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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE ANNUAL REVISION)
OF THE UNIVERSAL SERVICE FUND)
SURCHARGES TO BECOME EFFECTIVE)
OCTOBER 1, 2009.)**

CASE NO. GNR-T-09-05

**COMMENTS OF THE
COMMISSION STAFF**

The Staff of the Idaho Public Utilities Commission, by and through its Attorney of Record, Weldon B. Stutzman, Deputy Attorney General, submits the following comments in response to Order No. 30894 issued on September 2, 2009.

BACKGROUND

On July 16, 2009, the Administrator of the Idaho Universal Service Fund (USF) filed her Annual Report to the Commission for the period July 1, 2008 through June 30, 2009. Funds from the USF are distributed to eight rural telecommunications companies to assist the companies in meeting their residual revenue requirement as determined by the Commission in past rate cases. 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.

The Administrator reported that the 2009 statewide weighted average is \$20.61 for residential service and \$32.43 for business service, bringing the threshold rates for companies to maintain USF eligibility to \$25.76 for residential service, and \$40.54 for business service. The USF Administrator noted that none of the eight companies receiving USF funding currently meet the eligibility requirements established by *Idaho Code* § 62-610 and Commission USF Rule 106. The residential service rates for each company are more than 3% below the threshold rates for USF eligibility.

STAFF ANALYSIS

The Commission agreed with the Administrator's annual report recommendation that the residential local exchange line rate of the eight telephone companies receiving Idaho USF disbursements did not meet the USF eligibility requirements and that the USF funding was at issue for these companies. *See* Order No. 30894 at 4.

Comments submitted by the Idaho Telecom Alliance (ITA) on October 20, 2009 requests that the Commission rescind its proposal to require the USF recipients to increase residential local exchange rates and reduce the USF draws. The primary position taken by ITA is that the Administrator overstated the actual weighted statewide average residential rate by using posted tariff and price list rates without consideration of actual rates which reflect promotional discounts, bundled service rates and other discount mechanisms promoted by Qwest and Verizon who comprise almost 84% of the total residential lines in Idaho. ITA Comments at 2.

Each year, the USF Administrator mails a multi-page Annual Report form to all telephone companies requesting residential and business line information. *See* page one (1) and two (2) of the *Idaho Universal Service Fund* form. The Administrator reviews the reports for reasonableness and investigates anomalies and incomplete information. From this data, the Administrator determines the average statewide residential and business one-party, single line service rates and calculates the statewide weighted average rates used to determine USF eligibility. It is assumed that companies are accurately reporting both the bundled and stand alone line quantities and rates. The Administrator may confirm accuracy or overstatement of

data in the reports by comparing the rates to the company's posted tariff or price list rates. The Administrator used the rates stated on the reports submitted by Qwest and Verizon. Based on the results of the Administrator's calculations, all USF recipients' residential rates were below the threshold level.

In its comments, the ITA argues that a statutory provision allows the USF recipients to maintain the current line rates as well as the current USF support distribution. *Idaho Code* § 62-605(e) states:

For the purpose of calculating the weighted statewide average rates for residence and business basic local exchange service rates to enable the commission to determine eligibility for distribution to eligible telecommunications carriers from the universal service fund established pursuant to chapter 6, title 62, Idaho Code, the residence and business basic local exchange rates in effect on July 1, 2005, shall constitute the basis for such calculation, unless the commission determines that changes in basic local exchange rates subsequently to July 1, 2005, should be used for such calculation for the purpose of determining the eligibility of telecommunications carriers for distribution from the universal service fund.

Implicit in Order No. 30894, the Commission determined that it is appropriate to use the current statewide weighted average rates for determining USF eligibility. This decision is appropriate and consistent with the purpose and goals of the state USF. The USF was never intended to permanently subsidize low rates for small company customers, while all other customer rates increase. The Commission should explicitly state its determination to use current statewide average rates in determining USF eligibility and distributions.

The Commission should reaffirm its decision to use the most current rates for determining USF eligibility requirements.

Respectfully submitted this 23rd day of October 2009.



Weldon B. Stutzman
Deputy Attorney General

Technical Staff: Grace Seaman

i:umisc/comments/gnrt09.05wsgs comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 23RD DAY OF OCTOBER 2009, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. GNR-T-09-05, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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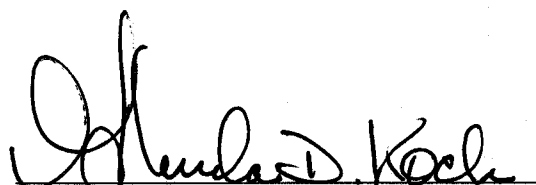
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