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IDAHO PUBLIC
UTILITIES COMMISSION

October 4, 2018

Via Hand Delivery

Ms. Diane Hanian, Commission Secretary
Idaho Public Utilities Commission
472 W. Washington Street
Boise, ID 83720-0074

RE: 2017 Review of the Idaho Universal Service Fund
Response to Staff's Second Summary and Report
IPUC File No: GNR-T-17-05

Dear Ms. Hanian:

Enclosed for filing are the original and seven copies of the Idaho Telecom Alliance's Response to Staff's Second Summary and Report in the above-referenced matter.

Thank you for your assistance in this matter. If you have any questions regarding this filing, please feel free to contact me.

Sincerely,



Cynthia A. Melillo

Enclosures

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UTILITIES COMMISSION

Attorneys for Idaho Telecom Alliance

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE 2017 REVIEW OF)
THE IDAHO UNIVERSAL SERVICE FUND)
CASE NO. GNR-T-17-05)
RESPONSE OF THE IDAHO TELECOM)
ALLIANCE TO STAFF'S SECOND)
SUMMARY AND REPORT)

The Idaho Telecom Alliance ("ITA"), by and through its attorney of record, Cynthia A. Melillo PLLC, hereby files this Response to Staff's Second Summary and Report in Case No. GNR-T-17-05, dated September 7, 2018 ("Staff's Second Report"). ITA is a state telephone association, and its members include both commercial companies and cooperatives. The thirteen (13) members of ITA provide advanced telecommunications and broadband services in rural Idaho. All the members (or affiliates of the members) are designated Eligible Telecommunications Carriers ("ETC") in Idaho. Eight of the members receive funding from the Idaho Universal Service Fund and claim a direct and substantial interest in this proceeding.

On January 17, 2018, the Idaho Public Utilities Commission (the "Commission") convened a workshop for interested parties and stakeholders in the Idaho Universal Service Fund ("IUSF") to discuss how the IUSF relates to the current legal and regulatory framework, the evolving telecommunications landscape, and universal telecommunications services in Idaho generally.

Following the workshop, interested parties submitted position papers. In lieu of holding a second workshop, Staff issued its Staff Summary and Report dated April 4, 2018 (“First Staff Report”). In the First Staff Report, Staff provided three potential outcomes based upon the position papers. Several stakeholder parties provided response comments to the First Staff Report, and Staff concluded that most responses were in line with Staff’s Option 2 as set forth in the First Staff Report:

Option 2: Seek statutory revisions. Specifically, approach the legislature about updating and revising the statute. These changes would most likely include adding assessments on, and expanding disbursements to include, all qualifying providers, so long as they are serving unserved and underserved areas according to the amended statute.

Staff, in Staff’s Second Report, has asked interested parties to provide proposed legislative changes for consideration at an informal settlement meeting to be held on October 17, 2018.

ITA’s Response

Although the ITA did not file response comments to Staff’s First Report, ITA is in agreement with the other stakeholders that Option 2, as set forth above, is the proper course of action, and ITA desires to be a part of and participate in any workshops or settlement meetings scheduled for the purpose of coming to consensus on proposed legislative changes. However, ITA does not believe that the stakeholders have enough information at this time to provide specific legislative changes. As Staff is aware, policy directives are dependent on costs of implementing such policy changes. For instance, the costs of legislative changes that would fund the Idaho Universal Service Fund (“IUSF”) through the State’s general fund, as in Washington, are vastly

different than the costs of legislative changes that expand the contribution base to the IUSF, as in Utah. Assuming the Idaho legislature would be more inclined to approve legislation that was more like Utah's legislation, there are still many questions and details regarding cost issues and financial analysis. Drafting legislative changes without all the information would not be productive. ITA respectfully requests staff assistance in providing input on estimated costs of implementing the various models used by Idaho's neighboring states.

Moreover, while there is consensus among the stakeholders that Staff's Option 2 is the best option, the stakeholders have had no opportunity to work together to come to consensus around any of the major issues or details of the proposed legislative changes. ITA believes that the next workshops/settlement meetings should be used as a means for the stakeholders to reach consensus around the principles for the proposed legislative changes, and then the stakeholders and Staff can work together on specific language around such principles.

