

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE 2025 ANNUAL) **CASE NO. GNR-T-25-07**
IDAHO UNIVERSAL SERVICE FUND)
REPORT)
_____) **ORDER NO. 36747**

On July 15, 2025, the Administrator of the Idaho Universal Service Fund (“IUSF”) submitted the Annual Report of the IUSF for the fiscal year July 1, 2024, through June 30, 2025 (“Report”), directly to Commission Staff (“Staff”) via email. The entire Report was marked “Confidential.”

On August 15, 2025, the Idaho Public Utilities Commission (“Commission”) issued Order No. 36719, directing the Administrator to file a non-confidential Report directly to the Commission Secretary in accordance with IDAPA 31.46.01.303 and Order No. 35375. On August 18, 2025, the Administrator submitted a redacted, but non-confidential, version of the Report to the Commission Secretary.

The Commission now issues this Final Order maintaining the monthly IUSF surcharge rates at \$0.24 per residential line, \$0.41 per business line, and \$0.005 per Message Telecommunications Service (“MTS”) / Wide Area Telephone Service (“WATS”) minute, effective for 12 months beginning October 1, 2025.

BACKGROUND

The IUSF rules were adopted under the general legal authority of the Telecommunications Act of 1988, Chapter 6, Title 62, *Idaho Code*, and the specific authority of *Idaho Code* §§ 62-610 *et seq.* The Commission established a universal service fund to maintain the universal availability of local exchange service at reasonable rates and to promote the availability of MTS at reasonably comparable rates throughout the state of Idaho. *Idaho Code* § 62-610(1). The Commission annually distributes IUSF funds to qualifying high-cost local exchange telephone companies to supplement their annual revenue requirements.

The IUSF is funded through a statewide end-user surcharge on local exchange services and intrastate MTS and WATS type services. The Administrator submits an Annual Report to the Commission, on or before July 15 of each year, detailing the program activities of the previous year and recommending surcharge rates to meet the next year’s funding requirements. *Idaho Code*

§ 62-610 and IDAPA 31.46.01.303. Staff then analyzes the Report and, submits recommendations to the Commission, and the Commission issues an Order establishing statewide end-user surcharges to be in effect for the next twelve months beginning October 1. IDAPA 31.46.01.104.01.

THE 2025 REPORT

A. The 2025 Data and 2025-2026 Proposed Budget

On August 18, 2025, in compliance with Order No. 36719, the Administrator filed the Report for the fiscal year July 1, 2024, through June 30, 2025. Included in the Report was the Administrator’s proposed budget for the next fiscal year—July 1, 2025, through June 30, 2026. *Id.* at 37-39. Surcharge revenues collected for the 2024-2025 fiscal year totaled \$1,106,689. Report at 1. Local exchange services contributed \$544,703, or 49%, and \$561,703, or 51%, was contributed by MTS/WATS services. *Id.* The administrative expenses for the year were \$18,697. *Id.* at 2. Total annual disbursements to qualifying telephone companies totaled \$904,977. *Id.* at 1. The IUSF’s annual year-end cash balance, after applying bank charges and administrative expenses, was \$264,435. *Id.* at 2. The Administrator proposed an annual administrative budget of \$28,900 for fiscal year 2025-2026 (which includes \$10,000 for an audit and legal fees). *Id.* at 37-39.

According to the Administrator, as of May 1, 2025, companies reported an average monthly inventory of 47,750 residential lines and 52,752 business lines, representing a decrease of 17% in residential lines and an increase of 11% in business lines from the prior year. *Id.* at 2. Long distance service providers reported intrastate MTS/WATS billed minutes of 100,711,564, which was an increase of 15% from the prior year. *Id.* The statewide average switched access rate was \$0.055 per minute, a change from last year’s rate of \$0.064. *Id.* at 3. Based on data from wire-line telephone companies and long-distance companies, the Administrator calculated the 2025 statewide weighted average rates for one-party single line residential service and business service, and the corresponding 125% of the statewide weighted average rates. *Id.*

| | STATEWIDE WEIGHTED AVERAGE RATE | IUSF THRESHOLD 125% STATEWIDE WEIGHTED AVERAGE RATE |
|---------------------|---------------------------------|---|
| RESIDENTIAL SERVICE | \$33.37 | \$41.72 |
| BUSINESS SERVICE | \$62.94 | \$78.68 |

