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

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| IN THE MATTER OF REVIEWING U S WEST COMMUNICATIONS’ SOUTHERN IDAHO REVENUE SHARING PLAN FOR THE COMPLETED 1994 SHARING YEAR. | )))))) | CASE NO. USW-S-95-1ORDER NO.  26461 |

On May 2, 1996, the Commission issued a Notice of Modified Procedure seeking public comments on the Idaho Council for Technology in Learning’s proposal to disburse 1994 revenue sharing funds for educational and library communication projects.  In Order No. 26355 issued March 7, 1996, the Commission reserved approximately $4 million for enhancing public educational communication services in that portion of southern Idaho served by U S WEST Communications.  In that prior Order, the Commission directed that the Council submit a revised plan for infrastructure projects no later than April 22, 1996.  Pursuant to the Notice of Modified Procedure, the Commission received  four comments.  In this Order, the Commission directs that $4.323 million in 1994 revenue sharing funds be allocated to the Council.

BACKGROUND

In Order No. 26355 the Commission distributed the 1994 revenue sharing funds to three areas: (1) approximately $1.25 million for telephone switch replacements; (2) $1.25 million to be used as credits for 65,000 rural zone customers; and (3) reserved the remaining balance of approximately $4 million for enhancing educational communication services in southern Idaho.  The Commission directed that the Council submit a revised proposal “demonstrating the public interest benefits of the expanding educational communications for public schools and libraries.”  Order No. 26355 at 12.  The revised proposal was to outline the recommended uses for 1994 revenue sharing funds for the deployment of communications infrastructure, its access, or equipment.

A.  The Initial Proposal

The Council’s proposed communication plan has two major components.  First, the Council initially proposed that approximately $382,000 be used for various library projects.  Approximately 60 public libraries are targeted for communication projects.  These projects range from the acquisition of communications facilities necessary to establish Internet capability, to creating a statewide Internet Website for accessing library networks, to defraying the communication costs of toll calls to access the Internet and library catalog systems.  The Council indicated that use of the revenue sharing funds will allow local libraries to greatly enhance the public’s ability to access on-line catalogs of the state’s major libraries via the Internet.  Members of the public will also be able to obtain access to the Internet’s wider array of information resources through the public libraries.  The library project funds will be leveraged with approximately $25,000 appropriated by the Legislature in fiscal year 1997.

The other major component of the Council’s plan earmarked approximately $3.8 million for use in public schools located within the U S WEST service area.  The Council proposed to make available $10,000 for each eligible school district and divide the remaining balance equally among each school facility.  The Council calculated that there are 61 school districts and approximately 373 school facilities that would receive revenue sharing funds.  The school district projects include the networking of school buildings, creating wide-area networks to connect schools, adding teleconferencing capability for distance learning, and connecting schools to other community resources and the Internet.

The Council declared that school districts will share their telecommunication resources with their communities.  For example, school districts and schools may open their computer labs or media centers at night so members of the community may be provided access to advanced telecommunication facilities.  In addition, such facilities may be made available to health, business and governmental entities located within the various communities.

The Council also stated that use of revenue sharing funds will position Idaho’s public schools and libraries to effectively utilize advanced communication services and allow these entities to accelerate their ongoing infrastructure projects.  Use of revenue sharing funds will allow the affected districts to complete two years of their planned telecommunication projects in a single year.  Revenue sharing funds targeted for school projects will be leveraged with $12.9 million appropriated by the Legislature for fiscal year 1997.  Finally, the Council proposed that the state Department of Education act as fiscal agent for the distribution of the revenue sharing funds.

B.  The Amended Proposal

On May 21, 1996, the Council notified the Commission that it amended the educational proposal by allocating additional funds to the libraries.  In response to comments addressing the library portion of the proposal,(footnote: 1) the Council asked the State Library to reevaluate its statewide improvement plan to determine if there were additional library projects.  Following its review, the State Library increased its funding request.  The Council concurred and requested an additional $103,017 for libraries to increase the number of Internet connections.  The Council suggested that this amount be captured from the accruing interest on the sharing funds.  Any balance would be used to fund a communications project at the Idaho School for the Deaf and Blind.

OTHER COMMENTS

In addition to the Friends’  comments, the Commission received three written comments, all supporting the Council’s proposal.

1.  U S WEST.  The Company characterized the Plan as “an example of the kind of positive contribution that the Revenue Sharing funds can provide.”  U S WEST maintained that the plan ensures parity among schools, provides local control and community involvement, and also enhances the potential of public investments in telecommunications infrastructure.

U S WEST stated that the proposal meets the infrastructure criteria articulated by the Commission in Order Nos. 26169 and 26355.  More specifically, the Company noted that the proposal will benefit customers residing in U S WEST’s service area; project costs are related to the amount of funds available; revenue sharing funds are “leveraged” with other funds; members of the public will be provided access to project facilities; and the sharing funds will not be used for administrative costs.

