

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE ANNUAL)
REVISION OF THE UNIVERSAL SERVICE) CASE NO. GNR-T-06-03
FUND SURCHARGES TO BECOME)
EFFECTIVE OCTOBER 1, 2006) ORDER NO. 30114**

On July 19, 2006, the Administrator of the Universal Service Fund (USF) filed the Annual Report for the previous USF fiscal year from July 1, 2005, through June 30, 2006. Based upon the Commission's review of the Annual Report and the recommendation of Staff and the fund Administrator, the Commission finds that the USF surcharges should remain set at the current levels. The Commission orders that the current Idaho USF monthly surcharge of \$.12 per residential line and \$.20 per business line remain in effect. The Commission also orders the present Idaho USF surcharge of \$.004 per MTS/WATS minute should remain in effect. These surcharges become effective on October 1, 2006.

BACKGROUND

The Idaho Telecommunications Act of 1988 created a Universal Service Fund (USF) "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 intrastate 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)-(4).

In July of each year the USF Administrator 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 2006 REPORT

The Administrator reported that surcharge revenue for the past year totaled \$2,082,684. Fifty-two percent (52%) of that amount was derived from surcharges on local

exchange services and 48 percent (48%) was derived by surcharges on MTS/WATS services. Disbursements to the eight qualifying local exchange carriers decreased slightly to a total of \$1,943,523. As of June 30, 2006, the ending fund cash balance was \$193,664.

The USF is currently funded through surcharges of \$.12 per residential line per month, \$.20 per business line per month, and \$.004 per intrastate toll minute. The Administrator's Report indicated that the total USF surcharge revenue has increased by approximately \$465,000, as compared to 2005.

The Fund Administrator presented four funding options to the Commission in order to meet the projected annual disbursements and expenses for the coming year: (1) maintain the status quo; (2) adjust funding to meet statewide averages and maintain surcharge rates; (3) decrease surcharge rates and maintain funding levels; and (4) adjust funding levels per Rule 106 and decrease surcharge rates. The Administrator noted that Midvale Telephone Company could slightly increase switched access rates pursuant to IDAPA 31.46.01.106 and thus decrease the USF draw by approximately \$6,635. The Administrator recommended Option 1, which would maintain the current surcharge rates and maintain a four-month reserve balance of approximately \$675,354 by June 30, 2007.

DISCUSSION

The USF surcharge rates were decreased in 2002, Order No. 29101, and were not changed in 2003. Order No. 29324. The surcharge rates were increased in 2004 to avoid a negative balance in the fund. Order No. 29570. The 2004 surcharge rates resulted in a year-end cash balance of \$65,265 in the fund, which was an historically low reserve balance for the fund. The surcharge rates were increased to their current levels last year. Order No. 29860. Commission Staff recommended that the level of uncertainty in the market suggests that the surcharge rates should remain unchanged to provide an adequate funding cushion to address any downward adjustments and changes in the threshold levels that may occur as companies submit their reports in the next year. Staff also recommended that making slight adjustments to the access rates of Midvale Telephone Company is not necessary at this time. Staff recommended adopting the Administrator's Option 1, that is, maintaining the current surcharge rates.

After reviewing the Administrator's Report and the analysis provided by Staff, the Commission finds that the USF surcharges should remain unchanged for the upcoming year to provide a reasonable reserve, and to ensure that the fund will continue to operate for the benefit

of universal telephone service in the State of Idaho. The Commission finds that a monthly surcharge of \$.12 per residential line and \$.20 per business line is 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 remain unchanged at \$.004 per minute in order 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 be increased or reduced at this time.

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 \$.12 per month for each residential line and \$.20 per month for each business line.

IT IS FURTHER ORDERED that the Universal Service Fund MTS/WATS surcharge shall be \$.004 per minute.

IT IS FURTHER ORDERED that these USF surcharges shall be effective October 1, 2006.

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 with regard to any matter decided in 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 17th
day of August 2006.



PAUL KJELLANDER, PRESIDENT

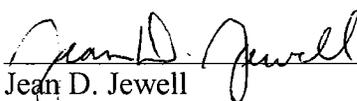


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

O:GNR-T-06-03_dw