(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, 1998. | ))))) | CASE NO. GNR-T-98-12ORDER NO.  27724 |

On July 15, 1998, the Commission received the annual report of the Idaho Universal Service Fund (USF) Administrator for the period from July 1, 1997 through June 30, 1998.  Based upon our review of the report and Staff’s analysis, the Commission finds that adjustments will not be made to the existing USF surcharges of $0.12 per month for residential access and $0.24 per month for business access service.  We also find, however, that the $0.0018 per minute for message telecommunication services and toll transmission (MTS/WATS)  should be increased to $0.0022 per minute.

BACKGROUND

The Idaho 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 changes, if any, in the surcharges to maintain adequate 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.

After reviewing the USF Administrator’s 1997 Annual Report, the Commission on September 9, 1997, issued an Order to continue the surcharges at the then existing levels.  See Order No. 27126.  However, in February of this year, the Administrator notified the Commission that the surcharge revenues did not meet the projections made in the 1997 Annual Report.  The Administrator and Staff subsequently recommended that the Commission increase the rates to ensure that the USF remain solvent.  The Commission thereafter increased the surcharge rates to $0.12 per residential line, $0.24 per business line, and $0.0018 per MTS/WATS minute effective April 1, 1998.

THE 1998 REPORT

According to the Administrator’s 1998 Report, the USF fund balance at June 30, 1998, is a negative $1,475.  Apparently toll minutes (MTS/WATS) for the reporting year are approximately 25% less than the previous year, resulting in lowered USF surcharge revenues for those services.  Although the number of residential lines increased 2% from the previous year and business lines increased 13%, the Administrator projects that toll minutes will continue to decline in 1999.  The Administrator recommended increasing the rates of those companies receiving USF funds, thereby decreasing the companies’ draws from the fund, which would enable the surcharge levels to remain the same or decline.

DISCUSSION

After reviewing the Administrator’s Report and the analysis provided by Staff, the Commission finds that the USF surcharges of $0.12 per residential line and $0.24 per business line are adequate and in the public’s interest to help ensure the continuing solvency of the USF.  However, the Commission further finds that the surcharge for MTS/WATS usage should be increased to $0.0022 per minute to maintain an appropriate balance between local and toll revenues, and to maintain a reasonable funding level for the USF.

The Administrator also noted that the rates of some of the telephone companies drawing USF support may need to be adjusted.  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: (1) the difference between the company’s rates and the statewide threshold rate is more than three percent; and (2) 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 Administrator listed the following companies that should make adjustments to their access rates, local residential or business rates: Albion Telephone, Cambridge, Inland, Midvale, Rural and Silver Star.

The rates for these and other companies may need to be adjusted consistent with the statutory requirements.  However, we decline to order rate adjustments as part of this USF Order.  Pending before the Commission are several extended area service cases that may result in changes to the customer rates for some of these companies.  Silver Star, specifically, increased its rates on August 7, 1998, the date it implemented its EAS into the eastern Idaho region.  In addition, Staff is conducting or will soon conduct audits that may result in rate adjustments for some of the USF eligible companies.  Accordingly, we find it reasonable and appropriate to consider rate adjustments on an individual company basis, rather than as a group in this Order.

O R D E R

IT IS HEREBY ORDERED that the Universal Service Fund local exchange service surcharge shall be $0.12 per month for each residential line and $0.24 per month for each business line.

IT IS FURTHER ORDERED that the Universal Service Fund MTS/WATS surcharge shall be increased from $0.0018 to $0.0022 per minute.

IT IS FURTHER ORDERED that these USF surcharges shall be effective October 1, 1998.

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-98-12 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-98-12.  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

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**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

September 11, 1998