

California High-Cost Fund-A Administrative Committee
Meeting Minutes for Wednesday, August 25, 2021, at 10:00 am

Venues:

As authorized by Governor Newsom's Executive Order, N-29-20, dated March 17, 2020, the meeting will be held via teleconferencing with members of the CHCF-A AC attending from separate remote locations. This altered format is in observance of recent recommendations by local officials that certain precautions be taken, including social distancing, to address the threat of COVID-19.

Important Notice to the Public Regarding COVID-19:

Based on guidance from the California Department of Public Health and the California Governor's Office, in order to minimize the spread of the COVID-19 virus, please note the following:

- There is no physical location of the meeting open to the public.
- The public is invited to call in and provide public comments during the meeting.

Telephone Conference Phone Bridge:

Access: 415-655-0002

Participant/Access Code: 1460 16 2640

Attendees:

Present – Committee Members

- Matt Kingsley (Rural County Representatives of California)
- Patrick Hogle (CPUC, Public Advocates Office)
- David Clark (Sebastian)

Present – Others

- Felix Robles (CPUC, Communications Division)
- Dorris Chow (CPUC, Communications Division)
- Nancy Lee (CPUC, Communications Division)
- Lucia Magaña (CPUC, Communications Division)
- Lalaine Semana (CPUC, Fiscal)
- Ashnita Lal (CPUC, Fiscal)
- Kieuchin Tran (CPUC, Public Advocates Office)
- Bixia Ye (CPUC, Public Advocates Office)
- Sindy Yun (CPUC, Legal)
- John Kennedy (Rural County Representatives of California)
- Stephen Kalish, Alternate Committee Member (Community Based Organization)
- Patrick Rosvall (BRB Law)
- Risa Hernandez (CPUC, Communications Division)

On the phone

- Sarah Sharpe (CPUC, Commissioner Guzman Aceves' Office)
- Eric Votaw, Alternate Committee Member (Ducor)

Minutes:

1. Introductions – Patrick Hogle, Chairperson

Attendees introduced themselves. Patrick Hogle observed that a quorum was present, meeting commenced at 10:00 am.

2. Announcements

- a. New CPUC website, information about the CHCF-A AC can now be found at <https://www.cpuc.ca.gov/industries-and-topics/internet-and-phone/california-high-cost-fund-a/california-high-cost-fund-a-administrative-committee---chcf-a-ac>

3. Public Comments - none

4. Review and Approval of the May 12, 2021, Meeting Minutes

The meeting minutes remained unchanged. Matt Kingsley made a motion to approve and adopt the minutes. David Clark seconded the motion. The committee voted unanimously to approve the May 12, 2021, minutes. Nancy Lee will post the adopted minutes on the CHCF-A AC webpage.

5. Liaison Staff Reports:

- a. Fiscal Report –
Lalaine Semana presented the fiscal report ending June 30, 2021, for Fiscal Year 2020-2021
 - The budgets for Fiscal Year 2021-2022 were not presented as the numbers had been recently uploaded into the Fiscal's accounting system.
 - To stabilize funds in anticipation of a change to the surcharge reporting and collection methodology (Rulemaking 21-03-002), the A Fund has been identified to borrow \$7M cash from the B Fund. Fiscal Office will post these funds into the A Fund once an Executive Order is issued. There is a \$5.4 M reserve, and the A Fund fulfilled its obligations for Fiscal Year 2020-021. Patrick Rosvall asked, "why is the A Fund borrowing money from the B Fund when the A Fund still has \$5.4 M in reserve?" Lalaine stated last year's program expenditures were approximately \$37M, and that the \$7M loan from the B Fund will serve as an additional reserve for the A Fund balance. Patrick Rosvall stated what this means is at some point the surcharge must increase. Felix Robles stated he will express CD's point of view regarding that in the CD report.
- b. Legal Report –
Sindy Yun stated that the Commission approved a Decision denying rehearing application filed by the Small ILECs on broadband imputation. She mentioned the pending legislation AB 1257: Directs the commission to apply the Alternate Dispute Resolution (ADR) process and encourages parties to informally settle cases before filing a motion. There are outstanding issues the Commission must address such as clarifying the 1991 Decision, which allows Small ILECs to recover from the A-fund costs related to regulatory changes of industry wide effect. This applies to the annual advice letter process outside of the general rate case year.
- c. Communications Division –
Felix Robles reported that general rate case submissions are due on November 1. Pursuant to an earlier decision, CD developed a broadband imputation template which was sent to parties for review and for comments by the Small ILECs, TURN and Public Advocates, due August 26, 2021. The annual CHCF A support advice letters are due September 15, 2021, for a resolution to be issued by December for calendar year 2022 CHCF A support.

CHCF A reserve balance – Per Felix's interpretation the annual budget appropriation amount debt needs to be covered. The \$5.4M reserve has increased recently from a recent low point, as CD remitted both

May and June by late June to avoid any issues with fiscal year end closing for FY 2020-21 ending June 30, 2021. Due to the two payments made in June, no payments are needed for July; therefore, the balance increased to over \$6M.

