

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

in the matter of ANNUAL REVISION OF UNIVERSAL SERVICE FUND SURCHARGES TO BECOME EFFECTIVE OCTOBER 1, 2001.)	CASE NO. GNR-T-01-16
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Each year the Administrator of the Universal Service Fund (USF) files an Annual Report for the previous USF fiscal year. The Administrator filed the Report on July 16, 2001, detailing activity in the USF for the period July 1, 2000 through June 30, 2001. Based upon the Commission's review of the Report and the recommendation of the Staff and the fund administrator, the Commission has determined to decrease the USF surcharge. The Commission orders the monthly surcharge on residential lines should be decreased to \$.10 per residential line and that the business line surcharge should be decreased to \$.15 per line. The Commission also orders the present Idaho USF surcharge of \$.0045 per MTS/WATS minute should be decreased to \$.0035 per toll minute. These surcharges will become effective October 1, 2001.

BACKGROUND

The Idaho Telecommunications Act of 1988 created a Universal Service Fund "for the purpose of maintaining the universal availability of local exchange service at reasonable rates and to promote the availability of message telecommunication service (MTS) at reasonably comparable prices throughout the state of Idaho." *Idaho Code* § 62-610(1). The USF is funded from surcharges levied upon local exchange service and interstate MTS (long-distance) and wide area telecommunication services (WATS). Funds are distributed to qualifying high-cost local exchange telephone companies to supplement their annual revenue requirements. In that way, distributions from the USF offset a certain amount of revenues that necessarily would come from customers in the absence of the fund. *See Idaho Code* § 62-610 (2) through (4). In July of each year the administrator of the fund provides an annual report to the Commission reviewing the fund balance and recommending changes, if any, in the surcharges to maintain adequate funding levels. Following its review of the report, the Commission issues an Order prescribing USF surcharges for the next 12 months beginning October 1. *See* Rules 104 through 106 of the Commission's USF Rules; IDAPA 31.46.01.104-106.

THE 2001 REPORT

The Administrator reported that surcharge revenue for the past year totaled \$2,580,799. Fifty-four percent of that amount was derived from surcharges on local exchange services and 46% was derived by surcharges on MTS/WATS services. Disbursements to the eight qualifying local exchange carriers totaled \$2,178,303. As of June 30, 2001, the USF contained a balance of \$510,300.

The USF is currently funded through surcharges of \$.14 per residential line per month, \$.26 per business line per month, and \$.0045 per toll minute. The Administrator's Report indicates that disbursements to qualifying companies have decreased approximately \$600,000 and that if the current surcharge levels are maintained the fund balance will increase by approximately \$1 million by June 30, 2002.

The Fund Administrator presented two options to the Commission for possible adjustments to the USF surcharges. Under one option, the rates would remain at current levels, but the fund disbursements could increase if company access rates are changed. The Administrator noted that seven of the companies receiving USF funds may have access rates that are above the threshold rates to enable the companies to receive USF disbursements. If access charges were adjusted, disbursements from the USF would increase, reducing the fund surplus if surcharges remain unchanged. Under the second option, the Administrator recommends a decrease in the current surcharge rates to \$.09 per residential line, \$.17 per business line and \$.0035 per toll minute.

After reviewing the Administrator's Report and the analysis provided by Staff, the Commission finds that the USF surcharges should be reduced so that the USF does not build an unreasonably large reserve. The Commission finds that a monthly surcharge of \$.10 per residential line and \$.15 per business line are adequate and in the public's interest to help ensure the continuing solvency of the USF. The Commission further finds that the surcharge for MTS/WATS usage should be decreased to \$.0035 per minute to maintain an appropriate balance between local and toll revenues, and to maintain a reasonable funding level for the USF.

The Commission will not order that individual company access rates should be reduced, although the Administrator noted that some access rates may be too high. *Idaho Code* § 62-610 establishes the eligibility requirements for local exchange companies to draw funds from the USF, and requires participating companies' toll access rates to be at least 100% of the statewide average. The Commission's Rules require a participating company to revise its rates if (1) the difference between the Company's rates and a statewide threshold rate is more than 3%, and (2) the difference in the amount of revenue collected under the company's rates and the threshold rate is greater than \$6,000. *See* IDAPA 31.46.01.106.02. The Commission Staff may investigate individual company access rates and report to the Commission whether adjustments are necessary in order for the companies to remain eligible for USF support.

ORDER

IT IS HEREBY ORDERED that the Universal Service Fund local exchange service surcharge shall be \$.10 per month for each residential line and \$.15 per month for each business line.

IT IS FURTHER ORDERED that the Universal Service Fund MTS/WATS surcharge shall be decreased from \$.0045 per minute to \$.0035 per minute.

IT IS FURTHER ORDERED that these USF surcharges shall be effective October 1, 2001.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this
day of August 2001.

PAUL KJELLANDER, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Jean D. Jewell

Commission Secretary

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