

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL
WORKING FILE

REVISED

FROM: DOUG COOLEY

DATE: APRIL 7, 2004

RE: TELECOMMUNICATIONS RELAY SERVICE 2003 ANNUAL REPORT

On February 13, 2004, Idaho's Telecommunications Relay Service (TRS) Administrator, Mr. Robert Dunbar, submitted his calendar year 2003 Annual Report to the Commission. He reported that conversation time on the relay service, including interstate long distance, totaled 473,531 minutes. This represents a 9% decrease from calendar year 2002. Likewise, disbursements to Hamilton Telecommunications in 2003 (\$492,933) were approximately 9% less than 2002 (\$554,296). In-state relay traffic is reimbursed by Idaho's TRS Fund while the National Exchange Carrier Association (NECA) reimburses Hamilton for out-of-state calls that are placed via the relay service.

<u>Disbursements</u>	<u>2003</u>	<u>2002</u>
Hamilton Telecommunications	\$492,933	\$554,296
Administrative Expenses	<u>36,031^A</u>	<u>34,445</u>
Total	\$492,969 528,964	\$588,741

4/1/04

DC

CONTRIBUTIONS TO THE TRS FUND - 2003

The total number of intrastate toll minutes that were reported to the TRS Administrator during calendar year 2003 was approximately 314,658,630 and the number of lines reported to the Administrator was approximately 640,000. However, because of various reporting cycles and subsequent true-ups by many reporting companies, Staff believes the actual minutes and line counts are different from those derived by funds reported during the 2003 calendar year. Staff estimates

A Administrative expenses included \$30,000 in Administrator's compensation and \$6,031 in other expenses.

that the number of intrastate toll minutes during 2003 was closer to 300,000,000 (down 8%) and the actual number of landlines in Idaho is just over 700,000 (down 5%). This estimate does not include pagers or wireless phones.

<u>Contributions</u>	<u>2003</u>		<u>2002</u>	
From basic service providers	\$307,059	(58%)	\$346,237	(65%)
From MTS/WATS providers	220,041	(42%)	182,546	(35%)
Interest earned on funds	<u>176</u>		<u>450</u>	
Total	\$527,100	4.1.04	\$529,233	
	527,276	DC		

The above transactions resulted in a decrease of \$1,688 to the TRS fund bringing the 2003 year-end balance to \$188,011. This amount approximates a four-month reserve for the fund that collects from many accounts on a quarterly basis.

Staff commends Mr. Dunbar for his continued effective administration of this service. Idaho Relay Service can now be reached by simply dialing 711 from any phone in Idaho and also provides Spanish relay service.

SETTING TRS CONTRIBUTION RATES FOR 2003

Mr. Dunbar has projected an annual operating expense requirement for 2004 of \$478,050, which includes a forecasted 10% decrease in traditional relay use. He notes that decreasing line counts or toll minutes could impact TRS Fund revenues. Mr. Dunbar also points out the possibility that the Federal Communications Commission could at some time require states to pay for other relay-related services such as internet relay, video relay, and caption relay service via CapTel™ (discussed below).

To meet the estimated budget requirement, Mr. Dunbar recommends that the TRS contribution rate not be adjusted at this time. Staff agrees with this recommendation and presents the following projected TRS income for the coming year.

No Change in TRS Contribution

Estimated lines 700,000 x \$.04 x 12 months =	\$336,000	(64%)
Estimated minutes 300,000,000 x \$.0007 =	<u>\$206,500</u>	(36%)
Total	\$542,500	

The estimated revenues above assume essentially no change in intrastate toll minutes or exchange lines. With some reserve currently in the fund, Staff agrees with Mr. Dunbar's suggestion

to continue monitoring the fund during the year and make adjustments if a demonstrated need arises rather than making adjustments now and potentially over funding the account.

Recently, Mr. Dunbar received a proposal from Hamilton Telecommunications to provide CapTel™ service in addition to the traditional relay service it currently provides. CapTel™ was developed by Ultratec, Inc. and allows individuals with hearing impairment to view word-for-word captions of the other party's speech on the CapTel™ telephone's built-in screen. The CapTel telephone set looks much like our NEC handsets. CapTel™ telephones cost approximately \$495 each and Hamilton proposes to provide CapTel™ service at \$1.45 per conversation minute. Hamilton currently provides traditional relay service at \$1.31 per conversation minute.

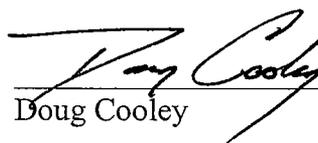
Staff and Mr. Dunbar have reviewed Hamilton's proposal and have some concerns about the cost, amount of usage, licensing, and provision of this impressive but relatively new service. Therefore, Staff and the Administrator recommend that the Commission decline implementing CapTel™ service for this budget cycle and, perhaps, reconsider this when the Idaho relay releases its Requests for Proposals (RFP) in 2005.

STAFF RECOMMENDATION

Based on the proposed TRS budget for 2003, Staff and the Administrator recommend that 2003 TRS contributions remain at \$.04 per line per month and \$.0007 per intrastate toll minute in accordance with Order No. 28684.

COMMISSION DECISION

1. Does the Commission wish to keep the TRS contribution rates at the current level as established by Order No. 28684?
2. Does the Commission wish to change the distribution or the methodology in some other way?
3. Does the Commission wish to forego CapTel™ service for the 2004 budget?



Doug Cooley