DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

STEPHANIE MILLER

DAVE SCHUNKE

EILEEN BENNER

JOE CUSICK

SYD LANSING

BEV BARKER

GARY RICHARDSON

WORKING FILE

FROM:DON HOWELL

BILL EASTLAKE

DATE:JUNE 4, 1996

RE:COMMENTS ON THE ICTL’S EDUCATION COMMUNICATIONS PRO­PO­SAL, CASE NO.  USW-S-95-1

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, 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.

BACKGROUND

In Order No. 26355 issued March 7, 1996, 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 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 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.  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 serves to develop the potential of public investments in telecommunications infrastructure.

U S WEST Communications stated that the proposal meets the 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 noted that it is no longer appropriate for it to hold the sharing funds because the funds can be spent with 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 seems 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.   ICTA believed the Plan assures its member companies a fair and equitable opportunity to bid for the communication projects.  ICTA agreed that distribution and final accounting of the funds should pass from U S WEST to the State Department of Education and suggests 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.

REVENUE DISPOSITION

As previously mentioned, the Commission reserved approximately $4 million in 1994 revenue sharing funds for public educational projects in southern Idaho.  The table below reflects the total amount of 1994 revenue sharing funds available for disposition including the accrual of interest until June 1, 1996.

[see next page]

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| $5,890,709        816,994  $6,707,703  –$1,244,000  –  1,250,000   +    109,297  $4,323,000  $   484,750     3,828,250         10,000  $4,323,000 |  | 1994 Revenue Sharing Amount  Accrued Interest 1-1-95 to 2-29-96  TOTAL Order No. 26355  \*Switch replacement plan  \*Rural zone credits (amortized)  Accrued Interest 3-1-96 to 5-31-96  Balance Reserved for ITCL  Amended Library request  Public School request  ISDB project  TOTAL distribution to Dept.  Of Education |

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| \*The switch replacement and rural zone components are not “one-time” expenditures.  The switches are expensed as they are placed in service and the rural zone credits are dispersed on a monthly basis.  Consequently, these components still accrue interest.  As of May 31, 1996, there is an interest balance of $28,986 for these two components. |

Commission Decision

Does the Commission find that the Council’s proposal, as amended, is reasonable and appropriate?

Does the Commission agree with the filed comments?  Does the project meet the criteria that the project benefits U S WEST ratepayers in southern Idaho; that costs are reasonably related to the amount of funds available; that the project be in the public interest; and the project funds are leveraged with other funds?

Does the Commission find that the amount available for disposition to be $4,323,000?  Should U S WEST be directed to pay this amount to the State Department of Education within 21 days of the date of the final Order?

Does the Commission desire a final accounting for each library and school district’s use of the funds no later than July 1, 1997?

Anything else?

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| Don Howell | Bill Eastlake |

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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.