BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE 2026 ANNUAL IDAHO UNIVERSAL SERVICE FUND REPORT	**CASE NO. GNR-T-26-05** **ORDER NO. 37152**

On July 15, 2026, the Annual Idaho Universal Service Fund Report ("Initial Report") was submitted to the Idaho Public Utilities Commission ("Commission") by Alyson Anderson ("Administrator"), the Administrator of the Idaho Universal Service Fund ("IUSF"). The Report covered the fiscal year of July 1, 2025, through June 30, 2026.

The Initial Report did not meet the requirements of IDAPA 31.46.01.303.05, which states that the report is part of the public record and should not include information that identifies any telephone corporation, customer, or trade secrets. Workpapers that include identifiable information and protected data must be filed and labeled as confidential. As a result, Commission Staff ("Staff") instructed the Administrator to update the Initial Report and workpapers. On August 14, 2026, The Administrator resubmitted the Report and workpapers to the Commission Secretary in accordance with IDAPA 31.46.01.303.05 ("Report").

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, 2026.

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 services 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 12 months beginning October 1. IDAPA 31.46.01.104.01.

THE 2026 REPORT

A. <u>The 2026 Data and 2026-2027 Proposed Budget</u>

The Report provided an overview of IUSF's fiscal year from July 1, 2025, through June 30, 2026. During this period, the monthly surcharge rates were $0.24 per residential line, $0.41 per business line, and $0.005 per MTS/WATS billed minute. Report at 1. Total revenue collected during the fiscal year ending June 30, 2026, was $1,076,888, of which $549,674 (51%) was attributable to local exchange services and $527,214 (49%) was attributable to MTS/WATS billed minutes. *Id.* During the fiscal year, IUSF disbursed a total of $904,977 to local exchange companies. *Id.* The Report also identified $18,697 in administrative fees and $1,553 in expenses for the fiscal year. *Id.* The IUSF began the fiscal year with a $264,435 balance and ended with a $417,551 balance. *Id.* at 2. IUSF does not earn interest on funds held in its bank account and does not maintain any investments. *Id.*

As of May 1, 2026, the Administrator reported that there were 45,028 residential lines and 58,375 business lines in use. *Id.* This represented a 6% decrease in residential lines and an 11% increase in business lines compared to the previous year. *Id.* The Administrator also reported that, during 2025, a total of 101,873,122 MTS/WATS minutes were billed, representing a 1% increase from the previous year. *Id.*

The Report indicated adjustments to the statewide weighted average rates for residential and business services. *Id.* at 3. The statewide weighted average rate for residential services was $35.36, with an IUSF threshold rate of 125% of the statewide average, or $57.88. *Id.* For business services, the statewide weighted average rate was $44.20, with an IUSF threshold rate of 125% of the statewide average, or $72.35. *Id.* The Report also indicated a decrease in the statewide average toll switch access (long-distance) rate, from $0.055 per minute in the previous year to $0.054 per minute in the current year. *Id.*

B. Surcharge Options

The Administrator proposed surcharge options for Commission review:

Option 1 – Status Quo: The Administrator calculated that the IUSF balance would decrease by approximately $9,025 if the current surcharge levels were maintained and no additional IUSF funding were authorized. *Id.* at 3. Assuming disbursements remain at the fiscal year 2025–2026 level of $904,977, the IUSF balance as of June 30, 2027, would be approximately $409,425. *Id.* The Administrator further projected that MTS/WATS services would account for approximately 55% of surcharge revenue, while local exchange services would account for approximately 45%. *Id.*

Option 2—Maintain Surcharge Rates & Adjust Funding: IDAPA 31.46.01.106.02 may require IUSF recipients to increase their rates to specified statewide threshold levels after their first year of eligibility. *Id.* at 4. Applying the rule to current IUSF recipients would effectively eliminate annual IUSF disbursements. *Id.* If current surcharge rates remain unchanged, the fund was projected to increase by approximately $895,952, resulting in an estimated balance of $1,314,403 by June 30, 2027. *Id.* MTS/WATS services would generate approximately 55% of surcharge revenue, with local exchange services generating the remaining 45%. *Id.*

Option 3—Adjust Inventories, Maintain Surcharge Rates & Maintain Funding Levels: Using the most recent five-year trends, the Administrator projected declines in residential and business lines and an increase in MTS/WATS billed minutes. *Id.* If current surcharge rates and authorized IUSF disbursements remain unchanged, the fund would be expected to increase by approximately $3,900, resulting in a projected balance of approximately $421,452 as of June 30, 2027. *Id.* MTS/WATS services would generate approximately 60% of surcharge revenue, with local exchange services contributing the remaining 40%. *Id.*

