

Office of the Secretary

Service Date

June 30, 1998 BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

<p>IN THE MATTER OF IMPLEMENTING AMENDMENTS TO THE IDAHO TELECOM MUNICATIONS SERVICE ASSISTANCE PROGRAM.</p>	<p>) CASE NO. GNR-T-98-6</p>
	<p>) ORDER NO. 27608</p>
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	<p>)</p>

In its 1998 session, the Idaho Legislature approved amendments to the Idaho Telecommunications Service Assistance Program (ITSAP) set forth in Title 56, Chapter 9, *Idaho Code*. The purpose of the program is to provide a billing credit to eligible, low-income residential customers of basic local telecommunications service to reduce their cost of such services and promote universal service. Eligible customers may receive a maximum credit not exceeding \$10.50 per month. The ITSAP program is funded in part by surcharges authorized by the Federal Communications Commission.

The Commission’s Proposed Order.

On June 2, 1998, the Commission issued a Proposed Order pursuant to Commission Rule of Procedure 312, IDAPA 31.01.01.312, informing interested parties of its intent to implement the new ITSAP program by July 1, 1998. The Proposed Order established the ITSAP surcharge at \$0.13 per business, residential and wireless access service. The Proposed Order did not identify an ITSAP administrator because the Commission desired additional information regarding administrator duties and costs.

The Proposed Order was issued with a 14-day comment period. U S WEST Communications, Inc. filed written comments, apprising the Commission that it may not be possible to change its billing process to show the ITSAP surcharge on a separate line for July bills. A representative of other independent telephone service providers also contacted Staff to voice similar concerns regarding implementation of the new ITSAP billing requirements. The Commission also received a few written comments from members of the public expressing disagreement with the new surcharge resulting from the 1998 ITSAP amendments.

The Commission by this Order adopts the Proposed Order as a final Order, with modifications based on additional information provided to the Commission since issuance of the Proposed Order.

1998 Amendments to ITSAP.

The amendments enacted this year modify the Idaho Telecommunications Assistance Program (ITAP) that has existed since 1987. Under the ITAP provisions, the telecommunication provider charges collected to fund the program were not necessarily separately identified on customer billing statements. The amounts collected by different providers varied throughout the state, ranging from 3 cents per access line to 24 cents per access line.

The new ITSAP amendments give the Commission the responsibility to determine and impose a uniform statewide monthly surcharge on each end user’s business, residential and wireless access service. The surcharge must be an amount sufficient to reimburse each carrier of residential basic local exchange service for the total amount of telephone assistance discounts provided, as well as the carrier’s and an administrator’s expenses of administering the ITSAP. Unlike with the old ITAP costs, the ITSAP surcharge must be explicitly stated on customer billing statements. Pursuant to *Idaho Code* • 56-904(2), the IPUC may contract with a neutral third party to serve as administrator for the ITSAP program. The administrator will collect the surcharge from the telecommunications carrier, distribute assistance

revenues, and perform other tasks as assigned by the IPUC. *Idaho Code* • 56-904(2).

In its amendments to the ITSAP statutes, the Idaho Legislature also enumerated responsibilities for the Idaho Department of Health and Welfare (IDHW) and telecommunications carriers. Pursuant to *Idaho Code* • 56-903, IDHW will establish eligibility criteria for program recipients based on income, and certify eligible ITSAP participants. At least once a year, IDHW will provide a list of eligible recipients to each telecommunications company designated by the IPUC. The telecommunications carrier will determine from the list those recipients to whom the company provides service. See *Idaho Code* • 56-903. The Commission issues this Order to implement the amended ITSAP program by July 1, 1998.

Staff's Recommendation to Implement 1998 ITSAP Amendments.

IDHW has prepared amendments to the ITSAP eligibility rule, effective July 1, to implement the 1998 ITSAP changes. The new rule makes the ITSAP credit available to customers whose gross income is "at or below one hundred and thirty-three percent (133%) of the Federal Poverty Limit." IDAPA 16.04.02.100.03 (7-1-98 T). Based on participation levels for ITSAP in the past, as well as projections offered by IDHW, the Commission Staff estimates the total number of households that will be income eligible for ITSAP at approximately 22,000, and a participation rate of 95%, or approximately 20,905 households. The State's share of the ITSAP assistance is \$3.50 per month. These projections result in a Staff estimation for ITSAP funding, excluding administration costs, of approximately \$877,800 during the first year.

Staff expects the administrator's costs for ITSAP to be similar to the Universal Service Fund (USF) administration costs, or less than \$15,000 per year. Anticipating one-time start-up costs, Staff allowed a total of \$20,000 for the administrator's costs during the first year. To avoid unnecessarily duplicating administration costs, Staff recommended that the current state USF administrator also serve as ITSAP administrator.

The final component the law requires to be calculated in the ITSAP surcharge is the costs of administration for the participating telecommunications carriers. Staff developed a formula to estimate the administrative expenses of each utility based on previous experience with the ITSAP program. This formula recognizes a portion for costs that companies incur regardless of the number of ITSAP participants, but bases most administrative costs on the relative number of participants for each utility. For the purposes of first year projections, Staff assumed each company would have the same percentage of statewide participants as before the 1998 ITSAP amendments. Based on this formula, Staff estimated the first year administrative costs of the telephone companies providing the ITSAP credits to be approximately \$80,000. Staff thus estimated the total first year program costs, including ITSAP credits to participants, administrator's costs and telephone company administration costs, to be \$978,010, rounded to \$980,000, or approximately \$81,667 per month.

