

GNR-T-17-05

**WILLIAMS · BRADBURY**

A T T O R N E Y S A T L A W

RECEIVED

2018 JAN 31 PM 2:13

IDAHO PUBLIC  
UTILITIES COMMISSION

January 31, 2018

Ms. Diane Hanian  
Commission Secretary  
Idaho Public Utilities Commission  
472 W. Washington  
Boise, ID 83702

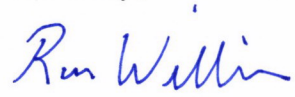
Re: GNR-T-17-05

Dear Ms. Hanian:

Please find enclosed for filing the original and seven copies of Position Paper of the Idaho Cable Broadband Association in the above referenced case.

Thank you for your assistance in this matter. Please feel free to give me a call should you have any questions.

Sincerely,



Ronald L. Williams

RLW  
Enclosures

# **IDAHO CABLE BROADBAND ASSOCIATION**

## **POSITION PAPER ON THE IDAHO UNIVERSAL SERVICE FUND**

**Idaho PUC Case No. GNR-T-17-05**

**January 31, 2018**

---

### **INTRODUCTION**

The Idaho Cable Broadband Association (ICBA) is an Idaho non-profit corporation and trade association comprised of internet service providers (ISPs) that provide wire-line broadband and video services to Idaho residents and businesses. ICBA members include Cable One, Cox, Charter, Comcast, Suddenlink and the Independent Cable Systems of Idaho.

The ICBA is pleased to have this opportunity to state its position regarding the Idaho Universal Service Fund (IUSF) to the Idaho Public Utilities Commission (Commission), as the Commission opens this investigation “to take a hard look at the continued viability”<sup>1</sup> of the IUSF. This docket and its charge is in keeping with the Commission’s continuing jurisdiction over the IUSF and its statutory mandate to periodically review telecommunications services within the state, and designate which such telecommunications services should be made available as a universal service obligation of an eligible telecommunications carrier. I.C. § 62-610C(2) .

### **RECOMMENDATION**

Because of the accelerating decline in the market for basic circuit-switched local exchange service, it is the recommendation of the ICBA that the Commission phase down IUSF

---

<sup>1</sup> IPUC Order No. 33951, P.1 – Notice of Public Workshops, Case No. GNR-T-17-05

distributions to parallel the continuing expected decline in IUSF receipts. Simply raising IUSF charges will not save the fund. As discussed below, any other significant change to the IUSF requires legislation, and the debate of fundamental changes to the IUSF – to support broadband services, expand the contributor base or change the contribution method – should occur at the Idaho Legislature and not at the Commission.

## DISCUSSION

### **1. The Purposes and Recipients of, Determination of Subsidy Amounts to Recipients, and Contributors to the IUSF Are Strictly Delineated by Statute**

The IUSF’s purpose is constrained by statute to “maintaining the universal availability of local exchange service at reasonable rates and to promot[ing] the availability of message telecommunications service at reasonably comparable prices.”<sup>2</sup> The statute further limits the availability of subsidies to only those entities defined as “eligible telecommunications carriers,”<sup>3</sup> and limits the calculation of the amount of the subsidy to a determination of the extent an eligible telecommunications carrier’s rates exceed the following:

(a) average residence and business local exchange service rates for one-party single line service are in excess of one hundred and twenty-five percent (125%) of the weighted statewide average rates for residence and business local exchange service rates for one-party single line service respectively, and

(b) average per minute charge for MTS/WATS access services it provides is in excess of one hundred percent (100%) of the weighted statewide average for the same or similar MTS/WATS access services.<sup>4</sup>

The IUSF does not and cannot subsidize any other telecommunications services and does not, nor can it subsidize broadband services.

---

<sup>2</sup> I.C. § 62-610(1).

<sup>3</sup> I.C. §§ 62-610(3) and 62-610(D).

<sup>4</sup> I.C. § 62-610(3) and (4).

State law requires that the IUSF be funded by imposing a surcharge consistent with the following: (a) as a cents per line surcharge applied to local exchange services; and (b) as a percentage surcharge applied to the monthly bill of MTS and WATS end users.<sup>5</sup> Therefore, any change to the present contribution mechanism requires legislation. Idaho law is similarly clear that the IUSF is to be funded by imposing end-user surcharges on *only* local exchange services and MTS and WATS type services.<sup>6</sup> The State’s Telecommunications Act defines “basic local exchange service as . . . the provision of access lines to residential and small business customers with the associated transmission of two-way interactive switched voice communication within a local exchange area.”<sup>7</sup> Consequently, any change to expand the pool of contributors into the IUSF would also require legislation.

