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CD/AJC

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Communications Division **RESOLUTION T-17666**
Consumer Programs Branch **January 16, 2020**

R E S O L U T I O N

Resolution T-17666. Modification of the due date and time limit to submit claims for reimbursement from the California Teleconnect Fund.

SUMMARY

This Resolution modifies the due date and time limit for telecommunications carriers to submit claims for reimbursement from the California Teleconnect Fund. The due date and time limit for carriers to submit claims for reimbursement shall be 60 days from the end of the month for claims submitted for March-2020 and thereafter. This modification aligns California Teleconnect Fund rules with that of other public purpose programs, reduces the administrative burden on staff, and allows the program to better track and project expenditures for oversight and budgeting purposes.

BACKGROUND

The California Public Utilities Commission (CPUC or Commission) implemented the California Teleconnect Fund (CTF) in 1996 pursuant to Public Utilities (PU) Code § 280(a). Decision (D.) 96-10-066 created the CTF Public Purpose Program (CTF Program) to promote innovation in the delivery and use of advanced communication services, encourage the diversity of choices among services and providers, and ensure for affordable and widespread access to California's broadband networks and technology.[1]

The CTF Program provides discounts on advanced communications services to qualifying participants, including: schools, libraries, hospitals, health clinics, community colleges, 2-1-1 referral providers, and community-based organizations. Approved CTF participants are eligible to receive a 50 percent discount on the monthly recurring charges of eligible advanced communications services. Telecommunications carriers offering services with the CTF discount are directed to apply the discount to the recurring charges on a participant's monthly bill. After applying the discount, carriers are required to file claims for reimbursement of the discount with the Communications Division. Currently, 83 carriers file claims for reimbursement for discounts provided to over 15,000 CTF participants.

The Communications Division administers the program, which includes approving applications, processing claims for reimbursement from carriers, preparing annual budgets, proposing changes to rules and procedures, and other day-to-day administrative tasks.

In D.96-10-066, the Commission set initial parameters for the reimbursement process:

> "In order for the carriers to claim reimbursement from the California Teleconnect Fund, the carriers will be required to file a monthly report with the Telecommunications Division in a format to be prescribed. Among the items the report shall contain are the number of qualifying institutions or organizations in each of the discount programs, and the amount the carrier is seeking reimbursement for."[2]

Resolution T-16319, adopted September 2, 1999, set reporting requirements for the monthly claim filings, including a "due date" of 45 days after the month has ended.[3]

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[1] D. 96-10-066 at 59.

[2] D. 96-10-066 at 58.

[3] Resolution T-16319 at page 6 and Ordering Paragraph 3.

Resolution T-16319 explains that if a carrier fails to file a claim by the due date, the carrier forfeits any applicable interest on the discounts given during the associated month.[4]

Resolution T-16542, adopted July 12, 2001, subsequently set the maximum "time limit" for carriers to submit claims at two years after the due date. The Commission adopted this revised time limit to achieve consistency between the CTF Program and the California Universal Lifeline Program, which at the time allowed carriers a time limit of two years to file claims.[5]

Resolution T-16763, adopted May 27, 2004, again modified the time limit for carriers to submit claims from two years to one year after the due date. The Commission adopted this change to make more current claims data available to staff to increase the accuracy of its budgeting estimations and analysis.

Most recently, the Commission adopted D.19-04-013 to evaluate and improve the CTF Program. Although D.19-04-013 did not make changes to the claims process, it did highlight the claims process as an area of concern and directed staff to improve the process. Therein, the Commission identified essential components of CTF Program administration to include the continual updating of information from carriers on CTF participants, changes in technology, product offerings, pricing, and other information.[6] D.19-04-013 also directs staff to develop a platform to track technology usage and cost-effectiveness for CTF participants.[7] The preponderance of this information comes from the claims process.

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[4] Resolution T-16319 at Ordering Paragraph 3.

[5] PU Code § 871. *See also,* CPUC General Order 153.

[6] D.19-04-013 at 33.

[7] D.19-04-013 at 21 and Ordering Paragraph 4.

DISCUSSION

As discussed above, carriers' claims include key information essential to the administration of the CTF Program. Claims provide staff with information on discounts awarded each month in total, for each participant, and for each eligible service.[8] Staff relies on this data to develop expense forecasts, manage the CTF Program's budget and surcharge, and to conduct general program oversight and assessments, including the production of quarterly reports for the CTF Administrative Committee. Staff's ability to perform these duties depends on the timely provision of claims data, which the current rules do not adequately facilitate.

