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

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| IN THE MATTER OF THE ANNUAL REVISION OF UNIVERSAL SERVICE FUND SURCHARGES TO BECOME EFFECTIVE OCTOBER 1, 1997. | ))))) | CASE NO. GNR-T-97-16ORDER NO.  27126 |

On July 15, 1997, the Commission received the annual report of the Idaho Universal Service Fund (USF) Administrator for the period from July 1, 1996 through June 30, 1997.  Based upon our review of the information in the report as well as Staff’s analysis of the report, we find that the toll access rates of two of the USF recipients (Albion Telephone and Rural Telephone) must be decreased to equal the statewide average.  The Commission will not adjust the USF surcharges currently paid by telephone corporations.  At the present time, we find that the existing surcharges of $0.06 per month for residential access, $0.14 per month for business access, and $0.0015 per minute for message telecommunication services (MTS) and toll transmission are adequate to maintain the USF for the 1997-1998 year.

BACKGROUND

The Telecommunications Act of 1988 directed this Commission to establish a Universal Service Fund “for the purpose of maintaining the universal availability of local exchange service at reasonable rates and to promote the availability of message telecommunication service (MTS) at reasonably comparable prices throughout the State of Idaho.”  Idaho Code § 62-610(1).  Revenues for the fund come from surcharges levied upon local exchange service and intrastate MTS (long distance) and wide area telecommunication services (WATS).  Funds are distributed to qualifying high-cost local exchange telephone companies to supplement those companies’ annual revenue requirements, i.e., the distributions offset a certain amount of revenues that necessarily would come from customers in the absence of the fund.  See Idaho Code § 62-610(2)-(4).

In July of each year the Administrator of the fund issues an annual report to the Commission reviewing the fund’s balance and recommending increased, decreased or unchanged funding levels.  Following its review of the report, the Commission issues an order prescribing USF surcharges for the next 12 months beginning October 1.  See Rules 104-106 of the Commission’s USF Rules, IDAPA 31.46.01.104-106.

CHANGES TO TOLL ACCESS RATESAND RESIDENTIAL RATES

Idaho Code § 62-610 establishes the eligibility requirements for local exchange companies to draw funds from the USF, and requires participating companies’ local business and residential rates to be at least 125% of the statewide average and their toll access rates to be at least 100% of the statewide average.  The Commission’s rules require a participating company to revise its rates if the difference in the company’s rates and the statewide threshold rate is more than three percent and the difference in the amount of revenue collected under the company’s rates and the threshold rate is greater than $6,000.  See IDAPA 31.46.01.106.02.

The USF Administrator reported a weighted statewide average rate for toll access of $0.06085 per minute, a decrease from the 1996 average rate of $0.06429.  For two of the seven participating local exchange companies—Albion Telephone Company and Rural Telephone Company—toll access rates are more than 3% above the statewide average and exceed the statutory threshold by more than $6,000.  A reduction of these rates to the eligibility threshold level will reduce total revenues for Albion by $19,942 and for Rural by $10,509, and increase their residual revenue requirements, and consequently their funding requirements from the USF, by the same amount.

We find that Albion and Rural must reduce their toll access rate to meet the requirements of Idaho Code § 62-610 and IDAPA 31.46.01.106.02.

Section 62-610 and Rule 106.02 also would require adjustments to the single-line residential rates of most of the companies that receive USF funds.  However, currently pending before the Commission are cases involving requests for extended area service (EAS) in the territories served by the USF eligible companies.  Those cases will be resolved within the next six to twelve months and, if the requests for EAS are granted, will likely affect the rates of the companies.  Thus, the Commission could direct increases in the companies’ rates now to meet the USF requirements, and then establish new rates in the EAS cases.  We find that it is better to avoid the customer confusion and administrative expense of multiple rate changes within a short period of time.  The Commission expects the companies to increase their rates to remain eligible for USF distributions, but will address specific rate increases during or after resolution of the pending EAS cases.

1997-1998 DISBURSEMENTS

Funding requirements for the year beginning October 1, 1997, after the access rate adjustments for Albion and Rural as discussed above, will be:

1996-971997-98

Annual1997Annual

DisbursementsAdjustmentsDisbursements

Albion Telephone$481,381$19,742$501,123

Cambridge Telephone413,380412,380

Inland Telephone55,16151,161

Midvale Telephone195,020195,020

Rockland Telephone203,357203,357

Rural Telephone223,14910,509233,658

Silver Star Telecom     163,101                       163,101

$1,734,551$30,251 $1,764,802

O R D E R

IT IS THEREFORE ORDERED that the existing Universal Service Fund local exchange service surcharges shall be continued at $0.06 per month for each residential line and $0.14 per month for each business line.  Local exchange companies shall remit these surcharges to the USF Administrator.

IT IS FURTHER ORDERED that the existing Universal Service Fund MTS/WATS surcharge shall be continued at $0.0015 per access minute.  MTS/WATS companies shall remit the surcharge revenue to the Administrator.

IT IS FURTHER ORDERED that Albion Telephone Company and Rural Telephone Company reduce their access rates effective October 1, 1997, by $19,742 and $10,509, respectively, to reflect the weighted statewide average access rate of $0.06085.  These reductions in access rates will result in increased draws from the Universal Service Fund, bringing the draws for these two companies to $501,123 and $233,658, respectively.

IT IS FURTHER ORDERED that the eligible USF telephone companies must revise their single-line rates to meet the eligibility requirements.  However, the Commission will determine specific rate requirements for these companies during or after resolution of the pending EAS cases.

THIS IS A FINAL ORDER.  Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. GNR-T-97-16 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. GNR-T-97-16.  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                  day of September 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

September 9, 1997