

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE ANNUAL)	
REVISION OF THE UNIVERSAL SERVICE)	CASE NO. GNR-T-08-03
FUND SURCHARGES TO BECOME)	
EFFECTIVE OCTOBER 1, 2008.)	ORDER NO. 30635
)	

On July 18, 2008, Alyson Anderson, the Administrator of the Idaho Universal Service Fund (IUSF), filed her Annual Report to the Commission for the period of July 1, 2007 through June 30, 2008, including a proposed IUSF 2008-2009 Administrative Budget. The IUSF was established under the general legal authority of the Telecommunications Act of 1988, Chapter 6, Title 62, Idaho Code, and the specific authority of Section 62-610, Idaho Code. The purpose of the fund is to maintain the universal availability of local exchange service at reasonable rates and promote the availability of message telecommunications service (MTS) at reasonably comparable rates throughout the State of Idaho. The IUSF is funded through a statewide end user surcharge on local exchange services and intrastate MTS and Wide Area Telephone Service (WATS) type services. The IUSF Administrator submits an annual report to the Commission that details the program activities of the previous year and provides recommended surcharge rates to meet the next year funding requirements.

The Commission reduced all IUSF surcharge rates in 2007. Order No. 30419. The current IUSF monthly surcharge rates are \$.10 per residential line, \$.19 per business line, and \$.003 per intrastate MTS/WTS billed minute, and surcharge revenue for the year ending June 30, 2008 totaled \$2,038,774.

THE 2008 ANNUAL REPORT

The Administrator reported that surcharges on local exchange services contributed \$1,146,457 (56%) to the IUSF, and \$892,318 (44%) was contributed by MTS/WATS services, representing a decrease in local exchange surcharge revenue of approximately \$37,000 (from \$1,183,242 in 2007) and a decrease in MTS/WATS surcharge revenue of approximately \$89,000 (from \$980,877 in 2007). Annual disbursements from the IUSF are made to eight qualifying incumbent local exchange carriers (ILECs) and the amount disbursed last year remained unchanged at \$1,943,523 as of June 30, 2008. The ending cash balance in the fund, after applying bank charges, administrative expenses, and interest received, was \$514,211 on June 30,

2008. For the next year, beginning July 1, 2008, annual disbursements are expected to remain the same. Ms. Anderson proposed an annual administrative budget of \$25,500 including the Administrator's salary, other administrative expenses such as office supplies and audit and legal fees. This amount is \$200 less than the administrative budget for the previous year.

Telephone companies reported an inventory of 418,844 residential lines and 232,536 business lines, for a total of 651,380 lines as of May 1, 2008. This is a net decrease in lines of approximately 2,400 (.37%) with residential lines decreasing by nearly 9%, while business lines increased by almost 19% from the prior year. The newly calculated statewide weighted average local service rates and threshold average rates are:

	2007 Current Weighted Average Rate	2008 Statewide Weighted Average Rate	125% Statewide Weighted Average Rate - 2007	125% Statewide Weighted Average Rate - 2008
Residential	\$17.85	\$19.47	\$22.31	\$24.34
Business Services	\$31.88	\$32.95	\$39.95	\$41.19

The increase in the weighted average rate for residential lines is largely due to the residential line increases imposed by Qwest and Verizon in 2007. These two companies make up a combined inventory of almost 84% of the total residential lines in Idaho.

Long-distance service providers reported intrastate MTS/WATS total billed minutes of 313,436,250 compared to the 2007 reported minutes of 304,175,225, a 3% increase. The statewide average switched access rate decreased slightly from last year's \$0.047 to a 2008 average of \$0.0476. The Administrator reported that if current surcharge levels are maintained and the disbursements remain the same, the IUSF balance is estimated to be \$560,823 on June 30, 2009. Surcharge revenue from MTS/WATS services would comprise approximately 52% of the total revenue and local exchange services surcharges would contribute approximately 48%. The Administrator reported that no significant changes are anticipated in the coming year that may substantially impact the IUSF fund.

COMMISSION FINDINGS

For a company to continue to receive IUSF funding its average one-party, single-line service rate must be revised if the difference in the company's average rate and the statewide average threshold rate (125% of the statewide average) is greater than three percent. IDAPA 31.46.01.106. In addition, a company's rate for switched access service must be revised if it is

more than three percent below the weighted statewide average rate, and the difference in the company's annual revenue for switched access service and the statewide average is greater than \$6,000. IDAPA 31.46.01.106.02. The eight companies who receive IUSF support all have average residential rates that differ from the threshold rate by less than .9 percent (.9%) and therefore do not need to adjust their residential line rates to continue to be eligible to receive IUSF funding.

The Administrator recommended that the Commission maintain the current surcharge rates of \$.003 per MTS/WATS billed minute, \$.10 per residential line, and \$.19 per business line. Ms. Anderson also recommended that the Commission slightly decrease the access rates and increase the IUSF funding for one IUSF recipient company, Albion Telephone Company (ATC). Under this proposal, the IUSF disbursements would increase to \$1,975,859 and the fund balance on June 30, 2009 would be approximately \$554,187. MTS/WATS services would contribute 52% of the total surcharge revenue and local exchange services contribution would be 48%.

The Commission does not believe the slight adjustment to ATC's access rate and a corresponding increase to the company's IUSF distribution are necessary. Because access surcharge revenues vary by minutes of use, and intrastate MTS/WATS usage has fluctuated up and down over the past years, it is possible that ATC's small deviation from the statewide average for access revenue that occurred last year will not exist next year. It is difficult to project access rate revenues and make small adjustments for a single company to stay at or below the IUSF threshold of the 100% statewide weighted average rate for MTS/WATS. The Administrator should include in her report next year whether ATC's access rates continue to be below 100% of the statewide average rate.

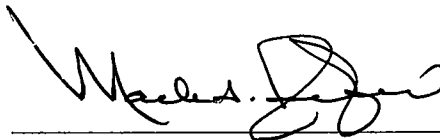
Assuming the total telephone line counts remain relatively stable during the next year, the Commission finds that the IUSF balance will grow to an excessive amount by the end of June 2009 if the surcharge rates remain unchanged. The Commission therefore finds it reasonable and prudent to decrease the business line surcharge to \$.17, while maintaining the residential surcharge rate at \$.10 per line and \$.003 per intrastate MTS/WATS minute. This will result in a fund balance of approximately \$505,015 on June 30, 2009, providing a reasonable three-month reserve balance and assuring stability of the IUSF.

ORDER

IT IS HEREBY ORDERED that the monthly IUSF surcharge rate for residential lines shall be unchanged at \$.10 per residential line, and the IUSF surcharge on business lines shall be reduced to \$.17 per business line, effective October 1, 2008. The IUSF surcharge on MTS/WATS shall be unchanged at \$.003 per minute.

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 ^{9th} day of September 2008.



MACK A. REDFORD, PRESIDENT

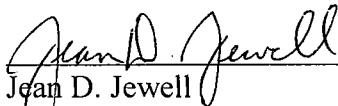


MARSHA H. SMITH, COMMISSIONER



JIM D. KEMPTON, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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