

DECISION MEMORANDUM

TO: COMMISSIONER KEMPTON
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
LEGAL
WORKING FILE

FROM: GRACE SEAMAN

DATE: APRIL 7, 2011

RE: 2010 TELECOMMUNICATIONS RELAY SERVICE ANNUAL REPORT;
CASE NO. GNR-T-11-02.

BACKGROUND

Each year the Administrator of the Idaho Telecommunications Relay Service (TRS or relay) files a report detailing the activities and status of the program during the previous year. The Administrator also determines the funding requirements for the following year and submits a recommended budget with the annual report.

In 1992, the Idaho Legislature established the Telecommunications Relay Service Act (TRS Act) in accordance with the federal Title IV of the American with Disabilities Act. The TRS enables citizens who are hearing or speech-impaired to engage in telephone communications “in a manner functionally equivalent to that of individuals without hearing or speech impairments.” *Idaho Code* § 61-1301. Under the Idaho TRS Act, all telephone corporations providing local or long-distance service (not including cellular or VoIP) must provide TRS as set forth in the program and pay into the TRS Fund based upon an allocation methodology adopted by the Commission. *Idaho Code* § 61-1305. Pursuant to TRS Rule 202, the Commission sets the TRS funding levels each year based upon the Administrator’s Annual Report. IDAPA 31.46.02.202.

THE 2010 ANNUAL REPORT

On February 22, 2011, the TRS Administrator, Mr. Robert Dunbar, submitted the 2010 TRS Annual Report and the 2011 TRS Budget for Commission approval. Mr. Dunbar reported the 2010 relay service conversation time, including interstate long distance, at 70,995 minutes.

This represents a 24% decrease from calendar year 2009. Captioned telephone service (CapTel)¹ use dropped by 37% with the amount of use stabilizing mid-year and then increasing the last quarter of 2010. Likewise, the 2010 disbursements (\$76,065 for traditional relay service and \$65,948 for CapTel service) to the TRS service provider, Hamilton Telecommunications, decreased by 25% for a total of \$142,013². The 2010 average answer time by Hamilton was .9 seconds.

2010 TRS REVENUE AND EXPENSES

The TRS fund is supported by assessments on local telephone service (residential and business local exchange lines) and billed intrastate long distance (toll or MTS/WATS) minutes. In 2010, the total number of intrastate MTS/WATS minutes reported by the telephone companies was approximately 297,208,600 compared to 362,225,880 minutes in 2009. The average monthly number of local telephone lines reported for the year was 531,190 compared to 589,047 in 2009. The 2010 annual contribution to the TRS fund was \$179,649, a decrease of \$21,087 (10.5%) from 2009. The local exchange revenue decreased by 6%, and revenue from MTS/WATS decreased by 18%. Contributions from local exchange lines totaled \$120,207 (67%) and MTS/WATS contributions were \$59,442 (33%).

In Commission Order No. 31050, issued on April 14, 2010, the per-line and per-minute assessments were maintained at \$0.02 and \$0.0002, respectively. The TRS administrative fees and expenses for 2010 were \$75,442. Expenses included a \$9,087 refund to AT&T³ and an increase in Administrator expenses associated with the costs of issuing, evaluating, and awarding of the new service provider RFP (discussed in more detail below). The 2010 end-of-year fund balance was \$331,395. The comparison of the 2010 disbursements and contributions from the previous year are as follows:

¹ CapTel allows hard-of-hearing users to hear the conversation as well as read the words on the phone's built-in screen. A trained operator "re-voices" the conversation from a caller into the voice recognition technology that converts the words into a text message and provides the CapTel user with a more natural conversation.

² Idaho's TRS fund reimburses Hamilton Telecommunications for processing in-state traditional relay and CapTel calls, while the National Exchange Carrier Association (NECA) reimburses Hamilton for the processing of out-of-state relay as well as intrastate Internet relay (IR) and Internet video relay service (VRS) calls.