Felix mentioned the declining nature of intrastate reporting, citing as an example last year's decrease to about \$6.4 billion. Although, the Communications Division has noticed that the rate of decrease has flattened, a declining trend still exists. For the first six calendar months of 2021, the downward trend continued with intrastate revenue reporting of \$2.94 billion, forecasted to \$5.8 billion for 2021. With a CHCF A remittance rate of 0.70%, we would collect about \$40 million this year and would exceed the amount of the 2021 CHCF A support that was approved in Resolution T-17710 for \$35.16 million. The Communications Division does not project a need to increase the remittance rate at this time given we are in the process of R.21-03-002, which will help transition to a single end user surcharge as proposed. But that will take time. The balance was reported to be sufficient at the present time, being a good indication that the surcharge remittance rate will not need to be increased immediately. Felix reported the Division is working to secure funds and prevent shortages through the rulemaking process.

Stephen Kalish presented a follow up to Patrick Rosvall's previous clarifying question related to CHCF A Fund borrowing money from CHCF- B Fund being interested in understanding whether the transfer of money from Fund B to Fund A was not a cash flow problem rather a cash balance problem.

Felix addressed the question stating that in fact it was the transfer of funds that was related to cash balance matter as the intent is to have a reserve of approximately six months. Felix continued to state that if reserves get larger than what is allowed by statute, it could be a problem when fund audits are conducted, resulting in having a reserve that is too large. Right now, there is a smaller reserve, but we are mindful that reserves must cover budget appropriations.

Stephen Kalish asked if the appropriations would be single appropriations at the start of the Fiscal year or does it get distributed during the year? Felix stated appropriations are approved at the beginning of the Fiscal year.

Felix further clarified that the statute mandates for the appropriation amounts to be covered in terms of our financial projections in the event we spend all that is authorized.

Stephen Kalish asked if the cash balance is based upon the surcharges and not the appropriation from the state? Felix addressed the question stating that the intrastate revenue multiplied by the remittance rate would equal about \$40M coming in this year, and such amounts would cover the expenses as authorized by the Resolution T – 17710.

Stephen Kalish inquired about the frequency of remittance. Felix stated the payments are remitted all month long, usually by the 40th day after the end of the month which are accounted for at the end of the current month. Felix mentioned the payments that go out are in the amount of \$35.165M as authorized by the Resolution which equals \$2.93M per month.

6. CHCF-A (R.11-11-007) Rulemaking Issues – Questions, Comments

No questions about the proceeding were presented at this meeting.

7. Review and Approval of FY 2020-2021 Annual Report –

Patrick Hogle stated the FY 2020-2021 Annual Report was sent out on August 24, 2021, for the committee's review and noted the approved May 12, 2021, minutes will be added to the end of the report on the attachment section. No questions or comments were offered.

David Clark motioned to approve the proposed FY 2020-2021 Annual Report. Matt Kingsley seconded the motion. The committee voted unanimously to approve the FY 2020-2021 Annual Report.

8. Emergency Broadband Benefit Program Update – Sarah Banola, Small ILECs

Sarah Banola was not present in the meeting.

David Clark shared their experience with the new system, expressed frustration encountered while accessing the FCC's EBB Program to enroll customers (initially they were not allowed to get into the Program to start uploading customers). This issue lasted a month or more. David wrote them on behalf of Foresthill and Kerman and presented documentation of all the troubles encountered, as there were many e-mails requesting help with the program. This issue was eventually rectified, and they were able to proceed. Currently, 41 customers in Kerman and another 17 in Foresthill participate in the program.

There is another program coming out of the Emergency Connect Fund (ECF) which will give discounts to kids from underserved communities. Schools may be eligible for support under the FCC's E-Rate Program. Schools in Kerman have applied and are waiting for program approval.

Matt Kingsley asked David if the other small providers are getting similar sign ups? David stated all of these are limited programs and are to last eight to nine months. Similar results from the other small providers, they have about 15-16 customers per company. Limited number of people who can get these services since their eligibility is dependent on their income level.

Eric Votaw stated they have been offering it and they have 48 customers participating in the EBB Program. They have done physical outreach consisting of door knocking and holding events to get people to sign up. He also stated its affiliates have been working with the school district to provide fiber to 40 students' homes and Ducor is also working to connect an additional 96 students. Ducor has been working closely with the schools to get them broadband.

However, some of these programs are not going to last very long, EBB will run out when the money is gone and the ECF is only good until 2022. But there is a possibility that the FCC might extend the program.

9. AC Membership

There is one available seat for an alternate member for the Public Advocates Office. Patrick Hoglund stated at this time the formal nominations for his alternate has not been put forward.

10. New agenda items for next meeting

- Update on Annual Advice Letters and Resolutions going forward
- An update on the extent of fire impacts

11. Date and time for next meeting

The next meeting will be Wednesday, December 8, 2021, at 10:00 am.

12. Adjournment

The meeting was adjourned at 10:41 am.