U S WEST insisted it is no longer appropriate for it to retain the sharing funds because the funds can be dedicated to a variety of different suppliers.  Consequently, the Company proposed to turn the funds over to the State Department of Education with interest through June 1, 1996.  U S WEST agreed that periodic reports should be provided as funds are spent and that July 1, 1997 seemed a reasonable deadline for a detailed final report to the Commission.(footnote: 2)

2.  Idaho Cable Telecommunications Association.  ICTA commented that the proposal is well-targeted with worthwhile needs and goals, as part of a comprehensive plan first established by the Idaho Legislature.  Further, the proposal appeared “competitively neutral” as to suppliers of products and services to be acquired by schools and libraries.   The Association believed the Council’s plan assures its member companies a fair and equitable opportunity to bid for the communication projects.  The Association agreed that distribution and final accounting of the funds should pass from U S WEST to the State Department of Education and suggested the exact timing of the final report be determined by the Council consistent with the normal funding cycles of the institutions involved.

3.  ACCESS ‘96 Coalition.  The Association of Idaho Cities also supported the Council’s plan.  Acting as spokesperson for the ten Coalition members, the Association thanked the Commission for thinking “outside” the traditional box of rate setting issues by approving this beneficial use of revenue sharing dollars.

DISCUSSION

After reviewing the Council’s proposal and the comments set out above, we find that the Council’s proposal is a reasonable and appropriate use of the 1994 revenue sharing funds.  We find:  That the communication projects for libraries and public schools are in the public interest and meet the infrastructure criteria set out in Order No.  26355.  We are particularly pleased with the Council’s recommendation to allocate additional funds to public libraries.  As the Council acknowleged, the additional fund will improve the libraries’ ability to access on-line catalogs and the Internet’s wider array of informational resources.

In Order No. 26355 issued March 7, 1996, the Commission determined that the 1994 revenue sharing plan had produced $6,707,703 in Title 61 revenue sharing funds, including interest as of February 29, 1996.  Subtracting that portion of the revenue sharing funds allocated to the switch replacement plan and rural zone credits ($2.494 million), but adding accrued interest ($109,294) to May 31, 1996, results in a balance of $4,323,000 reserved for the Council’s communications projects.  Based upon the Council’s recommendations, we shall direct that $484,750 be allocated to the library projects and the balance of $3,838,250 be distributed to the public school projects.

In our previous Notice, we solicited written comments whether the Commission should require an actual accounting of how the revenue sharing funds were spent by each library and school district.  We adopt the Cable Association’s recommendation that the timing of this final accounting be consistent with the normal funding cycles of the institutions involved.  The Council normally requires that school districts submit financial reports no later than October 31 of the following year.  Accordingly, we shall require that the Council file a report with the Commission no later than December 1, 1997, outlining the actual projects and the amount of revenue sharing money expended by each school district and library.

ULTIMATE FINDINGS OF FACT AND CONCLUSIONS OF LAW

U S WEST Communications is a telecommunications corporation subject to our regulatory jurisdiction pursuant to Idaho Code, Titles 61 and 62.  The Commission has jurisdiction over this matter as authorized by Idaho Code § 61-622A.  After allocating revenue sharing funds to previously authorized projects, we find that the revenue sharing plan has a balance of $4,323,000 including accrued interest as of May 31, 1996 on the unencumbered funds.

We further find that it is reasonable and appropriate to allocate $484,750 of 1994 revenue sharing funds for library communication projects.  We further find that it is just and reasonable to allocate $3,838,250 of revenue sharing funds for public school communication projects.

We conclude that using revenue sharing monies to fund communication projects for libraries and public schools is reasonable, appropriate and in the public interest.

O R D E R

IT IS HEREBY ORDERED that $4,323,000 in 1994 Title 61 revenue sharing funds be allocated to fund public school and library communication projects or network access as submitted by the Idaho Council for Technology in Learning.

IT IS FURTHER ORDERED that U S WEST pay $4,323,000 to the State Department of Education within 21 days from the date of this final Order.

IT IS FURTHER ORDERED that the Council provide the Commission with a final report and accounting outlining the amount of revenue sharing dollars spent and the actual projects for each school district and library.  This final accounting shall be filed with the Commission Secretary no later than December 1, 1997.

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.  USW-S-95-1  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. USW-S-95-1 .  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 June 1996.

                                                                                                                                       RALPH NELSON, PRESIDENT

                                                                                            MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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**FOOTNOTES**

1:

On May 9, 1996, the Commission received a letter from the Friends of the Ada Community Library urging the Commission to allocate a greater proportion of the revenue sharing funds to libraries.  The Friends suggested that the sharing funds be divided equally among all library and public school facilities.

2:

In its Notice, the Commission specifically invited comments on whether it should require an actual accounting of how the funds were used by each library and school district.

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

June 10, 1996