

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6378

Investigation into Universal Service)
Fund Charge for Fiscal Year 2001)

Order entered: 12/21/2000

I. INTRODUCTION

In accordance with 30 V.S.A. § 7523, the Vermont Public Service Board ("Board") must establish the Universal Service Fund surcharge rate for fiscal year 2001 (July 1, 2000, through June 30, 2001). On June 5, 2000, this Board issued an Order establishing a rate of 1.24 percent to take effect on July 1, 2000. On November 21st, the Vermont Department of Public Service ("Department" or "DPS") motioned the Board to modify the USF Surcharge. I now recommend that the Board modify the proposed charge and adopt a modified surcharge of 1.65 percent effective February 1, 2001. This level of funding should be adequate to meet the funding obligations of the Vermont Universal Service Fund ("VUSF") programs for the remainder of fiscal year 2001.

On December 7, 2001, I convened a technical hearing in this investigation pursuant to the Department's petition to modify the USF Surcharge. The Department indicated in its motion that telecommunications revenues have not fallen in line with its original expectations in proposing a rate of 1.24 percent. Because of this, the Department's motion indicates that the surcharge will produce a shortfall if the percentage is not increased immediately. The Department now requests that the surcharge should be effective not later than February 1, 2001.¹

The Department prefiled testimony on the morning of the technical hearing. A technical hearing was held on December 7, 2000, at 1:30 PM and notice of the hearing was sent to the parties on November 28, 2000.

No party has objected to the establishment of a modified rate based on the testimony of the Department's witness.² Based on my representation at the hearing that I anticipated establishing

1. See, Frankel pf., 12/7/00 at 1.

2. The parties in this case include the Department of Public Service (the petitioner), RCC Atlantic, Inc. d/b/a Cellular One, the nine independent telephone companies (Shoreham Telephone Company, Inc., Topsham Telephone Company, Inc., Waitsfield-Fayston Telephone Company, Inc. d/b/a Champlain Valley Telecom and d/b/a Waitsfield Telecom, Northfield Telephone Company, Perkinsville Telephone Company, Ludlow Telephone Company, Franklin Telephone Company, STE/NE Acquisition Corp. d/b/a Northland

findings in line with those presented by the Department and the recommendations for a modified rate based on that same testimony, the parties have agreed to waive their right to comment on a proposed decision by me prior to delivery to the Board, pursuant to 3 V.S.A. § 811.

II. FINDINGS

This docket does not present any contested issues of fact. Based upon the testimony of the Department's witness, the Hearing Officer reports the following findings in accordance with 30 V.S.A. § 8. The Department indicates that no changes will be necessary in the notice requirements that were ordered in the earlier phase of this Docket.³

Disbursements

Fiscal Agent⁴

1. The estimated cost for compensation of the fiscal agent from July 1, 2000, through June 30, 2001 remains \$101,000. Frankel, supp. pf., at 6; exh. DPS-1 (DFL-supp-1).

Telecommunications Relay Service

2. Funds to support the Vermont Telecommunications Relay Service ("VTRS") are distributed to the State Treasurer, in an amount determined by the Commissioner of Public Service to be reasonable. 30 V.S.A. § 7512.

3. The DPS has estimated a revised funding level of \$558,700 is needed for VTRS for fiscal year 2001. Frankel supp. pf. at 7; exh. DPS-1.

4. In addition, the DPS has included \$75,000 for a VT-EDP adaptive equipment distribution program associated with VTRS that is authorized by 30 V.S.A. § 218a(e). This program is administered through a Board-approved contract between the Department and a private vendor. Exh. DPS-1; exh DPS-2.

Telephone Company of Vermont, and Vermont Telephone Company, Inc.), Verizon New England Inc. d/b/a Verizon Vermont, and the E-911 Board.

3. The notice only concerns availability of VUSF funded programs and is only required to be sent by local exchange companies (LECs). Frankel supp. pf. at 10.

4. The National Exchange Carrier Association ("NECA") is currently the fiscal agent for the VUSF.

Lifeline

5. Funds to support the Vermont Telephone Lifeline Program are distributed to telecommunications service providers that issue Lifeline credits to end-users. 30 V.S.A. § 7513.

6. The DPS now projects the distribution of Lifeline credits to be \$1,313,450. This reflects an increase of \$36,025 from the earlier estimates. Frankel supp. pf. at 6; exh. DPS-1 (DFL-supp-1); exh. DPS-3 (DFL-supp-3).

7. The estimated Lifeline administrative cost reimbursement amount was set at \$105,000. This amount is unchanged from earlier projections. Frankel supp. pf. at 6; exh. DPS-1 (DLF-supp-1).

Enhanced 911

8. Funds to support Enhanced-911 ("E-911") services will be paid by the fiscal agent to the State Treasurer for deposit into the E-911 special fund. 30 V.S.A. § 7514.

9. The DPS estimates distributions to the E-911 program in the amount of \$3,391,061. This amount was derived from H.842, the Appropriations bill that sets the amount to be transferred from the VUSF to E-911. No adjustments to the prior estimates were needed here. Frankel supp. pf. at 6; exh. DPS-1 (DLF-supp-1).

Total Program Disbursements

10. Total program disbursements for VUSF program obligations during fiscal year 2001 are projected to be \$5,544,211. Frankel supp. pf. at 8; exh DPS-1.

