BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF IMPLEMENTING AMENDMENTS TO THE IDAHO TELECOM­MUNI­CA­TIONS SERVICE ASSISTANCE PROGRAM. | ))))) | CASE NO.  GNR-T-98-6PROPOSED ORDER |

In its 1998 session, the Idaho Legislature approved amendments to the Idaho Telecommunications Service Assistance Program (ITSAP) set forth in Title 56, Chapter 9, Idaho Code.  The purpose of the program is to provide eligible, low-income residential customers of basic local telecommunications service with a billing credit to reduce their cost of such services and promote universal service.  Eligible customers may receive a maximum credit not exceeding $10.50 per month.  The ITSAP program is funded by surcharges collected by the Federal Communications Commission and the Idaho Public Utilities Commission.

1998 Amendments to ITSAP.

In its amendments to the ITSAP statutes, the Idaho Legislature enumerated responsibilities for the Idaho Department of Health and Welfare (IDHW), telecommunications carriers, and the Commission.  Pursuant to Idaho Code § 56-903, IDHW will establish eligibility criteria for program recipients based on income, and certify eligible ITSAP participants.  At least once a year, IDHW will provide a list of eligible recipients to each telecommunications company designated by the IPUC.  The telecommunications carrier will determine from the list those recipients to whom the company provides service.  SeeIdaho Code § 56-903.

The Commission is charged with the responsibility to determine and impose a uniform statewide monthly surcharge on each end user’s business, residential and wireless access service.  The surcharge must be an amount sufficient to reimburse each carrier of residential basic local exchange service for the total amount of telephone assistance discounts provided, as well as the carrier’s and an administrator’s expenses of administering the ITSAP.  The surcharge must be explicitly stated on end users’ billing statements.  Pursuant to Idaho Code § 56-904(2), the IPUC may contract with a neutral third party to serve as administrator for the ITSAP program.  The administrator will collect the surcharge from the telecommunications carrier, distribute assistance revenues, and perform other tasks as assigned by the IPUC.  Idaho Code § 56-904(2).  The Commission intends to implement the amended ITSAP program by July 1, 1998.

Staff’s Recommendation to Implement 1998 ITSAP Amendments.

IDHW has prepared amendments to the ITSAP eligibility rule, effective July 1, to implement the 1998 ITSAP changes. The new rule makes the ITSAP credit available to customers whose gross income is “at or below one hundred and thirty-three percent (133%) of the Federal Poverty Limit.” IDAPA 16.04.02.100.03 (7-1-98 T). Based on participation levels for ITSAP in the past, as well as projections offered by IDHW, the Commission Staff estimates the total number of households that will be income eligible for ITSAP at approximately 22,000, and a participation rate of 95%, or approximately 20,905 households.  The State’s share of the ITSAP assistance is $3.50 per month.  These projections result in a Staff estimation for ITSAP funding, excluding administration costs, of approximately $877,800 during the first year.

Staff expects the administrator’s costs for ITSAP to be similar to the Universal Service Fund (USF) administration costs, or less than $15,000 per year. Anticipating one-time start-up costs, Staff allowed a total of $20,000 for the administrator’s costs during the first year.  To avoid unnecessarily duplicating administration costs, Staff recommended that the current state USF administrator also serve as ITSAP administrator.

The final component the law requires to be calculated in the ITSAP surcharge is the costs of administration for the participating telecommunications carriers.  Staff developed a formula to estimate the administrative expenses of each utility based on previous experience with the ITSAP program. This formula recognizes a portion for costs that companies incur regardless of the number of ITSAP participants, but bases most administrative costs on the relative number of participants for each utility.  For the purposes of first year projections, Staff assumed each company would have the same percentage of statewide participants as before the 1998 ITSAP amendments.  Based on this formula, Staff estimated the first year administrative costs of the telephone companies providing the ITSAP credits to be approximately $80,000. Staff thus estimated the total first year program costs, including ITSAP credits to participants, administrator’s costs and telephone company administration costs, to be $978,010, rounded to $980,000, or approximately $81,667 per month.

Having projected first year costs for ITSAP, the next step is to determine the total number of access lines to which the surcharge will attach.   Based on telecommunications company reports filed with the Commission, and subtracting the number of lines for ITSAP participants, Staff estimates there are 597,512 land-based lines that will be subject to the surcharge.  For purposes of first year projections, Staff rounded this number to 600,000.