**2. The Commission Should Evaluate the Success of the Federal Communications Commission’s (“FCC”) Broadband Programs Before Entertaining any Discussion Regarding a Transition of the IUSF to Support of Broadband Service**

Even though state law does not allow it, state universal service support for broadband service in Idaho would be duplicative of federal programs that support high-cost area broadband deployment. The ICBA agrees with the recommendation made in the Commission’s report that “all federal funding in Idaho should be exhausted and then a reassessment of areas that still need broadband services could then be targeted.”<sup>8</sup> This would ensure that state’s scarce resources are efficiently administered to provide service to areas that are unserved, and reduces the contribution burden on all citizens of Idaho.

---

<sup>5</sup> See I.C. 62-610(2).

<sup>6</sup> *Id.*

<sup>7</sup> I.C. § 62-603(1).

<sup>8</sup> Idaho Public Utilities Commission, *The Future of Idaho’s Universal Service and its Relationship to Broadband Deployment*, at p. 4 <http://www.puc.idaho.gov/telecom/Broadband%20and%20USF%20Report.pdf> (last visited Jan. 26, 2018).

CenturyLink will receive \$6,279,869 in federal Connect America Fund (“CAF”) Phase II model support annually for a period of five years (2016 – 2020) to deploy broadband in the Idaho.<sup>9</sup> Frontier will receive \$5,223,121 in federal funds annually for the same period of time to deploy broadband in the state.<sup>10</sup> In addition, 13 Idaho rate-of-return carriers were offered A-CAM federal model based broadband support, totaling \$20,780,910 annually for a period of ten (10) years, but turned it down.<sup>11</sup> Those 13 Idaho rate-of-return carriers not accepting such support will continue to receive substantial legacy high cost federal and state universal service funding.

Additional federal broadband funding will become available as a result of the CAF Phase II reverse auction, which will provide support in eligible geographic areas in Idaho.<sup>12</sup> At the FCC’s January 30<sup>th</sup> open meeting, the FCC will vote on the process for the reverse auction. The draft proposal is for the auction to commence on July 24, 2018, and for a short-form application deadline to be held March 30, 2018.<sup>13</sup> Further, there will be additional support through the federal Mobility Fund and, approximately one year after the conclusion of the CAF Phase II reverse auction, a separate Remote Areas Fund funding process.

If the Idaho Legislature ultimately determines that state broadband subsidies are needed, any system of awarding grants should be based on a reverse auction approach that does not

---

<sup>9</sup> See CAFII - Price Cap Carriers - CAM 4.3, Accepted Price Cap CAF II Offers of Model Based Support, FCC (Aug. 28, 2015).

<sup>10</sup> *Id.*

<sup>11</sup> See CAF - A-CAM 2.3.1 - Report Version 8.0, FCC (Aug. 15, 2016) (The following RLECs were offered federal model based support: Albion Telephone Company; Blackfoot Telephone Cooperative; Cambridge Telephone Company; Farmers Mutual Telephone Company; Horizon Communications; Mud Lake Telephone Cooperative Association; Midvale Telephone Exchange, Martell Enterprises, Inc.; Martell Enterprises; May, Bott et al.; Project Mutual Telephone Cooperative Association; TDS; and Western Elite Incorporated Services.)

<sup>12</sup> See *Wireline Competition Bureau Releases List and Map of Eligible Census Blocks for the Connect America Fund Phase II Auction (Auction 93)*, AU Docket No. 17-82, WC Docket No. 10-90, DA 17-1219, FCC (rel. Dec. 19, 2017) (List of eligible census blocks available at: <https://www.fcc.gov/files/caf2auctionpublishblockcsv>)

<sup>13</sup> See Public Notice, Connect America Fund Phase II Auction Scheduled For July 24, 2018, Notice And Filing Requirements And Other Procedures For Auction 903, AU Docket No. 17-182 WC Docket No. 10-90. (On Agenda for Adoption January 30, 2018).

duplicate federal universal fund (CAF, A-CAM or legacy) subsidies and does not provide grants for areas served by unsubsidized competitors. It is important to appreciate that the FCC's traditional reliance on a cost-model approach was intended to only jump-start the broadband process, but that its long-term vision – finally being implemented now – has been to rely on market-auctions to fund the best broadband proposals. Those models are becoming obsolete with the FCC's auction system.

Thus, the FCC continues to support both voice and broadband in unserved high-cost areas. In light of the foregoing, Idaho should obtain information about the effectiveness of these existing federal programs to fund broadband deployment to underserved and unserved areas of the state before the Idaho Legislature acts to support broadband. Further, Idaho should be careful that it does not create the unintended consequence of inducing carriers to forego federal funding in hopes of receiving state support that may be offered on more favorable terms.