(text box: 1)BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE ADOPTION OF A DISCOUNT RATE FOR TELECOMMUNI-CATIONS SERVICES TO ELEMENTARY SCHOOLS, SECONDARY SCHOOLS, AND LIBRARIES IN ORDER TO RECEIVE FEDERAL UNIVERSAL SERVICE SUPPORT. | )  )  )  )  )  )  ) | CASE NO. GNR-T-97-11  PROPOSED ORDER TO  ADOPT FCC E-RATE DISCOUNT MATRIX |

Section 254(h)(1)(B) of the Telecommunications Act of 1996 (Act) requires discounts on telecommunications services provided to elementary schools, secondary schools, and libraries for educational purposes (E-Rate discount).  Specifically, Section 254(h)(1)(B) provides as follows:

All telecommunications carriers serving a geographic area shall, upon a bona fide request for any of its services that are within the definition of universal service under subsection (c)(3), provide such services to elementary schools, secondary schools, and libraries for educational purposes at rates less than the amounts charged for similar services to other parties. The discount shall be an amount that the Commission, with respect to interstate services, and the States, with respect to intrastate services, determine is appropriate and necessary to ensure affordable access to and use of such services by such entities.

On May 8, 1997, the Federal Communications Commission (FCC) issued its universal service Order No. 97-157, FCC Docket 96-45, to provide a mechanism to determine discount rates for telecommunications services to schools and libraries.

The Commission Staff reviewed the discount matrix and terms established by the FCC in Order No. 97-157 and recommends that the Commission adopt the FCC E-Rate discount matrix for intrastate services.  We find the discount rates established by the FCC to be appropriate for intrastate as well as interstate services and hereby propose to adopt them.  We are issuing this Proposed Order pursuant to Rule 312 of the Commission’s Rules of Procedure.  Any party may file exceptions and briefs to the Proposed Order within 14 days from its date of service.

The discount mechanism adopted by the FCC is in the form of a matrix with discounts ranging from 20% to 90%.  The matrix has two dimensions, one based on economic disadvantage (measured by the percentage of children eligible for school lunch programs) and one based on high cost to serve (measured by status as rural or urban under the Metropolitan Statistical Area standard).  Below is the FCC adopted matrix:

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| --- | --- |
| SCHOOLS AND LIBRARIES DISCOUNT MATRIX | DISCOUNT LEVEL |
| HOW DISADVANTAGED? | urban  discount (%) | rural  discount  (%) |
| % of students eligible for national school lunch program | (estimated % of U. S. schools  in category) |
| < 1 | 3 | 20 | 25 |
| 1-19 | 31 | 40 | 50 |
| 20-34 | 19 | 50 | 60 |
| 35-49 | 15 | 60 | 70 |
| 50-74 | 16 | 80 | 80 |
| 75-100 | 16 | 90 | 90 |

In its Order No. 97-157, the FCC also accepted a recommendation that it adopt rules to require states to establish intrastate discounts at least equal to the discounts on interstate services as a condition of receiving federal universal service support for schools and libraries in that state.  The FCC thus adopted a mechanism to fund discounts on both interstate and intrastate services so long as a state sets intrastate discounts at least equal to the discounts on interstate services.

Based on the review and recommendation of the Staff, we find that the Commission should adopt the FCC discount terms andmatrix for intrastate telecommunication services to schools and libraries as required by Section 254(h)(1)(B) of the Telecommunications Act.  The Commission proposes to establish the discount matrix so that eligible schools and libraries may receive federal universal service fund support for the 1997-98 school year.

O R D E R

IT IS HEREBY ORDERED that with respect to intrastate telecommunications services within the definition of universal service as defined by the Telecommunications Act, the discount for elementary schools, secondary schools, and libraries shall be equal to the discount set by the Federal Communications Commission with respect to interstate service.  Accordingly, the FCC discount matrix is adopted as the appropriate mechanism for the Idaho intrastate jurisdiction.

IT IS FURTHER ORDERED that parties have 14 days from the service date of this Order within which to file exceptions and briefs to this Proposed Order.  In addition, a party may file and serve answers and accompanying briefs to the exceptions within seven days after service of said exceptions.  After full consideration of the Proposed Order, the exceptions and answers to the exceptions and briefs, the Commission may affirm its Proposed Order by service of a final Order or, if it deems exceptions will be taken, may revise the Proposed Order and issue a final Order differing from this Proposed Order.  This Proposed Order is not a final or official Order of the Commission subject to appeal until it is issued as a final Order.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this                  day of June 1997.

                                                                                                                                      DENNIS S. HANSEN, PRESIDENT

                                                                                           RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

June 12, 1997