

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE SURCHARGE FOR)
THE IDAHO TELECOMMUNICATIONS) CASE NO. GNR-T-14-03
SERVICE ASSISTANCE PROGRAM)
) ORDER NO. 33024

Each year the Administrator of the Idaho Telecommunications Service Assistance Program (ITSAP) files a report detailing the activities and status of the program during the previous year. ITSAP provides eligible recipients with a reduction in the cost of residential basic local exchange telephone service. Funds for the program are raised through a surcharge on all end-user business, residential and wireless access service lines. The Commission determines the uniform statewide monthly surcharge and the Idaho Department of Health and Welfare administers the program in conjunction with federal programs to “grant limited federal ‘lifeline’ contributions to low-income customers.” See *Idaho Code* § 56-901(1). Idaho telephone companies provide assistance in the form of a monthly discount of \$2.50 to eligible subscribers. *Idaho Code* § 56-902. To be eligible for the ITSAP program, an applicant must be the head of a household and meet narrowly targeted eligibility criteria established by the Department of Health and Welfare. *Idaho Code* § 56-903. The ITSAP surcharge has been as high as \$.12 per access line per month, but the Commission decreased it to \$0.07, where it remained for two years, and last year reduced it to \$0.03. Order No. 32787.

In the annual report filed March 4, 2014, the ITSAP Administrator reported a drop in wireline access lines of 7%, an increase in wireless lines (9%), and a 25% decrease in the number of ITSAP recipients. The gross revenue for the year was reported at \$1,142,488 of which \$299,781 (26%) was assessed on wireline services and \$842,707 (74%) was assessed on wireless services.

The average number of wireline access lines per month reported to the Administrator was 454,941 compared to 491,572 in 2012, and the average number of wireless access lines per month was 1,395,896 compared to 1,276,830 in 2012. Overall, there was an increase of approximately 82,435 in the total number of lines subject to the ITSAP surcharge (1,850,837 lines compared to 1,768,402 in 2012).

The average number of reported ITSAP recipients per month in 2013 (17,626) decreased by 25% from 2012 (23,434). Telecommunications companies received \$661,876 in disbursements

for ITSAP credits paid to eligible recipients compared to \$1,149,508 in 2012. Disbursements for telephone company administrative costs were \$57,818, a decrease of \$93,578 from 2012. The Administrator's fees and expenses, including bank charges and fees, were \$13,106 for the year. The fund's cash balance at the end of the year was reported at \$953,172.

2014 Budget and Trends

The ITSAP Administrator projects the funding requirements for 2014 will be approximately \$743,410, anticipating the ITSAP recipient reimbursement to the companies for the year to be approximately \$662,760. Administration expenses are estimated to be \$80,650, including the Administrator's costs (\$12,850) and the telecommunications companies' administrative costs (\$60,000). The surcharge revenue received from wireline and wireless telephone companies, at the current rate of \$0.03 per line, is projected to be \$632,486. The Administrator estimated that the number of access lines subject to the surcharge will be approximately 1,756,905 per month and the average number of ITSAP recipients will be approximately 22,092 per month. Based on this data, the Administrator projects the funding requirement for 2013 will be approximately \$743,410.

The Administrator notes that it can be difficult to accurately predict the number of credit recipients, as well as the number of access lines that will be assessed the surcharge. She recommended a cautious approach to the 2014 funding determination citing: (1) the unknown impact of the wireless companies that have not begun marketing the ITSAP Lifeline discounts in Idaho; (2) the long-term impact of the ITSAP database reconciliation; and (3) the possibility that some companies not requesting reimbursement of program administrative costs may do so in the future. Given the uncertain nature of the ITSAP, the Administrator recommended the surcharge rate remain at \$.03 per local and wireless access line. At this rate, the program will maintain a comfortable fund balance of approximately \$800,000.

Staff reviewed the 2013 annual report, the proposed 2014 budget, and the 2014 funding recommendation. When determining the appropriate fund for 2014, recent events must be considered. First, the reduction of the ITSAP subscriber credit from \$3.50 to \$2.50 per month became effective on July 1, 2013. This reduction of almost one-third of the monthly credit significantly reduced the disbursements to the participating companies. Second, as a requirement of the Federal Communications Commission's (FCC) *Lifeline and Link Up Reform Order* (FCC 12-11), released on February 6, 2012, the ITSAP program saw a drop in the number of recipients. This reduction was a result of the annual ITSAP/Lifeline database recertification process. The ITSAP

will continue to be volatile in 2014 as some companies elect to withdraw from the ITSAP program while other companies begin to participate. Finally, Staff noted it is difficult to predict the outcome of the federal National Lifeline Accountability Database (NLAD) implemented last month in Idaho; it may have a negative or positive impact on the enrollment of ITSAP/Lifeline recipients.

Based on the Administrator's report and Staff's review, the Commission finds that the current surcharge rate of \$0.03 per line per month should remain in place for the coming year. Program changes implemented by the FCC make it more difficult to estimate the number of customers eligible for ITSAP support, as well as the number of potential carriers eligible to participate in the program. Because it is important that the program be adequately funded, the Commission will leave the surcharge at \$0.03 to ensure an adequate reserve balance for the security of the ITSAP program. The Commission finds an ITSAP surcharge of \$0.03 per access line per month to be just, fair and reasonable. At this rate, the program will maintain a comfortable fund balance for any unexpected occurrences.

ORDER

IT IS HEREBY ORDERED that the current ITSAP surcharge of \$0.03 per access line per month on all end-user business, residential and wireless access services will remain in place, effective June 1, 2014.

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. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

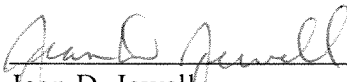
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 17th
day of April 2014.


PAUL KJELLANDER, PRESIDENT


MACK A. REDFORD, COMMISSIONER


MARSHA H. SMITH, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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