

## TELECOMMUNICATIONS



### First Step Internet granted ETC status; hopes to expand broadband in rural areas

Case No. FSI-T-14-01, Order No. 33226

**Feb. 24, 2015** – A Moscow-based company seeking to qualify for federal funds to expand broadband services in rural parts of Idaho has been granted conditional Eligible Telecommunications Carrier (ETC) status.

The Federal Communications Commission will allocate about \$4.5 billion over a five-year period to new advanced networks in rural and insular communities. ETC status is granted by state commissions after the companies meet specified criteria.

First Step Internet is a facilities-based regional Internet Service Provider that will use a combination of its own network and facilities as well as resale of another carrier's services. Kevin Owen of Moscow is listed as president on the company's application.

First Step Internet will offer a variety of services including dial-up, DSL, fiber, cable Internet, fixed wireless broadband services and Voice Over Internet Protocol (VOIP). The service area for which the company requested ETC designation includes some 27 communities and surrounding rural areas in north and central Idaho.

To be declared an ETC by the Commission, First Step Internet had to meet a number of criteria including customer access to emergency services such as 911 and enhanced 911. The company must also have a reasonable amount of back-up power to ensure functionality without an external power source, be able to re-route traffic around damaged facilities and be capable of managing traffic spikes resulting from emergencies. It must contribute to the Idaho Telephone Assistance Program for low-income customers, E-911 emergency fund, the state Universal Service Fund and the Telecommunications Relay Service for those with hearing and speech disabilities.

The company must further demonstrate that the ETC is in the public interest by increasing customer choice and making available new service offerings including wireless broadband. It must also comply with the state's consumer protection and service quality standards.

## Telephone surcharge decreasing June 1

Case No. GNR-T-15-03, Order No. 33284

**April 24, 2015** -- A surcharge that helps to ensure low-income Idahoans have access to a phone line is being decreased to 1-cent per month for every wireline and wireless phone because of declining participation in the Idaho Telecommunications Service Assistance Program (ITSAP).

The surcharge has declined from a high of 12 cents per line per month to 7 cents in 2013, 3 cents last year and 1 cent this year. Collections from the surcharge go to telephone companies who then disburse the funds to qualifying customers. ITSAP provides a \$2.50 per month discount for qualifying telephone and cell phone users. That is on top of a \$9.25 per month contribution from the federal Lifeline program. Legislation adopted in 2012 reduced the size of the Idaho contribution from \$3.50 per month to \$2.50.

Lifeline was established in 1985 to ensure that low-income citizens, including many senior citizens, have access to local dial-tone service for medical and other emergencies.

Those who seek telephone assistance must be determined eligible by the state Department of Health and Welfare. The Idaho Public Utilities Commission establishes the amount of surcharge necessary to fund the program.

The commission decided to reduce the monthly contribution once again due primarily to fewer Idahoans either qualifying or seeking eligibility for the program. The average number of ITSAP recipients per month in 2014 was 10,674, a 25 percent decrease from 17,626 during 2013. In 2012, the average number of recipients per month was 23,434, down from 2011's number of 25,310.

The number of telephone lines to support the fund, both wireline and wireless, is also declining. Wirelines in Idaho continue their steady decline, from 512,672 in 2011, to 491,572 in 2012, to 454,941 in 2013 and 427,065 in 2014.

For the first time, the number of wireless lines in Idaho also decreased, from 1,395,896 in 2013 to 1,329,112 in 2014. Average wireless access lines per month were 1,276,830 in 2012 and 1,132,234 in 2011.

## PUC responds to request for report on broadband funding

*In June 2014, the Idaho Public Utilities Commission received a letter from Senator Brent Hill, president pro tem of the Idaho Senate, and Rep. Scott Bedke, speaker of the Idaho House of Representatives, regarding the rapid changes taking place in the telecommunications industry, specifically in regard to the deployment of high-speed broadband service. Since Congress passed the Telecommunications Act of 1996, “we have witnessed the dramatic transformation of the entire industry with the explosion of the Internet and the advent of broadband services and other new communication technologies,” wrote Senator Hill and Speaker Bedke.*

*With the rapid deployment of broadband technology, the Federal Communications Commission (FCC) is making changes to how telecommunications and broadband services are funded, particularly in rural, high-cost areas. “Some have suggested those changes may not ensure the continued availability of affordable telecommunications and broadband services throughout Idaho,” wrote Hill and Bedke. “This is a concern to us. Both traditional telecommunications and broadband services are critical to the economic future of Idaho, particularly rural Idaho. We can ill-afford a digital divide that leaves our rural areas behind.”*

*The legislative leaders asked the PUC to begin assembling information from interested parties to evaluate the sufficiency of the Idaho Universal Service Fund (ISUF) that provides financial support for traditional telecommunications services and how that fund might be structured and allocated given the advent of broadband deployment.*

*In response, the IPUC opened an investigation and conducted a survey on changing communication services for both traditional and new services.*

*Below is the introduction to the report and the Commission’s recommendation. The entire report is available on the Commission’s Website at [www.puc.idaho.gov](http://www.puc.idaho.gov).*

### Executive Summary

Since 1996, the telecommunication industry has developed and deployed new technologies that have produced a more robust infrastructure and a wide array of telecommunications services for consumers. This array of services has also resulted in significant changes in how customers communicate with others and use the Internet. A recent Federal Communications Commission report noted that the number of traditional wirelines (“plain old telephone service” or “POTS”) has decreased and that more American households now rely exclusively on wireless services. More residential customers subscribe to some form of broadband telecommunications beyond POTS.

The changes in consumers’ preferences in telecommunications services have impacted federal and state universal service mechanisms.

