

Introduced by Senator Cannella

February 17, 2016

An act to amend Section 275.6 of the Public Utilities Code, relating to telecommunications.

LEGISLATIVE COUNSEL'S DIGEST

SB 1122, as introduced, Cannella. Telecommunications: universal service: California High-Cost Fund-A.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including telephone corporations. Existing law authorizes the commission to fix just and reasonable rates and charges. Existing law requires the commission to exercise its regulatory authority to maintain the California High-Cost Fund-A Program (CHCF-A program) to provide universal service rate support to small independent telephone corporations, as defined, in amounts sufficient to meet the revenue requirements established by the commission through rate-of-return regulation in furtherance of the state's universal service commitment to the continued affordability and widespread availability of safe, reliable, high-quality communications services in rural areas of the state.

This bill would make a nonsubstantive change to the CHCF-A program requirements.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 275.6 of the Public Utilities Code is
2 amended to read:

275.6. (a) The commission shall exercise its regulatory authority to maintain the California High-Cost Fund-A Administrative Committee Fund program (CHCF-A program) to provide universal service rate support to small independent telephone corporations in amounts sufficient to meet the revenue requirements established by the commission through rate-of-return regulation in furtherance of the state's universal service commitment to the continued affordability and widespread availability of safe, reliable, high-quality communications services in rural areas of the state.

(b) For purposes of this section, the following terms have the following meanings:

(1) "Carrier of last resort" means a telephone corporation that is required to fulfill all reasonable requests for service within its service territory.

(2) "Rate base" means the value of a telephone corporation's plant and equipment that is reasonably necessary to provide regulated voice services and access to advanced services, and upon which the telephone corporation is entitled to a fair opportunity to earn a reasonable rate of return.

(3) "Rate design" means the mix of end user rates, high-cost support, and other revenue sources that are targeted to provide a fair opportunity to meet the revenue requirement of the telephone corporation.

(4) "Rate-of-return regulation" means a regulatory structure whereby the commission establishes a telephone corporation's revenue requirements, and then fashions a rate design to provide the company a fair opportunity to meet the revenue requirement.

(5) "Revenue requirement" means the amount that is necessary for a telephone corporation to recover its reasonable expenses and tax liabilities and earn a reasonable rate of return on its rate base.

(6) "Small independent telephone corporations" are rural incumbent local exchange carriers subject to commission regulation.

(c) In administering the CHCF-A program the commission shall do all of the following:

(1) Continue to set rates to be charged by the small independent telephone corporations in accordance with Sections 451, 454, 455, and 728.

1 (2) Employ rate-of-return regulation to determine a small
2 independent telephone corporation's revenue requirement in a
3 manner that provides revenues and earnings sufficient to allow the
4 telephone corporation to deliver safe, reliable, high-quality voice
5 communication service and fulfill its obligations as a carrier of
6 last resort in its service territory, and to afford the telephone
7 corporation a fair opportunity to earn a reasonable return on its
8 investments, attract capital for investment on reasonable terms,
9 and ensure the financial integrity of the telephone corporation.

10 (3) Ensure that *the* rates charged to customers of small
11 independent telephone corporations are just and reasonable and
12 are reasonably comparable to rates charged to customers of urban
13 telephone corporations.

14 (4) Provide universal service rate support from the California
15 High-Cost Fund-A Administrative Committee Fund to small
16 independent telephone corporations in an amount sufficient to
17 supply the portion of the revenue requirement that cannot
18 reasonably be provided by the customers of each small independent
19 telephone corporation after receipt of federal universal service rate
20 support.

21 (5) Promote customer access to advanced services and
22 deployment of broadband-capable facilities in rural areas that is
23 reasonably comparable to that in urban areas, consistent with
24 national communications policy.

25 (6) Include all reasonable investments necessary to provide for
26 the delivery of high-quality voice communication services and the
27 deployment of broadband-capable facilities in the rate base of
28 small independent telephone corporations.

29 (7) Ensure that support is not excessive so that the burden on
30 all contributors to the CHCF-A program is limited.

31 (d) In order to participate in the CHCF-A program, a small
32 independent telephone corporation shall meet all of the following
33 requirements:

34 (1) Be subject to rate-of-return regulation.

35 (2) Be subject to the commission's regulation of telephone
36 corporations pursuant to this division.

37 (3) Be a carrier of last resort in their service territory.

38 (4) Qualify as a rural telephone company under federal law (47
39 U.S.C. Sec. 153(44)).

1 (e) Upon request from the commission, a small independent
2 telephone corporation that receives support from the CHCF-A
3 program shall provide information regarding revenues derived
4 from the provision of unregulated Internet access service by that
5 corporation or its affiliate within that corporation's telephone
6 service territory. The commission shall treat as confidential any
7 information provided pursuant to this subdivision.

8 (f) The commission shall structure the CHCF-A program so
9 that any charge imposed to promote the goals of universal service
10 reasonably equals the value of the benefits of universal service to
11 contributing entities and their subscribers.

12 (g) This section shall remain in effect only until January 1, 2019,
13 and as of that date is repealed, unless a later enacted statute, that
14 is enacted before January 1, 2019, deletes or extends that date.