

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE ANNUAL )**  
**REVISION OF THE UNIVERSAL SERVICE )** **CASE NO. GNR-T-09-05**  
**FUND SURCHARGES TO BECOME )**  
**EFFECTIVE OCTOBER 1, 2009. )** **ORDER NO. 30894**  
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On July 16, 2009, Alyson Anderson, the Administrator of the Idaho Universal Service Fund (USF), filed her Annual Report to the Commission for the period of July 1, 2008 through June 30, 2009, including a proposed USF 2009-2010 Administrative Budget. The USF 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 USF is funded through a statewide end user surcharge on local exchange services and intrastate MTS and Wide Area Telephone Service (WATS) type services. The USF 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 USF surcharge rates in 2007, and last year reduced the business line surcharge rate. Order No. 30635. The current USF monthly surcharge rates are \$.10 per residential line, \$.17 per business line, and \$.003 per intrastate MTS/WTS billed minute. Surcharge revenue for the year ending June 30, 2009, totaled \$1,658,656.

**THE 2009 ANNUAL REPORT**

The Administrator reported that surcharges on local exchange services contributed \$968,594 (58%) to the USF, and \$690,061 (42%) was contributed by MTS/WATS services, representing a decrease in local exchange surcharge revenue of approximately \$177,863 (from \$1,146,457 in 2008) and a decrease in MTS/WATS surcharge revenue of approximately \$202,257 (from \$892,318 in 2008). Annual disbursements from the USF 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, 2009. The ending cash balance in the fund, after applying bank charges, administrative expenses, and interest received, was \$207,678 on

June 30, 2009. Ms. Anderson proposed an annual administrative budget of \$16,750 including the Administrator's salary, other administrative expenses such as office supplies and bank fees. This amount is \$6,650 less than the administrative budget for the previous year, which included cost for an independent audit that will not be in next year's budget.

Telephone companies reported an inventory of 371,114 residential lines and 225,161 business lines, for a total of 596,275 lines as of May 1, 2009. This is a net decrease in lines of approximately 55,105 (8.5%) with residential lines decreasing by nearly 11%, while business lines decreased by almost 3% from the prior year. The newly calculated statewide weighted average local service rates and threshold average rates are:

	2008 Current Weighted Average Rate	2009 Statewide Weighted Average Rate	125% Statewide Weighted Average Rate - 2008	125% Statewide Weighted Average Rate - 2009
Residential	\$19.47	\$20.61	\$24.34	\$25.76
Business Services	\$32.95	\$32.43	\$41.19	\$40.54

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 and 2008. 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 304,154,937 compared to the 2008 reported minutes of 313,436,250, a 6% decrease. The statewide average switched access rate increased slightly from last year's \$0.0476 to a 2009 average of \$0.05. The Administrator reported that if current surcharge levels are maintained and the disbursements remain the same, the USF balance is estimated to be \$64,534 on June 30, 2010. Surcharge revenue from MTS/WATS services would comprise approximately 50% of the total revenue and local exchange services surcharges would contribute approximately 50%.

### **COMMISSION FINDINGS**

For a company to continue to receive USF 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. Last year the Commission concluded that “the eight companies who receive USF 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.” Order No. 30635, p. 3.

The USF Administrator noted in her Annual Report that none of the eight companies currently receiving USF funding currently meet the eligibility requirements established by *Idaho Code* § 62-610 and Commission USF Rule 106. The residential and business service rates for each company are more than 3% below the threshold rate to maintain USF eligibility. Accordingly, the Administrator recommended the Commission maintain the current USF surcharge rates, but adjust the funding levels for each of the eight companies.

The Commission’s rules provide that the Commission may by Order change a telephone company’s funding from the USF after issuing notice that USF funding is at issue and providing an opportunity to be heard in person or in writing. IDAPA 31.46.01.106.04. *Idaho Code* § 62-610 requires the Commission to adjust the funding received by the eight eligible telecommunications carriers. The Commission therefore will issue a notice to the eight companies that the USF funding is at issue and provide an opportunity for them to file written comments in response to the notice.

The Administrator recommended that the Commission slightly decrease the access rates for Albion Telephone Company (ATC) and Inland Telephone Company. The Commission does not believe the slight adjustment to ATC’s and Inland’s access rates are necessary. As we noted last year, 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 and Inland’s small deviation from the statewide average for access revenue 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 USF threshold of the 100% statewide weighted average rate for MTS/WATS.

The Commission finds it reasonable and prudent to maintain the business line surcharge at \$.17 and the residential surcharge rate at \$.10 per line and \$.003 per intrastate MTS/WATS minute. The Administrator projects that leaving the existing rates in place while adjusting USF disbursements as required by law will result in a fund balance of approximately \$327,306 on June 30, 2010, providing a reasonable two-month reserve balance in the USF.

**ORDER**

IT IS HEREBY ORDERED that the monthly USF surcharge rate for residential lines shall be unchanged at \$.10 per residential line, and business lines at \$.17 per business line, effective October 1, 2009. The USF surcharge on MTS/WATS shall also be unchanged at \$.003 per minute.

IT IS FURTHER ORDERED that notice will be issued to the eight companies receiving USF disbursements that their rates do not meet the USF eligibility requirements and that their USF funding is at issue.

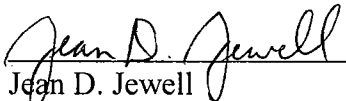
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *1<sup>st</sup>* day of September 2009.

  
JIM D. KEMPTON, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
MACK A. REDFORD, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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