Option 4—Adjust Inventories, Suspend Surcharge Rates & Adjust Funding to Meet Statewide Averages: Using the most recent five-year trends to project future fund balances, the Administrator believed that suspending the surcharge rates and adjusting IUSF disbursements to the statewide averages pursuant to IDAPA 31.46.01.106.02 would result in a decrease in the fund balance. *Id.* at 5. After accounting for ongoing administrative expenses of approximately $29,400, the IUSF balance was projected to be approximately $388,151 as of June 30, 2027. *Id.*

C. <u>Administrator Recommendation</u>

The Administrator noted continued shifts in telecommunications usage, including declining residential lines and increasing business lines and MTS/WATS minutes, which make future IUSF funding and fund-balance projections more difficult. *Id.* Because application of IDAPA 31.46.01.106.02 would effectively eliminate IUSF funding for 2026–2027, the Administrator recommended Option 4, which would suspend the surcharge rates and result in an estimated fund balance of $388,151 as of June 30, 2027. *Id.* Alternatively, the Administrator recommended Option 1, which would maintain current surcharge rates and funding levels, resulting in an estimated balance of $409,425. *Id.* at 6.

STAFF RECOMMENDATIONS

Staff reviewed the Administrator's Report and workpapers and identified several errors in the reported data and calculations. Staff Decision Memorandum at 2. After requesting corrections, Staff reviewed the revised materials but continued to find discrepancies and therefore performed its own calculations. *Id.* Staff presented four funding options, each incorporating estimated administrative expenses of $29,400 for fiscal year 2026–2027. *Id.* at 3. Option 1 would maintain the current surcharge rates and authorized IUSF disbursements, resulting in a projected fund balance of approximately $409,425 as of June 30, 2027. *Id.* Option 2 would maintain the surcharge rates while applying IDAPA 31.46.01.106.02 to adjust funding to statewide averages, effectively eliminating IUSF disbursements and producing a projected balance of approximately $1,314,402. *Id.* at 4. Option 3 would adjust service inventories based on five-year trends while maintaining current surcharge rates and funding levels, resulting in a projected balance of approximately $421,952. *Id.* Option 4 would adjust inventories, suspend surcharge rates, and apply IDAPA 31.46.01.106.02, resulting in a projected balance of approximately $388,151. *Id.* at 4–5.

Staff recommended that the Commission adopt Option 1 and maintain current funding levels. *Id.* at 5–6. Staff explained that this approach would provide stability for funded companies while allowing additional time to monitor changes in local access lines and MTS/WATS usage, assess the effects of the Federal Communications Commission's ("FCC") transition away from legacy copper networks, and work with the Administrator to improve the accuracy of future reports and funding projections. *Id.* at 6. Staff also recommended adopting the Administrator's proposed budget for the 2026–2027 fiscal year. *Id.*

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over the implementation and administration of the IUSF under 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 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, 2026, 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 4 but finds that Option 1 provides a more prudent approach at this time. Maintaining the current surcharge rates and funding levels will provide greater stability while allowing the Commission to monitor the continued decline in local exchange services and assess the impact of the FCC's nationwide transition from legacy copper networks to an all-internet protocol infrastructure. Given the uncertainty surrounding the extent and timing of these industry changes, the Commission finds that maintaining the current funding levels will provide an opportunity to evaluate their effects on the IUSF before making further adjustments. Accordingly, the Commission finds that Option 1 represents a reasonable approach that will continue to fulfill the purposes of Idaho's Telecommunications Act of 1988 while allowing for future consideration of changes to the IUSF as circumstances develop. The Commission further directs the Administrator, in next year's report, to include funding options that evaluate potential updates to the current surcharge rates and consider various levels of IUSF funding.

Additionally, the Commission accepts the Administrator's proposed budget for fiscal year 2026-2027. 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 2027 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, 2026. The Administrator's proposed fiscal year 2026-2027 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 21 days of the service date of this Order regarding any matter decided in this Order. Within 7 days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 1st day of September 2026.

EDWARD LODGE, PRESIDENT

JOHN R. HAMMOND JR., COMMISSIONER

DAYN HARDIE, COMMISSIONER

ATTEST:

Monica Barrios-Sanchez
Commission Secretary

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