The Commission underscored the value of making regularly updated CTF information available to the public in D.19-04-013. More specifically, the Commission directed staff to identify and implement modifications to the current claims process to enable tracking of technology usage and cost-effectiveness.[9] Staff subsequently recognized that the time allotted to carriers to submit claims hinders its ability to fulfill this Commission directive.

The time limit allotted to carriers for submitting claims, a total of one year and 45 days from the end of the claim month, impedes optimal and efficient administration of the CTF Program. An analysis of claims submitted from January 2015 through April 2019 reveals that, on average, about half were submitted within 60 days. The delayed submissions of claims restricts staff's access to data, as 50 percent of the information necessary to inform the program is not available on a timely basis. However, the fact that carriers already submit 50% of claims within 60 days from the end of the claim month supports the feasibility of a 60-day time limit for all claims.

Current program rules, including rules on how to account for support from federal programs, enable carriers to complete and submit a claim upon conclusion of the month. The CTF discount applies to the monthly recurring charges for eligible services

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[8] Refer to the CTF Administrative Letter no.17, issued December 5, 2008, available at: https://www.cpuc.ca.gov/General.aspx?id=3744.

[9] D.19-04-013 at 21 and Ordering Paragraphs 4 and 9.

and carriers submit claims to request *reimbursement* of discounts given during the month. This remains true even considering the program's rule that requires the CTF discount apply to only the eligible charges that remain after the application of support from federal programs, including the E-Rate program.[10] For example, if a service provider bills a participant for eligible services and it does not know the participant's E-rate support level, it would apply the CTF discount using the statewide average E-rate support level.[11] The requirement to use the statewide average E-rate support level enables service providers to apply the CTF discount and then submit claims within 60-days, even when a customer's actual E-rate support level is unknown. Upon receiving notice of an E-rate funding commitment, which are sometimes delayed by months or even years, the service provider must adjust any CTF discounts that it previously calculated using the statewide average E-rate support level. When a service provider receives notice of an E-rate funding commitment it must apply the adjustment to the participant's bill and include the adjustment within that month's claim.

Modifying the time limit will also align CTF Program rules with the California Universal Lifeline Program, which requires service providers to file claims on a monthly basis and no later than 60 days after the conclusion of the month during which service was provided.[12] Aligning the time limit for submitting claims from the CTF Program with the California Universal Lifeline Program will provide further consistency between the Public Purpose Programs.

In addition to modifying the time limit to submit claims to the CTF Program, staff also recommends modifying the due date for claims.[13] Currently, the due date for claims is 45 days after the claim month. Carriers must submit a claim by the due date in order to

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[10] PU Code § 884.5. *See also,* CTF Administrative Letters No.10(b) and No.24.

[11] *Id*.

[12] CPUC General Order 153, Section 9.5.2.

[13] A carrier must submit a claim prior to the "due date" to recover interest, if any, related to the delayed payment of the claim. Carriers may submit claims after the due date, but the CTF Program will not pay interest on claims received after the due date. Carriers cannot submit claims after the "time limit."

recover interest associated with the claim. If a carrier submits a claim prior to the due date, staff has 60 days to process the claim before interest begins to accrue.[14]

To further simplify the CTF Program's rules, the due date should equal the revised time limit of 60 days after the month. Changing the due date from 45 days to 60 days after the month will simplify the rules without materially impacting the program's interest payments. Staff regularly pays claims in a timely manner, so interest payments are rare. Staff did not pay any interest (associated with a carrier's claim for reimbursement) during the past two fiscal years.

To provide carriers time to make changes necessary to meet the revised time limit and due date, staff recommends an effective date of March 1, 2020. Carriers must submit claims for March-2020 and thereafter within 60 days from the end of the month.

To accommodate the changes adopted herein, the Communication Division will update the CTF claim forms, processes and Guide for Carriers Submitting CTF Reimbursement Claims. This Resolution further authorizes staff to update the CTF claim forms and processes, as necessary, to implement the Commission's directives going forward.