Since the 1930s, Congress has mandated that all telephone companies providing interstate service must contribute to a federal Universal Service Fund (USF). The USF helps to make phone service affordable and available to all Americans, including those living in areas where the cost of providing telephone service is high. All telephone consumers pay into the fund, which is then disbursed to telephone companies to provide service, mostly in rural under-served areas.

Idaho has a state fund, the Idaho Universal Service Fund, (IC 62-610A), which stipulates that “all consumers in this state, without regard to their location, should have comparable accessibility to basic telecommunications

services at just and reasonable rates. Currently, Idaho telecommunications customers pay 16 cents per residential line, 25 cents per business line and \$.0006 per minute on long distance calls. The fund is designed to ensure that average rates in rural areas are no more than 25% higher than average rates in urban areas. The Idaho rural carriers that receive IUSF support are ATC, Cambridge, Direct, Fremont, Inland, Midvale, Rural and Silver Star.

However, the assessable base for Idaho Universal Service Fund contributions has eroded as customers migrate to other services that do not support the fund. Simply put, as more customers move to newer services, the base that supports the IUSF is eroding.

With the advent of nontraditional communications, such as broadband, wireless Voice over Internet Protocol (VoIP) and cable-based communications, federal and state policymakers are grappling with how universal funds should now be collected and disbursed to ensure new technologies are available at reasonable cost to all.

The Idaho Public Utilities Commission conducted a survey of Idaho communication providers seeking input and suggestions as to how the changing telecommunications field will affect rural high-cost areas and evaluate the sufficiency of the Universal Service Fund and other cost mechanisms to ensure continued availability of telecommunications and broadband services in Idaho.

The survey responders included a selection of Idaho's Incumbent Local Exchange Carriers, Rural Incumbent Local Exchange Carriers, Wireless and Cable providers as well as some Competitive Local Exchange Carriers and a wholesale provider. A few of the focused responses were:

- VoIP services should be included in the definition of Universal Service.
- All Federal funding in Idaho should be exhausted and then a reassessment of areas that still need broadband services could then be targeted.
- Customers of all providers of telecommunications services should make equitable contributions to the preservation and advancement of universal service.
- Idaho PUC should follow the federal lead and to the extent that broadband is included in either state or federal universal service requirements, state and federal USF programs should be in place to fund those requirements.
- A consensus that broadband to all of Idaho was necessary for economic development and that all providers should pay into the USF to broaden the base and provide adequate funding to expand.
- Another common observation was that Idaho should wait until the Federal changes are enacted and then follow those changes so that there will be certainty and continuity for business planning and advancement of all communication services.

IPUC staff thanks industry participants for their thoughtful input and assistance.

**The Commission is not, at this time, considering the assessment of broadband services or broadening the base to include additional consumers not already contributing to the IUSF. Rather the PUC proposes that, in the future it would be prudent to modernize and reform the contribution mechanism to promote an equitable and sustainable framework in an evolving communications environment. Since, there are many unknowns at the federal level, the Commission and many other survey participants believe it would be wise to defer any actions in Idaho until there is more certainty from the FCC.**

## **Telecommunication Utilities under IPUC Jurisdiction**

**Albion Telephone Corp (ATC)**, P.O. Box 98, Albion, Idaho 83311-0098 **208-673-5335**

**Cambridge Telephone Co.** P.O. Box 88, Cambridge, Idaho 83610-0086 **208-257-3314**

**\*CenturyLink, (formerly Qwest Communications)** North and South Idaho, Box 7888 (83723) or 999 Main Street, Boise, Idaho 83702 **800-339-3929**

**\*CenturyTel of Idaho, Inc.**, dba CenturyLink, 250 Bell Plaza, Room 1601, Salt Lake City, UT, 84010, **801-238-0240**.

**\*CenturyTel of the Gem State**, dba CenturyLink, 250 Bell Plaza, Room 1601, Salt Lake City, UT, 84010, **801-238-0240**.

**\*Frontier Communications Northwest, Inc.** (formerly Verizon Northwest, Inc.), 20575 NW Von Neuman Dr. Ste. 150, Beaverton, OR, 97006, **503-629-2459**

**Direct Communications Rockland, Inc.**, Box 269, 150 S. Main St. Rockland, ID 83271  
**208-548-2345**

**Fremont Telcom, Inc.**, dba Fremont Communications, 1221 N. Russell St., Missoula, MT, 59808,  
**406-541-5454**

**Inland Telephone Co.**, 103 South Second Street, Box 171, Roslyn, WA 98941  
**509-649-2211**

**Midvale Telephone Company**, Box 7, Midvale, Idaho 83645, **208-355-2211**

**\*Citizens Telecommunications Company of Idaho**, dba Frontier Communications of Idaho, 20575 NW Von Neuman Dr. Ste. 150, Beaverton, OR, 97006, **503-629-2459**

**Oregon-Idaho Utilities, Inc.**, 3645 Grand Ave., Ste. 205A, Oakland, CA 94610 **510/338-4621**  
Local: 1023 N. Horton St., Nampa, Idaho 83653 **208-461-7802**

**Pine Telephone System, Inc.**, Box 706, Halfway, OR 97834 **541-742-2201**

**Potlatch Telephone Company**, dba/ TDS Telecom, Box 138, 702 E. Main St.  
Kendrick, Idaho 83537, **208-835-2211**

**Rural Telephone Company**, 829 W. Madison Avenue, Glenns Ferry, Idaho 83623-2372  
**208/366-2614**

*\*These companies, which represent more than 90 percent of Idaho customers, are no longer rate regulated. However, they are still regulated for customer service.*