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

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| IN THE MATTER OF DESIGNATING TELECOMMUNICATIONS SERVICES, IN ADDITION TO BASIC LOCAL SERVICE, AS UNIVERSAL SERVICES, FOR THE PURPOSES OF RECEIVING 1998 TELECOMMUNI-CATIONS UNIVERSAL SERVICE FUNDS. | )  )  )  )  )  )  ) | CASE NO. GNR-T-98-7  ORDER NO.  27715 |

On July 16, 1998, the Commission opened this docket to consider what telecommunications services should be made available to Idaho consumers by eligible telecommunications carriers (“ETCs”) to meet their obligation to provide universal service and receive Idaho 1998 Telecommunications Universal Service Fund support.  Order No. 27632.  MCI Telecommunications Corporation, AT&T Communications of the Mountain States, Inc., U S WEST Communications, and GTE Northwest intervened.  The Staff, MCI, U S WEST, AT&T and GTE filed both initial and reply comments.

After considering the law and the comments, the Commission designates the following telecommunications services as “universal services” that must be offered and provided by eligible telecommunications carriers to meet their obligation to provide universal service to become eligible to receive 1998 Telecommunications Universal Service Fund support:

(1)Voice grade access to the public switched network.  “Voice grade access” is defined as a functionality that enables a user of telecommunications services to transmit voice communications, including signaling the network that the caller wishes to place a call, and to receive voice communications, including receiving a signal indicating there is an incoming call.  Voice grade access shall occur within the frequency range of between approximately 300 Hertz and 3,000 Hertz;

(2)Local usage.  “Local usage” means an amount of minutes of use of exchange service, prescribed by the Commission, to be included in any flat rate at no additional charge;(footnote: 1)

(3)Dual tone multi-frequency signaling or its functional equivalent.  “Dual tone multi-frequency” (DTMF) is a method of signaling that facilitates the transportation of signaling through the network, shortening call set-up time;

(4)Single-party service or its functional equivalent.  “Single-party service” is telecommunications service that permits users to have exclusive use of a wireline subscriber loop or access line for each call placed, or, in the case of wireless telecommunications carriers which use spectrum shared among users to provide service, a dedicated message path for the length of a user's particular transmission;

(5)Access to emergency services where available.  “Access to emergency services where available” means providing the network components necessary to allow access to services, such as 911 and enhanced 911, provided by local governments or other public safety organizations.  Universal service does not include provision of theunderlying services themselves, which combine telecommunications service and the operation of thePublic Service Access Point (“PSAP”) and, in the case of E911 service, a centralized database containing information identifying approximate end user locations.  911 is defined as a service that permits a telecommunications user, by dialing the three-digit code “911,” to call emergency services through a PSAP operated by the local government.  “Enhanced 911” is defined as 911 a service that includes the ability to provide automatic numbering information (“ANI”), which enables the PSAP to call back if the call is disconnected, and automatic location information (“ALI”), which permits emergency service providers to identify the geographic location of the calling party.  “Access to emergency services” includes access to 911 and enhanced 911 services to the extent the local government in an eligible carrier's service area has implemented 911 or enhanced 911 systems;

(6)Access to operator services.  “Access to operator services” is defined as access to any automatic or live assistance to a consumer to arrange for billing or completion, or both, of a telephone call;

(7)Access to interexchange service.  “Access to interexchange service” is defined as the use of the loop, as well as that portion of the switch that is paid for by the end user, or the functional equivalent of these network elements in the case of a wireless carrier, necessary to access an interexchange carrier's network;

(8)Access to directory assistance. “Access to directory assistance” is defined as access to a service that includes, but is not limited to, making available to customers, upon request, information contained in directory listings; and

(9)Toll limitation.  “Toll limitation” is either toll blocking and toll control.

BACKGROUND

The 1998 legislature amended Title 62 to create anew Idaho 1998 Telecommunications Universal Service Fund (“1998 Telecommunications USF”).  See Idaho Code §§ 62-610A through F.  Idaho Code § 62-610F anticipates that the 1998 Telecommunications USF will be established by March 1, 1999.  This new USF differs considerably from the Idaho USF that currently provides high cost support to rural incumbent local exchange carriers (“ILECs”).  See Idaho Code § 62-610.  Distributions from the present Idaho USF are generally calculated to meet residual revenue requirements for fully regulated Title 61 rural ILECs whose residential and small business rates are 125% of the weighted statewide average rates.  This Idaho USF will be phased out sometime after January 1, 2001. Idaho Code § 62-610F(4).