COMMENTS

In compliance with PU Code section 311(g), the Commission emailed a notice letter on November 1, 2019 to all telecommunications carriers, the CTF Administrative Committee, and parties of record in Rulemaking 13-01-010, list of the availability of this Resolution for public comments at the Commission's website (www.cpuc.ca.gov). Comments were due within twenty (20) days of Daily Calendar notification. The notice

[14] Resolution T-16763 at Ordering Paragraph 13.

letter also informed parties that the final conformed Resolution adopted by the Commission will be posted and available at this same website.

Comments were submitted by AT&T,[15] Comcast,[16] the Small Incumbent Local Exchange Carriers,[17] Charter Communications Inc, Crown Castle Fiber LLC, and Verizon. In addition to the sections below, we made changes to the discussion on pages four and five to add information pertinent to the concerns of these commenters.

E-rate Funding Commitments

Most of the commenting parties express concern that a 60-day time limit is burdensome or unreasonable due to delays in E-rate applications and/or funding commitments.[18] Parties note that E-rate funding commitments are often issued after the commencement of a new funding year, which means there is a period when the customers E-rate support is unknown.[19] Parties also indicate that service providers sometimes wait for E-rate funding commitments prior to submitting a claim to avoid having to later make

[15] Pacific Bell Telephone Company d.b.a. AT&T California (U-1001-C) and its affiliates AT&T Corporation (U-5002-C), Teleport Communications America, LLC (U 5454-C), AT&T Mobility LLC, New Cingular Wireless PCS, LLC (U-3060-C), AT&T Mobility Wireless Operations Holdings, Inc. (U-3021-C), Santa Barbara Cellular Systems, Ltd. (U-3015-C) are collectively referred to as "AT&T."

[16] "Comcast" refers to Comcast Phone of California LLC (U-5698-C).

[17] The Small Incumbent Local Exchange Carriers consist of: Calaveras Telephone Company (U-1004-C), Cal-Ore Telephone Co. (U-1006-C), Ducor Telephone Company (U-1007-C), Foresthill Telephone Co. (U 1009 C), Happy Valley Telephone Company (U-1010-C), Hornitos Telephone Company (U-1011-C), Kerman Telephone Co. (U-1012C), Pinnacles Telephone Co. (U-1013-C), The Ponderosa Telephone Co. (U-1014-C), Sierra Telephone Company, Inc. (U-1016-C), The Siskiyou Telephone Company (U-1017-C), Volcano Telephone Company (U-1019-C), and Winterhaven Telephone Company (U-1021-C).

[18] Comments of Comcast, filed November 25, 2019, at pages 2 to 3. *See also*, comments of the Small Incumbent Local Exchange Carriers, filed November 25, 2019, at pages 1 to 2. *See also*, Comments of Charter Communications, filed November 25, 2019, at pages 2 to 4.

[19] Comments of Charter Communications, filed November 25, 2019, at pages 1 to 2. *See also*, comments of Comcast, filed November 25, 2019, at pages 2 to 3.

adjustments that would have otherwise been necessary if the claim was calculated using the statewide average E-rate percentage.[20]

These concerns, however, are commentary on existing program rules that (1) require service providers to use the statewide average E-rate discount as a placeholder when a customer's actual E-rate discount is unknown, and (2) do not permit a service provider to wait for E-rate funding commitments to apply the CTF discount to eligible charges.

In 1998, Resolution T-16118 first ordered carriers to apply the CTF discount to the balance of eligible service charges remaining after application of all E-rate support. In 2004, Resolution T-16763 adopted the *CTF Carrier Guide*, which included the following program rules:

> Carriers are required to discount a service according to the e-rate that a customer has been approved for, and then apply the 50% CTF discount to the remainder. E-rate funding applies July 1 through June 30. Customers and carriers frequently do not receive notification of E-rate funding until well after July 1. In the months when no E-rate is applicable, because no funding notification has been received, customers should receive a 50% discount off the regular monthly rate for eligible services. When notification is received, the customer would normally be credited for the difference between the discount that was applied (CTF only) and the discount that is applicable with the approval of E-rate (E-rate and CTF). This customer credit should appear on that month's claim as a credit to the fund.[21]

PU Code Section 884.5, which became operative on January 1, 2006, requires the application of the E-rate discount regardless of whether the customer has applied for the E-rate discount or has been approved, if the customer meets the eligibility requirements for the E-rate discount (as determined by the Commission). PU Code

[20] Comments of Charter Communications, filed November 25, 2019, at page 2.