B. The Five Surcharge Options

The Administrator proposed five surcharge options for the Commission to review:

Option 1 – Status Quo: The Administrator calculated that the IUSF would decrease by approximately \$33,260 if current surcharge levels were maintained and no additional IUSF funding was authorized. *Id.* at 3. Assuming the same disbursement as fiscal year 2024-2025 (\$904,977), the year-end ISUF balance on June 30, 2026, would be approximately \$231,176. *Id.* MTS/WATS services would contribute approximately 56% of the surcharge revenue and local exchange services would contribute approximately 44% of the surcharge revenue. *Id.*

Option 2—Adjust Surcharge Rates & Maintain Funding: If IUSF surcharges were increased to \$0.25 per residential line, \$0.48 per business line, and the intrastate MTS/WATS billed minute surcharge and current funding levels were maintained, the IUSF balance would decrease by about \$33,574. *Id.* at 3-4. MTS/WATS services would contribute about 50% of the surcharge revenue, and local exchange services would contribute the other 50%. *Id.* at 4. The Administrator projected that the year-end fund balance on June 30, 2026, would be approximately \$230,862¹. *Id.*

Option 3—Adjust Surcharge Rates & Adjust Funding to Meet Statewide Averages: IDAPA 31.46.01.106.02 (“IUSF Rule 106.02”), provides that a qualifying telephone company may need to revise rates to meet or exceed the statewide threshold rates to continue receiving IUSF funding after the first year of eligibility. If the company’s rate is 3% or less than the statewide threshold rate and the annual revenue associated with the company’s current rate is \$6,000 or less than the revenue associated with the statewide average threshold rate, the company must revise its rates to equal or exceed the statewide threshold rate for MTS/WATS access service, and 125% of the statewide average for local exchange service. IUSF Rule 106.02. The Report suggested which actions each IUSF recipient would need to take to meet the statewide threshold rates.

If surcharge rates are decreased to \$0.03 per residential line, \$0.06 per business line, and \$0.001 per intrastate MTS/WATS billed minute, the IUSF would decrease by approximately \$192,146 and the balance would be approximately \$72,289 on June 30, 2026. *Id.* at 4.

Option 4—Adjust Inventories, Adjust Surcharge Rates & Maintain Funding Levels: To calculate future fund balances more accurately, the line inventories were adjusted to reflect the

¹ It appears that there may be an error in the calculation of the projected year-end fund balance on June 30, 2026. Per the Commission’s calculations, the projected year-end balance should be approximately \$280,000 on June 30, 2026.

most recent five-year trend, resulting in residential lines being reduced by 12%, business lines being reduced 8%, and the MTS/WATS billed minutes increased 8%. *Id.* at 5. If the surcharge rates were increased to \$0.28 per residential line, \$0.53 per business line, and the per intrastate MTS/WATS billed minute decreased to \$0.004—and if IUSF disbursements were maintained at current levels—the IUSF would decrease by approximately \$48,953. *Id.* MTS/WATS services would contribute about 49% of the surcharge revenue, and local exchange services would contribute the other 51%. *Id.* The IUSF would have a balance of about \$215,483 on June 30, 2026. *Id.*

Option 5—Adjust Inventories, Adjust Surcharge Rates & Adjust Funding to Meet Statewide Averages: After adjusting the inventories to the most recent five-year trend, if the surcharge rates are decreased to \$0.01 per residential line, \$0.02 per business line, and decreased to \$0.0001 per intrastate MTS/WATS billed minute—and IUSF disbursements are adjusted to meet statewide averages per rule 106—the IUSF will decrease by approximately \$271,518. *Id.* MTS/WATS services would contribute approximately 50% of the surcharge revenue and local exchange services would contribute 50% of the surcharge revenue, however, the fund would be insolvent by June 30, 2026. *Id.*

The Administrator recommended the Commission adopt Option 3, adjusting the surcharge rates and adjusting funding to the eligible companies based on Rule 106.02. *Id.* at 6. The Administrator recommended Option 3 because it would provide an approximate three-month reserve balance. *Id.* If the Commission wished to keep current funding levels, then the Administrator recommended that the Commission adopt Option 1, which maintained the surcharge rates and would be adequate to meet the IUSF’s obligations for 2025-2026. *Id.*