One of the purposes for creating the 1998 Telecommunications USF was to make “universal service,” as to be defined by the Commission in this docket, widely available to all Idahoans at just and reasonable rates by using a competitively and technologically neutral funding mechanism. Idaho Code §§ 62-610A through F.  Once established, disbursements from the 1998 Telecommunications USF will be used to defray costs, as to be determined by the Commission, for providing “universal service” to customers within a geographic “support area.”  Those costs will be calculated using a “forward-looking cost methodology.”  Idaho Code § 62-610F.  On December 19, 1997, the Commission opened a docket to consider what that cost methodology should be.  Case No. GNR-T-97-22.  That case is still under consideration.

One of the first steps in establishing the 1998 Telecommunications USF is for the Commission to designate what telecommunications services, in addition to basic local exchange service, should be “widely available to consumers in all regions of the state at just and reasonable rates.”  Idaho Code § 62-610B(6).  The legislature found that universal service is an evolving level of telecommunication services and directed the Commission to “review the level of telecommunication services within the state on a periodic basis and designate those service(s) which should be made available to consumers by eligible telecommunications carriers to meet their obligation to provide universal service . . .”  Idaho Code §62-610C.

In considering those services in addition to basic local exchange service (“transmission of two-way interactive switched voice communication within a local exchange calling area”) that are to be designated, the Commission must consider the extent to which such other telecommunication services:

(a)Have, through the operation of market choices by customers, been subscribed to by a substantial majority of residential customers;

(b)Are being deployed in public telecommunications networks by telecom-munications carriers;

(c)Are consistent with the public interest, convenience and necessity; and

(d)The commission shall also consider definitions of universal service adopted by the federal communications commission pursuant to the telecommunications act of 1996.

Idaho Code §62-610C(2).

The Federal Communications Commission (“FCC”) has generally defined those universal services as: “single-party service; voice grade access to the public switched network; Dual Tone Multifrequency signaling or its functional equivalent; access to emergency services; access to operator services; access to interexchange service; access to directory assistance; and toll limitation for qualifying low-income consumers.”  All parties recommended that, at a minimum, the Commission adopt these FCC designated universal services.

Staff Recommendation

Staff recommended that the Commission adopt the FCC definition for universal services as its definition for Idaho universal services.  It also recommended that the Commission include “trouble isolation”(footnote: 2) and “flat rate calling within a customer’s local exchange” as additional universal service obligations.  U S WEST and GTE, supported inclusion of these services.  AT&T objected to inclusion of trouble isolation as a universal service, because it suggested this would require a renegotiation of existing interconnection agreements and may not foster competition.

GTE expressed some reservations about imposing flat rated calling within a customer’s local exchange as a universal service obligation.  U S WEST did not object to flat rated calling within a customer’s local exchange.  However, it urged the Commission make clear that the “local exchange” includes calls to other Commission-approved extended area service (“EAS”) exchanges (e.g., regions).  Staff opposed defining local calling area as including Commission approved EAS regions.  Staff contended that would be anti-competitive because it would require any competitive local exchange carrier (“CLEC”) seeking ETC status to offer those identical universal services in too large an area.

GTE Recommendation.

GTE recommended that core universal services also include a standard white page listing and “equal access” to interexchange service.  No party objected to including a standard white page listing.

Equal access to interexchange service permits consumers to access the long distance carrier to which the consumer is pre-subscribed by dialing a 1+ number. AT&T and MCI suggested that if GTE is recommending that ETCs recover intraLATA equal access pre-subscription costs through the 1998 Telecommunications USF, that these costs are already recovered through equal access recovery charges assessed against the interexchange companies.  MCI and AT&T argued that “costs relating to a customer’s choice of an interexchange carrier should not also be recovered through universal service funding.”  Staff took no position.

U S WEST’s Recommendation.

U S WEST recommended that all residential lines and up to five business lines receive 1998 Telecommunications USF support and be designated as a core universal service.  Staff, AT&T and MCI opposed designating all residential and five business lines as universal services eligible for support.  U S WEST argued that the definition of “basic local exchange service” requires it.

Staff and MCI referred the Commission to the FCC Universal Service Order regarding this issue.  The FCC suggested that funding multiple lines is inconsistent with the goals of universal service.  The FCC stated:

We share the Joint Board’s concern that providing universal service support in high cost areas for second residential connections, second residences, and businesses with multiple connections may be inconsistent with the goals of universal service in that business and residential consumers that presumably can afford to pay rates that reflect the carrier’s cost to provide services nevertheless would receive supported rates. We are also mindful that overly expansive universal service support mechanisms potentially could harm all consumers by increasing the expense of telecommunications services for all.