[21] Resolution T-16763 at page 3 of the Attachment titled, "Guide for Carriers Submitting CTF Reimbursement Claims."

Section 884.5 also defines "E-rate discount" as an actual discount under the E-rate program or a representative discount figure as determined by the Commission.

Later in 2006, CD issued Administrative Letter No.10b to align program rules with PU Code Section 884.5. Administrative Letter No.10b instructed carriers to use the statewide average E-rate discount[22] as a placeholder for actual e-rate support to satisfy the requirement that carriers apply the E-rate discount *regardless of whether the customer has applied for the E-rate discount or has been approved*. The instructions require carriers to apply the statewide average E-rate discount before applying the CTF discount until the customer presents its actual E-rate discount to the carrier.[23] As previously explained, when the customer presents the new E-rate funding commitment to the carrier, the carrier must (1) retroactively adjust past CTF discounts (that the carrier calculated using the statewide average E-rate discount) to the amount that is appropriate for the approved E-rate support, and (2) include the amount of the adjustment on that month's claim.[24] The use of the statewide average E-rate discount continues today as the required method of calculating CTF discounts and claims.

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[22] CD calculates the statewide average E-rate percentage for each funding year using data from the Universal Services Administrative Commission. CD informs carriers of the new statewide average E-rate percentage every year, and posts the number to its public webpage at https://www.cpuc.ca.gov/General.aspx?id=3868.

[23] Resolution T-16763 requires a school or library to submit their E-rate funding commitment letter to their carrier within 75 days of filing their Receipt of Service Confirmation Form (Form 486) with the School and Library Division of the Universal Service Administrative Company.

[24] Resolution T-16763 describes the required adjustment as a "credit" equal to "the difference between the discount that was applied (CTF only) and the discount that is applicable with the approval of E-rate (E-Rate and CTF)." Resolution T-16763 describes the required adjustments as only a "credit" because the Commission had not yet implemented the rule requiring the use of the statewide average E-rate discount as a placeholder.

Furthermore, the CTF discount applies to the rates of eligible services to decrease the amount owed by the customer.[25] Therefore, service providers must calculate and apply the CTF discount when billing a participant for eligible services. If a service provider bills a participant for eligible services and it does not know the participant's E-rate support level, it must calculate and apply the CTF discount using the statewide average E-rate support level. The service provider should then submit their monthly claim to request reimbursement of the discounts given during the month, including any discounts calculated using the statewide average E-rate support level. Upon receiving notice of E-rate funding commitments, the service provider must adjust any CTF discounts that were calculated using the statewide average E-rate support level. At that time, the service provider should apply the adjustment to the participant's bill and include the adjustment within that month's claim.

Several commenters assert that use of the statewide average E-rate percentage as a placeholder causes significant administrative costs and burdens because it necessitates "true up" adjustments for hundreds or thousands of customer accounts statewide.[26] While these concerns are understandable, this resolution does not make any changes to the Commission's rules regarding the use of the statewide average E-rate percentage as a placeholder. Revisions to the due date and time limit for claims will not affect service providers ability to use the statewide average E-rate percentage as a placeholder or the program's rules regarding that process.

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[25] D.96-10-066 explains the CTF discount at Footnote 31: "For example, if the tariffed rate for DS-3 service was $1000 per month, the tariffed discount rate for schools and libraries for that service would be $500. If the school or library is able to negotiate a lower monthly rate of say $400, the carrier would be entitled to a $200 subsidy. The school or library would end up paying the carrier $200 for the DS-3 service." *See also*, PU Code 884(a), which states: "It is the intent of the Legislature that any program administered by the commission that addresses the inequality of access to high-speed broadband services by providing those services to schools and libraries **at a discounted price**, provide comparable discounts to a nonprofit community technology program." (Emphasis added.)

[26] Comments of Charter Communications, filed November 25, 2019, at page 4. *See also,* Comments of Crown Castle Fiber LLC, filed November 25, 2019, at page 2.

Crown Castle purports a 60-day time limit to submit a claim would effectively delay the start date of CTF discounts for customers, or otherwise “frustrate carriers' incentive” to provide service to customers as soon as possible.[27] In response to these concerns, CD notes that a 60-day due date and time limit for carriers to submit claims will not affect the start date of discounts for customers. The start date of discounts currently is, and will continue to be, the date the entity's application was received by the CTF Program or when the entity provides its Approval Letter to the service provider. Likewise, CD also notes that a 60-day due date and time limit for carriers to submit claims will not affect the expediency of service delivery and, in fact, is likely to accelerate the payment of claims.