Having projected first year costs for ITSAP, the next step is to determine the total number of access lines to which the surcharge will attach. Based on telecommunications company reports filed with the Commission, and subtracting the number of lines for ITSAP participants, Staff estimates there are 597,512 land-based lines that will be subject to the surcharge. For purposes of first year projections, Staff rounded this number to 600,000.

Wireless access lines subject to the ITSAP surcharge are more difficult to project. According to estimates of the National Organization of Wireless Telecommunications, there are over 50 million wireless telephones in use in the USA. Assuming a proportion of wireless telephones in Idaho similar to Idaho's percentage share of the national population, Idaho would have approximately 200,000 wireless telephones. However, Staff believes wireless telephone subscribership in Idaho is well below the national average, due to the delay in the availability of wireless technology in Idaho, vast areas of Idaho still not served, and higher than average wireless costs in Idaho. For the purposes of projecting ITSAP, Staff assumed that wireless subscribership in Idaho is one fourth the national average, or approximately 50,000 subscriber lines. Staff thus estimates the total wireline and wireless access lines subject to the ITSAP surcharge at 650,000.

Considering the number of lines subject to the surcharge, and the total monthly ITSAP costs, Staff derived a first year surcharge of 12.56 cents per line per month. Staff rounded the recommended surcharge amount to \$0.13 per line per month to accommodate billing, which requires an even cent amount. Although a surcharge at this level would result in a first year ITSAP fund amount slightly greater than Staff's estimated requirement of \$980,000, Staff recommended the

surcharge be set at 13 cents during the first year to allow a cushion should its projections prove to be low.

COMMISSION DECISION

The 1998 amendments to ITSAP were necessitated in part by changes the FCC made to the customer discounts available through the Lifeline Program. *See* FCC Universal Service Order, 97-157, FCC Docket No. 96-45, issued May 8, 1997. The FCC increased the amount it would provide for its portion of the ITSAP credit, but also required states to make eligibility for ITSAP based strictly upon income or factors related to income, effective January 1, 1998. Because Idaho statutes previously established age as an eligibility standard, the FCC granted a waiver to the IPUC in order that Idaho law could be changed and the new ITSAP eligibility rules implemented by July 1, 1998. The Legislature recognized the exigency in implementing the ITSAP amendments, declaring an emergency in the statute amendments so that the program can be implemented without delay.

The Commission is thus mindful of the importance of implementing the new ITSAP amendments no later than July 1, 1998. Given the short time available, the Commission accepts Staff's recommendations regarding the surcharge level. Based on the projections provided by Staff, we find it reasonable and appropriate to establish the initial ITSAP surcharge level at 13 cents per access line per month. The ITSAP surcharge replaces the ITAP charges previously collected by telecommunication providers, and thus is not a new, additional charge to be collected by the providers. Instead, telecommunications providers must offset the amounts to be collected by the ITSAP surcharge by the amounts the provider previously collected for ITAP.

The Commission also recognizes that the projected number of wireless access services included in the surcharge calculation is based on an estimate by Staff. Staff is directed to actively pursue all information of wireless providers so that the number of actual wireless access services in Idaho can be used in the ITSAP calculation.

Staff recommended that the ITSAP administrator for the Commission be the same as the USF administrator, and we find it reasonable and prudent to accept that recommendation. Due to similarity in the programs, administration of ITSAP should be similar to administration of the state USF. A single administrator for both programs will avoid unnecessary duplication of administrative efforts and thus reduce overall administration costs. We therefore appoint Allyson Anderson as ITSAP administrator.

Pursuant to *Idaho Code* • 56-903(1), the ITSAP surcharge must be imposed on "each end user's business, residential and wireless access service," and must be "explicitly stated on end user's billings." Pursuant to *Idaho Code* • 56-904(3), carriers must remit surcharge revenues to the administrator on a monthly basis, unless less frequent remittances are authorized by the Commission. In order to ensure adequate funding at the outset of the new ITSAP, we find that carriers should make monthly remittances for at least the first three months, beginning August 1998. Thereafter, the ITSAP administrator may arrange for quarterly remittances with individual carriers, and may allow carriers to offset their remittances with the amount of ITSAP funds to be distributed to the carrier. Because *Idaho Code* • 56-904(1) requires the surcharge to "be explicitly stated on end user billings," all providers should identify the surcharge on customer bills as soon as possible. Recognizing that it may require some time for billing changes to be made, the Commission will allow time after July 1, 1998, for the companies to comply with this requirement. The companies should keep Staff informed of the time required to change billing statements to explicitly state the ITSAP surcharge.

ORDER

IT IS HEREBY ORDERED that the ITSAP surcharge amount is \$.13 per line per month on all end user business, residential and wireless access services. The ITSAP surcharge replaces the ITAP charges previously collected by telecommunication providers. Telecommunications providers must offset the amounts to be collected by the ITSAP surcharge by the amounts the provider previously collected for ITAP.

IT IS FURTHER ORDERED that the ITSAP administrator for the Commission shall be Allyson Anderson. Effective July 1, 1998, all carriers of telecommunications services as defined in *Idaho Code* • 56-901(2) shall begin collecting the surcharge amount on end user business, residential and wireless services, and remit the ITSAP funds collected to the ITSAP administrator beginning in August 1998. Following three months of monthly remittances the ITSAP administrator may arrange for quarterly remittances with individual carriers, and may allow carriers to offset their

remittances with the amount of ITSAP funds to be distributed to the carrier. The administrator will determine the amounts to reimburse the eligible telecommunications carriers based on reports provided to the administrator by the carriers.

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 June 1998.

DENNIS S. HANSEN, PRESIDENT

RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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