(FCC Universal Service Order at ¶95.)  The FCC does not treat multiple line support as the definition of core services.  It treated this as a question of how many lines should receive support once support is determined.  Depending on how the FCC determines the forward-looking economic cost of the primary residential connection, the FCC noted that there may be little incremental cost to additional residential or business connections.  In that case, the FCC noted that there would be no need to support additional residential or business connections.  The FCC, therefore, did not designate the multiple line support in its definition of core universal services.

Staff argued that the 1998 Telecommunications USF will be disadvantaged if more than a primary residential or business line is included in this definition of “universal service.”  Staff suggested that the potential for creating a larger fund at the expense of all rate payers will hinder competition and insulate the incumbent local exchange carrier’s revenue streams.  It argued that the  focus must remain on “universal service” available to all consumers at an affordable rate, not to redefine basic local service.

FINDINGS

The Commission finds that it has the authority and the duty to designate what telecommunications services should be designated as “universal services” that must be made available to consumers by eligible telecommunications carriers to meet their obligation to provide universal service pursuant to Idaho Code § 62-610C. What is universal service is not fixed; it is an evolving level of telecommunication services.  Id. The Commission has a continuing duty to re-evaluate what services should be included and supported by the 1998 Telecommunications USF.

The Commission finds that universal services are not necessarily all those services the Commission would like customers throughout Idaho to have.  The Commission is sensitive to the fact that Idaho 1998 Telecommunications USF support, like the federal USF, is fully funded by statewide, uniform customer surcharges. Therefore, as the Commission designates additional telecommunications services as universal service, the customer USF surcharge will necessarily increase.  In addition, the Commission must balance its designation with the effect the designation may have on competition.  It is the provision of different services that may distinguish among competitive local exchange carriers and foster a competitive atmosphere.

Therefore, as required by Idaho Code § 62-610C (2)(d), the Commission first reviewed the definition of universal service adopted by the FCC in its Universal Service Order, FCC Order 97-157.  One service that the FCC included in its designation of core universal services is “access to emergency services where available.”

The Commission carefully evaluated this service, because emergency services in Idaho are not regulated by the Commission.  Local governments have authority to establish and administer emergency communications systems.  Idaho Code § 31-4801 et seq.  The local government operates the Public Service Access Point (“PSAP”) and, in the case of E911 service, a centralized database containing information identifying approximate end user locations.  Those services are directly supported by telephone line user fees that are collected by the local exchange carriers and remitted to the local government.  Idaho Code § 31-4804.  The local exchange carriers are reimbursed for their administrative costs.  Id.  However, there are some network elements that are necessary to connect the local exchange carrier to the emergency service system.  Those costs are included in the regulated carrier’s rate base.  The Commission finds, therefore, that providing the network components necessary to allow access to services, such as 911 and enhanced 911, provided by local governments or other public safety organizations is a universal service.  The Commission finds that including access to emergency services, where available, as a universal service is in the public interest.

With respect to all the other telecommunications services designated by the FCC as universal services, after careful evaluation, the Commission finds that they represent an acceptable list of those minimum services that customers should expect to receive as part of their basic rate.  The Commission further finds that providing those services is consistent with the public interest, convenience and necessity and that these telecommunications services have, through the operation of market choices by customers, been subscribed to by a substantial majority of residential customers in Idaho.  Moreover, the Commission finds that these services are currently being deployed in public telecommunications networks by telecommunications carriers.

With respect to all other recommendations, the Commission finds that none of the recommended services need to be included in the designation of universal services at this time.  More specifically, the Commission finds that white page listings are not telecommunications services and, therefore, should not be designated as a universal service to receive USF support.  The Commission finds that white pages directories provide customers with valuable information, encourage network usage, and may facilitate access to telecommunications and information services.  Therefore, the Commission encourages carriers to continue to make white pages directories available to consumers.  However, the Commission will not identify this as a universal service to receive USF support.

The Commission finds that “trouble isolation” should not be designated, at this time, as a universal service to be supported by customer USF surcharges.  For carriers currently providing local service through resale that want to be designated as an eligible telecommunications carrier, it would require renegotiation of existing interconnection agreements.  This may not encourage competition.  Further, the Commission rejects GTE’s request that “equal access to interexchange service” be designated as a universal service.  The Commission agrees with the FCC that USF support for equal access may undercut local competition and reduce consumer choice.  FCC Universal Service Order, ¶ 79.

The Commission also finds that the Staff recommendation that “flat rate calling within a customer’s local exchange” should be designated as a universal service should be considered when the Commission considers the designation of service areas (Case No. GNR-T-98-8) and later when it considers the designation of support areas.  This issue addresses the question of where universal services should be available and not the underlying service itself.  Therefore, the Commission will consider this issue in Case No. GNR-T-98-8.

