

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Communications Division
Broadband, Video and Market Branch

RESOLUTION T-17593
December 14, 2017

R E S O L U T I O N

**Resolution T-17593 - Approval of the California Advanced Services
Surcharge Rate Increase from 0.00% to 0.56% effective March 1, 2018.**

SUMMARY

Pursuant to Assembly Bill (AB) 1665,¹ this resolution adopts a surcharge rate increase from 0.00% to 0.56% for the California Advanced Services Fund (CASF) Program² effective March 1, 2018, and thereafter, until December 31, 2022. All regulated telecommunication carriers shall revise the CASF surcharge rate from 0.00% to 0.56% on their end-user charges billed for intrastate telecommunications services beginning March 1, 2018.

BACKGROUND

On December 20, 2007, the Commission approved Decision (D.) 07-12-054, which established the CASF program to provide matching funds for deployment of broadband infrastructure, especially in unserved areas of California. D.07-12-054 further authorized a surcharge on revenues collected from end-users for intrastate telecommunications services effective March 1, 2008. Since then, the surcharge rate has been revised pursuant to changes in legislation and economic circumstances (see Appendix).

On October 13, 2016, the Commission approved Resolution T-17536, revising the CASF surcharge rate from 0.464% to 0.00%, effective December 1, 2016, and thereafter, until further revised by the Commission. The reduction in surcharge rate was necessary in order to avoid exceeding the maximum collection authorized by SB 740.³ Nonetheless, \$15 million were over-collected before the surcharge revision was implemented.

¹ AB 1665 (Garcia) Stats. 2017 Ch. 851, amending PU Codes § 281, 912.2, and 914.7

² The California Advanced Services Fund pursuant to PU Code § 270(a)(7) and Senate Bill (SB) 1193.

³ SB 740 (Padilla) Stats. 2013 Ch. 522, amending PU Code § 281.

On October 15, 2017, Governor Brown signed AB 1665, which authorized the Commission to collect a sum not to exceed three hundred thirty million dollars (\$330,000,000), in an amount not to exceed sixty-six million dollars (\$66,000,000) per year, through December 31, 2022.

DISCUSSION

In this resolution, the Commission adopts a rate increase from 0.00% to 0.56% for the CASF surcharge effective March 1, 2018, and thereafter, until December 31, 2022. This surcharge satisfies the requirements of AB 1665, which authorized the collection of no more than \$66 million per year between January 1, 2018 and December 31, 2022, for a total of \$330 million, in order to extend broadband access to no less than 98% of California households in each consortia region.

Staff recommends that collection begin on March 1, 2018, in order to provide carriers with adequate time to apply the new surcharge. Given the ample time provided, the CASF expects 100% implementation on March 1, 2018.

The proposed rate of 0.56% was calculated on the basis of the \$66 million target, and a total annual intrastate billing base of \$11.66 billion, which was obtained from the Commission's Telecommunications and User Fees Filing System (TUFFS) program report data. The CASF expects to collect \$66 million in each of years 2019-2022, and \$55 million in 2018, as a result of non-collection in January and February. Operations in January and February will be financed with the \$15 million over-collected in 2016.

ADVICE LETTER FILING

Consistent with Resolution T-16901, dated December 2, 2004, we require AT&T (formerly SBC) to file an advice letter with the Communications Division by February 12, modifying the CASF surcharge from 0.00% to 0.56% effective March 1, 2018, and thereafter, until December 31, 2022. AT&T is not required to inform competing carriers of its revised tariff changes.

SAFETY ISSUES

The CASF provides subsidies for the deployment of high-quality advanced broadband infrastructure throughout the state of California. Broadband infrastructure is vital to the operation and management of critical infrastructure, such as energy generation systems and the power grid, water supply systems, and public safety and emergency response networks.

COMMENTS ON DRAFT RESOLUTION

In compliance with Pub. Util. Code § 311 (g), a notice letter was emailed on November 14, 2017, informing all parties on the CASF Distribution List of the availability of the draft of this Resolution for public comments on the Commission's documents website, <http://www.cpuc.ca.gov/documents/>. This letter also informed parties that the final conformed Resolution adopted by the Commission will be posted and available at the same website. The Commission did not receive any comments.

FINDINGS AND CONCLUSIONS

1. Pursuant to AB 1665, the Commission is authorized to collect up to \$330 million beginning January 1, 2018 through the 2022 calendar year, in an amount not to exceed \$66 million per year.
2. Given an intrastate billing base of \$11.66 billion, a surcharge of 0.56% will raise no more than \$66 million.
3. Due to CASF's over-collection in 2016, and in order to provide adequate time for public review and advice letter filing, the surcharge shall be implemented on March 1, 2018.
4. All certificated telecommunications carriers shall revise the CASF surcharge for intrastate telecommunications services from 0.00% to 0.56%, effective March 1, 2018, and thereafter, until December 31, 2022.
5. In accordance with Resolution T-16901, dated December 2, 2004, AT&T should file an advice letter with the Communications Division by February 12, modifying the CASF surcharge rate from 0.00% to 0.56% effective March 1, 2018, and thereafter, until further revised by the Commission.
6. On November 14, 2017, a notice letter was emailed to all telecommunications carriers and interested parties on the CASF distribution list regarding the availability of this draft resolution and the conformed resolution, when adopted by the Commission, on the Commission's website. No comments were received.

THEREFORE, IT IS ORDERED that:

1. The CASF surcharge rate shall be increased from 0.00% to 0.56%, effective March 1, 2018, and thereafter, until December 31, 2022.
2. AT&T shall file an advice letter with the Communications Division by January 29, 2018, modifying the surcharge rate for the California Advanced Services Fund from 0.00% to 0.56%, effective March 1, 2018, and thereafter, until December 31, 2022.
3. All certificated telecommunications carriers shall revise the CASF surcharge rate from 0.00% to 0.56% on their respective end-user charges billed for intrastate telecommunications services beginning March 1, 2018, and thereafter, until December 31, 2022.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 14, 2017. The following Commissioners approved it:

TIMOTHY J. SULLIVAN
Executive Director

APPENDIX – Previous Surcharge Revisions

On December 17, 2009, the Commission approved Resolution T-17248, which revised the surcharge from 0.25% to 0.00% on end-user bills, because it was projected that the surcharge revenue limit of \$100 million would be reached by December, 2009.

On September 22, 2011, the Commission approved Resolution T-17343, which revised the surcharge from 0.00% to 0.14% on end-user bills in order to begin the collection of the new \$125 million authorized in SB 1040.

On February 13, 2013, the Commission approved Resolution T-17386, which further increased the surcharge rate on end-user bills from 0.14% to 0.164%. The increase in surcharge rate to 0.164% was necessary in order to collect the authorized \$25 million per year.

On February 27, 2014, the Commission approved Resolution T-17434, which revised the surcharge from 0.164% to 0.464% on end-user bills. The increase in surcharge rate was necessary in order to meet new requirements imposed on the program by SB 740 and AB 1299.⁴ Resolution T-17434 further provides that an amount greater than the \$25 million cap may be collected if the collection did not result in an increase in the total amount of all surcharges collected from telephone customers that year.

On October 13, 2016, the Commission approved Resolution T-17536, which revised the CASF surcharge rate on end-user bills from 0.464% to 0.00%. The reduction in surcharge rate was necessary in order to avoid exceeding the maximum collection authorized by SB 740, which was \$315 million.

⁴ AB 1299 (Bradford) Stats. 2013 Ch. 507, amending PU Code § 281.