ITA's Principle Positions

Even though ITA is not proposing specific legislative language at this time, ITA has a framework around which it would like to construct legislative change. In general, ITA believes that any device or service that connects to the Public Switched Telephone Network ("PSTN") should be assessed a charge, and any company with carrier of last resort obligations providing a device or service that connects to the PSTN in a high cost area should be supported, whether with recurring distributions from the fund or a one-time distribution for costs incurred to serve a high cost area. In addition, ITA believes that companies otherwise eligible to receive support should be supported for providing broadband internet service to high cost areas.

Increasing the Contribution Base:

The IUSF was established to maintain “the universal availability of local exchange service at reasonable rates and to promote the availability of message telecommunications service (MTS) at reasonably comparable prices throughout the state of Idaho.” Idaho Code § 62-610. The IUSF is funded by a statewide per line end user surcharge on local exchange service and a cents-per-minute surcharge on MTS and WATS type services. Idaho Code § 62-610. The concept behind the surcharge was to support high cost rural areas with low cost urban revenues by implementation of a uniform charge. Given the changing telecommunications landscape, a charge imposed solely on telephone lines is no longer uniform. There are now ways to connect to the PSTN other than by an “access line to residential and small business customers with the associated transmission of two-way interactive switched voice communication within a local exchange calling area.” In order for the surcharge, and thus the burden to support rural connectivity, to be uniform and competitively neutral, it must be applied to access line connectivity **and** the functional equivalent of two-way interactive switched voice communication from an end user to the PSTN. This would increase the contributors to the IUSF by including wireless and VoIP connections, and in turn should result in a decrease in the amount of the surcharge while still meeting the funding needs of the IUSF.

Distributions from the IUSF:

Eligible Recipients:

ITA continues to support the regular distribution of funds from the IUSF to eligible telecommunications carriers. In addition, ITA acknowledges that because of the changing landscape of telecommunications services, telecommunications carriers with carrier of last resort

obligations in rural high cost areas cannot always subsidize the costs of providing services in the rural areas from the profits made in providing services to urban areas. Therefore, ITA supports the one-time distribution of funds to telecommunications carriers with carriers of last resort obligations not currently receiving support for providing services in rural high cost areas within the areas in which they have carrier of last resort obligations. If such distributions are allowed in the new legislation, in order to be eligible to receive such support, the telecommunications carriers must meet criteria similar to that met by those telecommunications carriers currently eligible for support - namely, the Commission must evaluate the income/revenue requirement for such carrier against the cost of providing the high cost service.

Services Eligible for Support:

Currently funds are available to eligible telecommunications carriers providing Basic Local Exchange Service (access lines). ITA believes that funds should be available for eligible telecommunications carriers to deploy and manage networks capable of providing (i) access lines; (ii) the functional equivalent of access lines; and (iii) broadband internet access service.

Summary

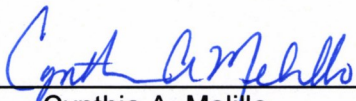
In summary, ITA will support legislative changes that will broaden the contribution base to the IUSF by imposing surcharges on access lines **and** the functional equivalent of access lines – including wireless and VoIP. ITA acknowledges that details will have to be worked out regarding how surcharges are to be assessed against certain such services (like prepaid wireless services). ITA also acknowledges that these details, while difficult, are capable of resolution and should not be an impediment to implementing these reforms.

ITA will further support legislative changes that allow for one-time distributions to telecommunications carriers not currently receiving support if such telecommunications carriers meet the eligibility requirements and can demonstrate the financial need for such support.

Finally, ITA will support legislative changes allowing for funds to be available for eligible telecommunications carriers to deploy and manage networks capable of providing (i) access lines; (ii) the functional equivalent of access lines; and (iii) broadband internet access service.

ITA is prepared to participate in workshops/settlement meetings to work through the details of such legislative changes.

ITA respectfully submits this Response on this 4th day of October 2018.

By: 
Cynthia A. Melillo
CYNTHIA A. MELILLO PLLC

Attorney for Idaho Telecom Alliance

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 4th DAY OF OCTOBER, 2018, SERVED THE FOREGOING RESPONSE OF THE IDAHO TELECOM ALLIANCE TO CALL FOR LEGISLATIVE CHANGES, IN CASE NO. GNR-T-17-05, BY EMAILING A COPY THEREOF TO THE FOLLOWING:

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