is an advance or office revolving fund (ORF) of \$16M, established for “all” public program funds, with authorization to spend for compensation earned, traveling expenses, traveling expense advances or where immediate payment is otherwise necessary (Government Code Section 16401). The ORF is 3 percent of the current fiscal year’s appropriation. Greg had questions regarding the \$75M expenditure, which relates to mostly carrier claim payments from the FY2006-07 budget. There is a balance of \$78.9M remaining from the FY 2006-07 appropriation.

Flora then reported on the second page of the handout, “Fund Balance for the period July 1, 2007 to August 31, 2007”. Mike Foreman asked what is SMIF. Flora explained if the fund has a balance greater than \$1000, there is authorization to put the money into an interest bearing account. That is why there is a SMIF – or Surplus Monetary Investment Fund. Judith asked what is the interest rate? Flora did not know. Greg asked for clarification on B-Fund condition. Receipts coming is substantially reduced. In theory, the balance should be trending downward because of Resolution T-17078 which reduced the surcharge rate from 1.3% to 0.5%. As for the appropriation, the FY 2007-08 budget will be higher than what we need.

#### **4c. Other Administrative Matters**

- *What is considered “proprietary” data?* (an Action Item from June 8, 2007 meeting) - Greg addressed the proprietary nature of some of the carriers’ annual projections, etc. Mike Foreman said carriers’ annual projections, monthly claim payments, and CBG details are considered proprietary. Greg agreed.
- *Email attachment* - Judith stated she received a 108-page attachment via email which she had trouble opening. Donna said the only attachment sent was the draft of the June 8, 2007 meeting minutes (only 6 pages) and since it was sent to an incorrect email address for Judith, Donna will resend using corrected email address. Donna stated she will also send an updated AC contact list to all members, liaisons and staff.
- *Financial report format* (Action Item of 6-8-07) – Mike Foreman suggested using a fund balance format which shows the beginning and ending balances and actual balances. Judith requested to see the fund balance prior to and after April 1, 2007. Greg Gierczak explained that the adopted program expense budget is more “high level” and does not reflect the true fund balance accumulated over the year. Mike Foreman discussed the administrative committee putting together a financial report to be included in the annual report due October 2007. This report would contain actuals. Mike Foreman asked Larry to send an electronic copy of Appendix A.1 from Resolution T-17103 (Approval of the CHCF-B AC Expense Budget for FY 2008-2009)
- *Carrier Claims Process and Reporting Requirements* – Chari Worster raised concerns about the carrier claims process procedures: 1) Should the AC be involved in the claims process procedures and 2) some carriers are filing claims after the 45 day period and others not submitting them at all.

In the past (before the AC charter was adopted), the AC had been involved in the claims process, whereas currently it is not. Should they be involved as the formats used for the back

up CBG data files submitted with the current carrier claims are inconsistent. Greg explained that the original D.96-10-066 had a format requirement, but then it was changed by Communications Division (the former Telco Division) in order to develop specific reports. Donna indicated that a workshop was held July 8, 1997 by the Commission on reporting requirements for COLRs. Greg indicated that he would go back and check with his staff in terms of the changes required by CD previously. Mike Foreman said their reports are currently crafted the way Ravi Kumra requested. Larry explained that there is a need for consistency because the Commission had to extract claim information for the Commission's current B-Fund proceeding.

For carriers filing late, Larry asked what CD should do if they are late? Greg asked who was not filing. No response was provided to Greg as this information is deemed confidential by CD staff.

Mike Amato and Robert both suggested that if some carriers are reporting/filing correctly and others not, then we should contact those carriers not filing correctly and explain. Judith asked if we can put penalties on late filers. Norman indicated that any penalty provision(s) decision would have to come from the Commission, not from the AC. Larry said if the B-Fund should sunset, the CPUC will issue a decision.

- *Update from Legal Department regarding Conflict of Interest Issues* by Sindy Yun. There was no update regarding conflict of interest issues. There is proposed legislation regarding this issue however, the Commission has not yet acted on it.

#### **6. Annual Budget** – (see 4a and 4b)

#### **7. Announcements** – (no new announcements)

#### **8. New agenda items for next meeting**

- *Order of Agenda items* - Robert suggested that “new agenda items” should come before “announcements”.
- *CHCF-B AC Annual Report* – Robert then stated that an annual report should be produced once a year. Since both Robert and Donna are new, and did not know if the annual report is for calendar or fiscal year, the draft cover letter which Robert prepared (Handout C) will need to be revised to reflect FY 2006-07. Robert found last year's annual report and will revise the cover letter and use the same template. Mike Foreman asked that the financial statement for FY 2006-07 be included as part of the annual report.

#### **9. Future meetings**

The next CHCF-B AC meeting will be held Tuesday, December 11, 2007 at 10:30 am. Future meetings were not scheduled at this meeting since some members did not have 2008 calendars with them.

Mike Foreman made a motion to adjourn the meeting, which was passed. The meeting was adjourned at 11:50 a.m.

Minutes submitted by Donna Wong.