

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE SURCHARGE FOR)
THE IDAHO TELECOMMUNICATIONS) CASE NO. GNR-T-15-03
SERVICE ASSISTANCE PROGRAM)
) ORDER NO. 33284

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 applicants. *Idaho Code* § 56-902. To be eligible to receive reimbursement for providing low-income benefits (ITSAP and the federal Lifeline assistance), a company must be designated as an eligible telecommunications carrier (ETC) by a state commission. 47 C.F.R. § 54.201(a)(1). ITSAP benefit applicants 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.

2014 ITSAP Annual Report

In the annual report filed March 4, 2015, the ITSAP Administrator reported a drop in wireline access lines of 6%, a decrease in wireless lines of 5%, and a 25% decrease in the number of ITSAP recipients. The gross revenue for the year was reported at \$631,922 of which \$176,307 (28%) was assessed on wireline services and \$455,614 (72%) was assessed on wireless services. The Administrator explains that ETCs remit net surcharge revenue, which is gross surcharge revenue less any assistance credits provided to eligible recipients and the ETC’s administrative costs. Net surcharge revenue collected and deposited in 2014 totaled approximately \$486,467.

The average number of wireline access lines per month reported to the Administrator was 427,065, compared to 454,941 in 2013, and the average number of wireless access lines per month was 1,329,112, compared to 1,395,896 in 2013. Overall, the Administrator noted a decrease

of approximately 94,660 in the total number of average monthly lines subject to the ITSAP surcharge (1,756,177 lines per month in 2014; compared to 1,850,837 in 2013).

The average number of reported ITSAP recipients per month in 2014 (10,674) decreased by 25% from 2013 (17,626). Telecommunications companies received \$365,725 in disbursements for ITSAP credits paid to eligible recipients compared to \$661,876 in 2013. Disbursements to cover company administrative costs were \$51,979 in 2014, a decrease of \$57,818 from 2013.

The Administrator's fees and expenses totaled \$9,585 for 2014. The Administrator reported a fund cash balance at the end of 2014 of \$1,064,271.

2015 Budget and Trends

The ITSAP Administrator projects a continuing decrease in the funding requirements for 2015. The Administrator estimates that ITSAP recipient reimbursements to qualifying companies for 2015 will be approximately \$219,810, and expenses are projected to be \$63,412 for costs associated with the administration of the program—this includes the Administrator's costs (\$13,150), the telephone companies' administrative costs (\$41,262), and the cost for a triennial audit (\$9,000).

In establishing the 2015 budget, the Administrator estimated that the number of access lines subject to the ITSAP surcharge will be approximately 1,745,472 per month and the average number of ITSAP recipients will be approximately 10,028 per month. Based on this data, the Administrator projects a funding requirement for 2015 of approximately \$283,222.

The Administrator states that there was another significant drop in credit recipients during 2014. If the current surcharge rate and monthly assistance credit are maintained at their current level the estimated ITSAP fund balance at the end of the year would be approximately \$1,409,400.

According to the Administrator, the impact of the 2012 Legislation that reduced the monthly ITSAP subsidy from \$3.50 to \$2.50, combined with the 2014 fund balance, indicate that another reduction in the ITSAP surcharge rate is necessary. The Administrator noted that in the past there has been a cautious approach toward reducing the surcharge rate for the following reasons: (1) the unknown impact of the wireless ETCs 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. Nevertheless, the Administrator recommended the Commission reduce the

current surcharge rate to \$0.01 per wireline and wireless access line. The Administrator believes that this rate will provide an adequate fund balance to reimburse companies for assistance credits provided and maintain an adequate reserve balance. The estimated balance for the end-of-year 2015 is projected to be approximately \$990,500.

Staff reviewed the 2014 annual report, the proposed 2015 budget, and the 2015 funding recommendation. Staff believes the 2015 budget is reasonable and supports the Administrator's recommendation to decrease the surcharge rate from \$0.03 to \$0.01 per access line. This reduction should reduce the current fund surplus while also maintaining an adequate fund balance. Thus, Staff recommended the Commission approve the Administrator's rate proposal and the 2015 budget.

COMMISSION FINDINGS

The Commission has reviewed the Administrator's 2014 annual report, proposed budget and Staff's review. The Commission finds that the Administrator's recommendations are fair, just and reasonable and approves a reduction in the current ITSAP surcharge rate of \$0.03 per line per month to \$0.01 per line per month, effective June 1, 2015. The Commission finds that a reduction in the surcharge rate is warranted given the continuing decline in credit recipients and ITSAP funding requirements. A reduction in the monthly surcharge rate will benefit consumers, provide adequate funding for the ITSAP program moving forward, and ensure an adequate reserve balance for the future security of the ITSAP program.

ORDER

IT IS HEREBY ORDERED that the Administrator's 2014 annual report and 2015 budget are accepted by the Commission.

IT IS FURTHER ORDERED that the current ITSAP surcharge of \$0.03 per access line per month on all end-user business, residential wireline and wireless access services shall be decreased to \$0.01 per access line per month, effective June 1, 2015.

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 23rd
day of April 2015.



PAUL KJELLANDER, PRESIDENT

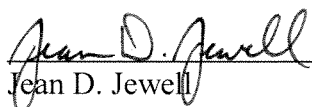


MACK A. REDFORD, COMMISSIONER



KRISTINE RAPER, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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