Revenues

11. The fiscal agent provides the DPS with projections of total telecommunications revenue for all Vermont companies for the current fiscal year. On the basis of the fiscal agent's annualized projections, estimated telecommunications service FY-00 revenues (based on collections from July 1, 1999, through February 29, 2000) at \$421,045,634, a 6.57 percent growth over FY-99. The original estimates of revenue growth used the same FY-00 growth rate for

estimating FY-01 revenue growth. Frankel supp. pf. at 2; exh. DPS-1.

12. The DPS now recommends that the estimates of base revenues reflect an 8.00% reduction due to factors that contributed to the decline in base revenues over the course of fiscal year 2001. Frankel supp. pf. at 3; exh. DPS-1.

13. The fund balance that VUSF carried forward on July 1, 2000, is \$301,494. Frankel supp. pf. at 5; exh. DPS-1 (DLF-supp-1).

III. DISCUSSION

Disbursements

There is no dispute over the issue of funding the fiscal agent. The estimates of costs for fiscal agent services total \$101,000.

The Department's estimate of Telecommunications Relay Service costs are not in dispute. The revised estimate of anticipated costs is \$558,700.

The DPS requests \$1,277,425 to cover the costs associated with the distribution of Lifeline credits. No parties have contested this projection.

The Department has asked the Board to set a VUSF rate that includes the \$3,391,061 appropriated for E-911. This figure is not contested either.

30 V.S.A. § 7511 specifies the amounts and manner of disbursements by the fiscal agent. It is estimated that a total of \$5,544,211 will be distributed as described below:

- a. \$101,000 to pay costs payable to the fiscal agent under its contract with the Board. Finding 1.
- b. \$558,700 to support the Vermont Telecommunications Relay Service in the manner provided by section 7512 of Title 30. Findings 2-3.
- c. \$1,313,450 to support the Vermont Lifeline program in the manner provided by section 7513 of Title 30. Findings 5-7.
- d. \$105,000 is the required administrative cost reimbursement for the Vermont Lifeline program. Finding 8.
- e. \$3,391,061 to support enhanced-911 services in the manner provided by section 7514 of Title 30. Findings 9-10.
- f. The estimated TTY distribution expense is \$75,000 authorized by

30 V.S.A. § 218a(e). Finding 4.

Revenue

The current VUSF charge of 1.24 percent has resulted in revenues insufficient to cover all program costs for fiscal year 2001. The Department monitors the monthly revenue, disbursements, and the fund balance of the VUSF and can petition the Board to reopen the docket if expected revenue levels are at variance with funding requirements. Given these facts, I conclude that the revised rate of 1.65 percent will be adequate to meet the funding obligations of the program.

The VUSF surcharge rate for fiscal year 2001 should be 1.65 percent.⁵ This will meet all of the funding needs identified by the General Assembly in 30 V.S.A. § 7511(a). This finding is based upon:

- a. A final fund balance on June 30, 2000, of \$301,494.
Finding 13.
- b. Anticipated total disbursements during the year of \$5,544,211.
Finding 11.

Customer Notice of Rate Change

The Department recommends that carriers be required to send the notice of the rate change in the first bill on which the change is applied. As in the original proceeding, however, in those cases where the revised rate is set too late for the provider to get notice into the first bill, due to the time required for printing, the notice should be included in the earliest feasible bill.⁶ I agree and recommend that the Board require carriers to notify customers of the change in the earliest feasible bill.

5. For the last fiscal year, FY 2000, a prior fiscal year anticipated balance of \$1.3 million together with estimated disbursements of \$4.95 million required a rate of 0.95 to assure adequate funding. *See*, Docket 6224, Order of 5/28/99 at 6. For fiscal year 2001, estimated disbursement levels are anticipated to increase over last year's estimates. Together with a significantly smaller fund balance from FY 2000, requires a VUSF rate of 1.24 percent above the rate of 0.95 percent established for the prior fiscal year.

6. Frankel supp. pf. at 10; *see also*, Frankel pf. at 5-6. The Department's recommendation here serves as a request for waiver to provisions of Docket 5903.

Dated at Montpelier, Vermont, this 21st day of December, 2000.

s/J. Riley Allen

J. Riley Allen
Hearing Officer

IV. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The findings and recommendations of the Hearing Officer are adopted.
2. The Vermont Universal Service Fund charge shall be 1.65 percent. This rate shall go into effect February 1, 2001, and remain in effect through June 30, 2001, unless revised in the manner provided by law.
3. Each telecommunications service provider required to collect the USF charge shall include a notice to customers of the revised rate in the earliest feasible bill.
4. The fiscal agent shall pay the following amounts for fiscal year 2001, and according to the following priority:
 - a. The fiscal agent shall transfer to its own account not more than \$101,000, but in no event shall transfer more than permitted under the contract between the Board and the fiscal agent.
 - b. The fiscal agent shall transfer to the State Treasurer, in monthly payments, the annual sum of \$558,700 to support the Vermont Telecommunications Relay Service.
 - c. The fiscal agent shall recognize legitimate claims from local exchange carriers for credits and reimbursable expenses under the Vermont Lifeline program. It is anticipated that the annual total of all such claims will amount to \$1,313,450.
 - d. The fiscal agent is authorized to make monthly transfers to the State Treasurer to support enhanced-911 services at an annual rate of \$3,391,061.
5. The Board shall retain jurisdiction over this docket to make any further orders that may be required to administer the Vermont Universal Service Fund. J. Riley Allen is designated as Hearing Officer to consider and report upon any further proceedings that may be appropriate in this docket.

DATED at Montpelier, Vermont, this 21st day of December, 2000.

<u>s/Michael H. Dworkin</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
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OFFICE OF THE CLERK

FILED: December 21, 2000

Attest: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or mail) of any technical errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.