Comcast purports that a 60-day due date will limit the usefulness of claims data because service providers will have to rely on the statewide average E-rate discount as a placeholder.[28] While claims that rely on the statewide average E-rate discount as a placeholder usually require a future adjustment to finalize the appropriate CTF discount amount, the claims still provide very useful data. The cumulative effect of using the statewide average E-rate discount as a placeholder for thousands of participants produces useful data because the placeholder is a statewide average and therefore a similar number of CTF participants will exceed the average as the number that will fall short. Further, use of the statewide average E-rate discount as a placeholder increases the amount of timely information available to the program, especially when compared to the alternative of waiting for E-rate funding commitments before calculating CTF discounts and claims.

Implementation

AT&T stated that it has no criticism of the proposal to shorten the time period for carriers to submit claims to 60 days, but requests the Commission wait to consider the 60-day limit if and until a new claim process is considered.[29] CD notes that while it is currently developing new claim reporting forms, any new requirements will be limited

[27] Comments of Crown Castle Fiber LLC, filed November 25, 2019, at page 2.

[28] Comments of Comcast, filed November 25, 2019, at pages 3 to 4.

[29] Comments of AT&T, filed November 25, 2019, at page 1

to the collection of data that is readily available and, in fact, required for carriers to calculate CTF discounts. Therefore, because carriers calculate and apply CTF discounts prior to the submission of claims, any new reporting requirements will not seek data that is not readily available to the carrier in the normal course of business. As a result, CD recommends the Commission does not delay consideration of the rule changes proposed herein.

FINDINGS AND CONCLUSION

1. Carriers' claims for reimbursement include key information essential to the administration of the California Teleconnect Fund (CTF).
2. Claims for reimbursement include data on the CTF discounts awarded each month, including the total discount for each participant and the total discount per service.
3. In Decision 19-04-013, the Commission reiterated the important role that claims for reimbursement play in the administration of the CTF.
4. Currently, the time limit for carriers to submit CTF claims is one year and 45 days from the end of the month for which the claim is submitted.
5. The time currently allotted for carriers to file claims for reimbursement does not facilitate timely access to essential information.
6. Shortening the time limit for filing claims from one year and 45 days to 60 days from the end of the month for which the claim is made is reasonable.
7. Requiring carriers to submit claims within 60 days will provide consistency between the CTF Program and the California Universal Lifeline Program.
8. Modifying the time limit for carriers to submit claims should not affect the discounts that carriers give to entities that participate in the CTF Program.
9. Current program rules, including rules on how to account for support from federal programs, enable carriers to complete and submit a claim upon conclusion of the month.
10. The requirement to use the statewide average E-rate support level as a placeholder enables service providers to apply the CTF discount, and then submit claims within 60-days, even when a customer's actual E-rate support level is unknown.

11. A 60-day time limit will not impede carriers' ability to include adjustments to prior periods within a claim to accurately reflect changes in the support a participant receives from federal programs, including the federal E-Rate program.
12. Carriers must submit a claim for reimbursement by the due date in order to recover interest associated with the claim.
13. Staff did not pay any interest associated with a carrier's CTF claim for reimbursement during the past two fiscal years.
14. Aligning the due date and time limit will simplify the program's processes and rules without materially impacting the program's interest expenses.
15. Revisions to the time limit and due date should have an effective date of March 1, 2020.
16. Carriers must submit claims for March-2020 and thereafter within 60 days from the end of the month.
17. Staff should update the CTF claim forms and processes to facilitate the changes authorized herein.
18. Staff should also update CTF claim forms and processes on an ongoing basis, as necessary, to implement the Commission's directives.

THERFORE, IT IS ORDERED that:

1. The due date and time limit for carriers' claims for reimbursement to the California Teleconnect Fund shall be 60 days from the end of the month for claims submitted for March-2020 and thereafter.
2. Staff is authorized to modify the administrative processes and documents for carriers to submit claims for reimbursement from the California Teleconnect Fund.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the California Public Utilities Commission at its regular meeting on January 16, 2020. The following Commissioners approved it:

/s/ ALICE STEBBINS
Alice Stebbins
Executive Director

MARYBEL BATJER
President
LIANE M. RANDOLPH
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
Commissioners