STAFF RECOMMENDATIONS

Staff analyzed the Report and supporting documentation. Staff Memo at 1. Based on its analysis, Staff disagreed with the Administrator’s recommendation that the Commission adopt Option 3 (adjust surcharge rates and adjust funding to meet statewide averages), and instead, Staff recommended the Commission adopt Option 1 (status quo). *Id.*

Staff believed that Option 3 could reduce the IUSF balance too much for the 2025-2026 fiscal year. *Id.* at 9. Staff also noted that Option 3 could result in the need to raise surcharge rates within a year or two as line counts continue to decline. *Id.* Staff agreed with the Administrator’s continued concern with trying to fund the IUSF in a declining industry where landlines are being

replaced with new technology. *Id.* at 10. Staff believed that an exploration of additional funding sources is needed for the survival of the IUSF. *Id.*

FINDINGS AND DISCUSSION

The Commission has jurisdiction over the implementation and administration of the IUSF under of the Telecommunications Act of 1988, Chapter 6, Title 62, *Idaho Code*, and the specific authority of *Idaho Code* §§ 62-610 *et seq.* The Commission is empowered to issue an order in response to the Administrator’s Report, which establishes statewide end-user surcharges to be in effect for 12 months beginning on October 1. IDAPA 31.46.01.104.

Considering the Report and Staff’s recommendations, the Commission finds it fair, just, and reasonable that the statewide end-user surcharges for the 12 months beginning on October 1, 2025 shall maintain the IUSF local exchange surcharge rate of \$0.24 per residential line and \$0.41 per business line. The surcharge rate for intrastate MTS/WTS billed minutes shall be maintained at \$0.005, and IUSF disbursements shall be maintained at current levels.

The Commission appreciates the Administrator’s advocacy of Option 3, but the Commission believes that Option 3 risks being too aggressive by reducing the IUSF balance for the 2025-2026 fiscal year, potentially necessitating the need for an increase in surcharge rates in the coming years. The Commission finds that Option 1 represents a reasonable surcharge that will fulfill the purposes of Idaho’s Telecommunications Act of 1988.

Additionally, the Commission accepts the Administrator’s proposed budget for fiscal year 2025-2026. We further note it is important for the Commission to strictly monitor the IUSF balance to avoid unforeseen cash flow impacts due to diminishing line counts and minutes. The Administrator shall continue to provide Staff with quarterly cash flow analysis to assist the Commission in monitoring IUSF balances. *See* Order No. 33851 at 7.

Finally, we direct the Administrator to work with Staff prior to submitting the 2026 IUSF Report to ensure the non-confidential filing is properly submitted directly to the Commission Secretary in accordance with IDAPA 31.46.01.303 and Order No. 36719.

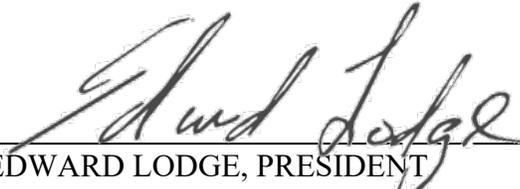
ORDER

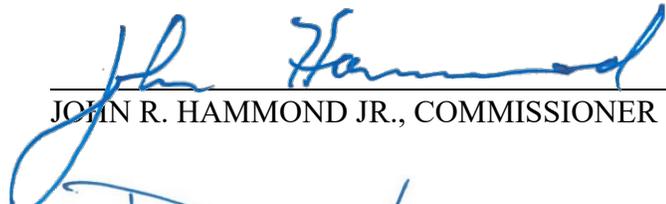
IT IS HEREBY ORDERED that the monthly IUSF surcharge rates shall remain \$0.24 per residential line, \$0.41 per business line, and \$0.005 per MTS/WATS minute, effective for 12 months beginning October 1, 2025. The Administrator’s proposed fiscal year 2025-2026 budget is approved.

IT IS FURTHER ORDERED that the Administrator shall provide Staff quarterly cash flow reports, as outlined above and in Order No. 33851.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order regarding any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code §§ 61-626 and 62-619.*

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 3rd day of September 2025.


EDWARD LODGE, PRESIDENT


JOHN R. HAMMOND JR., COMMISSIONER


DAYN HARDIE, COMMISSIONER

ATTEST:


Monica Barrios-Sanchez
Commission Secretary

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