Wireless access lines subject to the ITSAP surcharge are more difficult to project. According to estimates of the National Organization of Wireless Telecommunications, there are over 50 million wireless telephones in use in the USA.  Assuming a proportion of wireless telephones in Idaho similar to Idaho’s percentage share of the national population, Idaho would have approximately 200,000 wireless telephones.  However, Staff believes wireless telephone subscribership in Idaho is well below the national average, due to the delay in the availability of wireless technology in Idaho, vast areas of Idaho still not served, and higher than average wireless costs in Idaho.  For the purposes of projecting ITSAP, Staff assumed that wireless subscribership in Idaho is one fourth the national average, or approximately 50,000 subscriber lines.  Staff thus estimates the total wireline and wireless access lines subject to the ITSAP surcharge at 650,000.

Considering the number of lines subject to the surcharge, and the total monthly ITSAP costs, Staff derived a first year surcharge of 12.56 cents per line per month.  Staff rounded the recommended surcharge amount to $0.13 per line per month to accommodate billing, which requires an even cent amount. Although a surcharge at this level would result in a first year ITSAP fund amount slightly greater than Staff’s estimated requirement of $980,000, Staff recommended the surcharge be set at 13 cents during the first year to allow a cushion should its projections prove to be low.

COMMISSION DECISION

The 1998 amendments to ITSAP were necessitated in part by changes the FCC made to the customer discounts available through the Lifeline Program.  See FCC Universal Service Order, 97-157, FCC Docket No. 96-45, issued May 8, 1997.  The FCC increased the amount it would provide for its portion of the ITSAP credit, but also required states to make eligibility for ITSAP based strictly upon income or factors related to income, effective January 1, 1998.  Because Idaho statutes previously established age as an eligibility standard, the FCC granted a waiver to the IPUC in order that Idaho law could be changed and the new ITSAP eligibility rules implemented by July 1, 1998.  The Legislature recognized the exigency in implementing the ITSAP amendments, declaring an emergency in the statute amendments so that the program can be implemented without delay.

The Commission is thus mindful of the importance of implementing the new ITSAP amendments no later than July 1, 1998.  Given the short time available, the Commission accepts Staff’s recommendations regarding the surcharge level.  Based on the projections provided by Staff, we find it reasonable and appropriate to establish the initial ITSAP surcharge level at 13 cents per access line per month.  Pursuant to Idaho Code § 56-903(1), the surcharge must be imposed on “each end user’s business, residential and wireless access service,” and must be “explicitly stated on end user’s billings.”

Staff recommended that the ITSAP administrator for the Commission be the same as the USF administrator. However, we find it reasonable and prudent to ask for written proposals from the USF administrator and other interested parties regarding administration of the ITSAP program. Written proposals will provide a more precise means to establish the administrator’s costs to factor into the ITSAP surcharge. Thus although we do not identify an ITSAP administrator in this Proposed Order, the Commission will identify an administrator in its Final Order.

Pursuant to Idaho Code § 56-904(3), carriers must remit surcharge revenues to the administrator on a monthly basis, unless less frequent remittances are authorized by the Commission.  In order to ensure adequate funding at the outset of the new ITSAP, we find that carriers should make monthly remittances for at least the first three months, beginning August 1998.  Thereafter, the ITSAP administrator may arrange for quarterly remittances with individual carriers, and may allow carriers to offset their remittances with the amount of ITSAP funds to be distributed to the carrier.

O R D E R

IT IS HEREBY ORDERED that the ITSAP surcharge amount is $.13 per line per month on all end user business, residential and wireless services.  The ITSAP administrator for the Commission shall be identified in the Commission’s final order.   Effective July 1, 1998, all carriers of telecommunications services as defined in Idaho Code § 56-901(2) shall begin collecting the surcharge amount on end user business, residential and wireless services, and remit the ITSAP funds collected to the ITSAP administrator beginning in August 1998.  Following three months of monthly remittances the ITSAP administrator may arrange for quarterly remittances with individual carriers, and may allow carriers to offset their remittances with the amount of ITSAP funds to be distributed to the carrier. The administrator will determine the amounts to reimburse the eligible telecommunications carriers based on reports provided to the administrator by the carriers.

THIS IS A PROPOSED ORDER. The Commission intends to adopt it as a FINAL ORDER on or before July 1, 1998.

 DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this                  day of                         1998.

DENNIS S. HANSEN, PRESIDENT

RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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