³ On April 21, 2010, AT&T notified the Administrator that it had applied the incorrect rates for its intrastate long distance payments during 2009, resulting in a refund check.

<u>TRS Fund Disbursements</u>	<u>2010</u>	<u>2009</u>
Hamilton Telecommunications	\$142,013	\$190,109
Program Administrative Expenses & Fees	<u>75,442</u>	<u>46,605</u>
Total	\$217,455	\$236,714
<u>TRS Revenue Contributions</u>	<u>2010</u>	<u>2009</u>
Local exchange service providers	\$120,207	\$128,291
MTS/WATS providers	59,442	72,446
Interest earned on funds	<u>31</u>	<u>34</u>
Total	\$179,680	\$200,771

The Service Contract Request for Proposal (RFP)

The TRS service contract with Hamilton Telecommunications and CapTel terminated on December 1, 2010. On May 24, 2010, Mr. Dunbar issued an RFP seeking bids from companies interested in providing relay services to Idaho customers. Two bid responses were received and the Administrator and three members of the TRS Advisory Committee reviewed and evaluated the responses. Each member of the Advisory Committee and the Administrator gave their highest scores to Hamilton Telecommunications. Based upon the scores, the Administrator recommended, and the Commission approved awarding the TRS relay service contract to Hamilton. *See* Case No. GNR-T-10-05. As directed in Commission Order No. 32069, the Administrator negotiated a new three-year TRS contract with Hamilton with an effective date of December 2, 2010. Under the old contract, the traditional relay rate was \$1.50 per conversation minute and \$1.58 per session minute⁴ for CapTel service. With the new contract, rates will be \$1.78 per conversation minute for both traditional and CapTel service.

2011 TRS BUDGET

In 2011, Mr. Dunbar believes the decrease in revenue from local exchange lines and long distance billed minutes will continue to decline at the same rate as experienced in 2010. He estimates the decline will be 10-13%. On the expense side, Mr. Dunbar estimates the 2011 annual operating budget to be approximately \$182,300. This budget reflects the higher contract rate as well as an anticipated decline in the TRS revenue and use. If assessment rates remain unchanged, Mr. Dunbar calculates the end-of-year reserve fund will decrease by approximately \$25,300. The Administrator recommends that the Commission maintain the assessment rates at

⁴ A session includes the service providers up front preparation time, conversation time and wrap up time.

the current level of \$.02 per local exchange line and \$.0002 per intrastate MTS/WATS billed minute.

ADMINISTRATOR'S 2011 FUNDING RECOMMENDATION

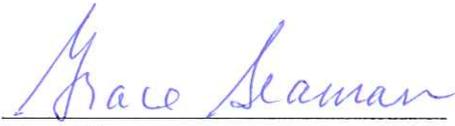
Mr. Dunbar recommends that the Commission maintain the current assessment rates for 2011. At these rates, the 2011 end-of-year cash balance will be approximately \$306,000. The reserve was intentionally set at the higher level a few years ago in reaction to the FCC's objective to transfer the burden of payment for intrastate Internet Relay (IR) and Video Relay Service (VRS) to the states. This has not occurred. As a result, the reserve balance will be drawn down each year. Staff will monitor the fund balance at the end of this year to ensure its continued reduction.

STAFF'S RECOMMENDATION

Staff has reviewed the TRS annual report and agrees with the Administrator's recommendation to maintain the current TRS assessment rates. Staff, therefore, recommends that the Commission approve both the Administrator's proposal to maintain the local exchange line and MTS/WATS assessment rates at \$.02 and \$.0002, respectively. Staff also recommends approval of the Administrator's 2010 TRS annual report and the 2011 TRS budget.

COMMISSION DECISION

1. Does the Commission wish to accept the Administrator's recommendation to maintain the current TRS assessment rates adopted in Order No. 31050?
2. Does the Commission wish to accept the annual report and adopt the Administrator's budget for 2011?



Grace Seaman