Finally, the Commission finds that U S WEST’s recommendation that all residential lines and up to five business lines be designated as a universal service to receive 1998 Telecommunications USF support is not appropriately before the Commission in this docket.  This issue involves the extent of USF support and not what services should be designated as universal service.  The Commission notes that contrary to U S WEST’s statutory analysis, Idaho Code § 62-603(1) simply defines the Commission’s Title 61 jurisdiction as extending to the provision of two way interactive switched voice communication to residential and small business customers within a local exchange calling area.  It does not define universal service.  The Commission agrees with the FCC that when the Commission determines how to calculate forward-looking economic costs, the Commission will necessarily examine the forward-looking costs of supporting additional residential connections or multiple connection businesses.  Therefore, the Commission will address this issue when it adopts its cost methodology.

As telecommunications services evolve, the Commission will continue to review and evaluate those services to determine whether additional telecommunications services should be designated as universal services.

O R D E R

IT IS HEREBY ORDERED that the following telecommunications services are designated as “universal services” pursuant to Idaho Code § 62-610C and must be made available to consumers by eligible telecommunications carriers to meet their obligation to provide universal service:

(1)Voice grade access to the public switched network.  “Voice grade access” is defined as a functionality that enables a user of telecommunications services to transmit voice communications, including signaling the network that the caller wishes to place a call, and to receive voice communications, including receiving a signal indicating there is an incoming call.  Voice grade access shall occur within the frequency range of between approximately 300 Hertz and 3,000 Hertz;

(2)Local usage.  “Local usage” means an amount of minutes of use of exchange service, prescribed by the Commission, to be included in any flat rate at no additional charge;

(3)Dual tone multi-frequency signaling or its functional equivalent.  “Dual tone multi-frequency” (DTMF) is a method of signaling that facilitates the transportation of signaling through the network, shortening call set-up time;

(4)Single-party service or its functional equivalent.  “Single-party service” is telecommunications service that permits users to have exclusive use of a wireline subscriber loop or access line for each call placed, or, in the case of wireless telecommunications carriers which use spectrum shared among users to provide service, a dedicated message path for the length of a user's particular transmission;

(5)Access to emergency services where available.  “Access to emergency services where available” means providing the network components necessary to allow access to services, such as 911 and enhanced 911, provided by local governments or other public safety organizations.  Universal service does not include provision of theunderlying services themselves, which combine telecommunications service and the operation of thePublic Service Access Point (“PSAP”) and, in the case of E911 service, a centralized database containing information identifying approximate end user locations.  911 is defined as a service that permits a telecommunications user, by dialing the three-digit code “911,” to call emergency services through a PSAP operated by the local government.  “Enhanced 911” is defined as 911 service that includes the ability to provide automatic numbering information (“ANI”), which enables the PSAP to call back if the call is disconnected, and automatic location information (“ALI”), which permits emergency service providers to identify the geographic location of the calling party.  “Access to emergency services” includes access to 911 and enhanced 911 services to the extent the local government in an eligible carrier's service area has implemented 911 or enhanced 911 systems;

(6)Access to operator services.  “Access to operator services” is defined as access to any automatic or live assistance to a consumer to arrange for billing or completion, or both, of a telephone call;

(7)Access to interexchange service.  “Access to interexchange service” is defined as the use of the loop, as well as that portion of the switch that is paid for by the end user, or the functional equivalent of these network elements in the case of a wireless carrier, necessary to access an interexchange carrier's network;

(8)Access to directory assistance. “Access to directory assistance” is defined as access to a service that includes, but is not limited to, making available to customers, upon request, information contained in directory listings; and

(9)Toll limitation.  “Toll limitation” is either toll blocking or toll control.

THIS IS A FINAL ORDER.  Any person interested in this Order or in interlocutory Orders previously issued in this Case No. GNR-T-98-7 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-98-7. 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 1998.

                                                                                                                                      DENNIS S. HANSEN, PRESIDENT

                                                                                           RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

O:gnrt987.cc2

**FOOTNOTES**

1:

 The Commission  will separately seek further information regarding local usage and local usage patterns, in order to determine the appropriate amount of local usage that should be provided by carriers receiving universal service support.  To accurately determine the cost of serving customers in high cost areas, for example, forward-looking economic cost methodologies require usage information to determine capacity requirements, such as switch size.

2:

 Including trouble isolation would obligate all ETCs to visit a customer’s premises, at no extra charge, to determine whether the telephone trouble is caused by the company or by the customer’s equipment.  It does not obligate an ETC to repair trouble caused by the customer’s equipment.

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

September 8, 1998