

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**2023-2024 IDAHO UNIVERSAL SERVICE ) CASE NO. GNR-T-24-05**  
**FUND ANNUAL REPORT AND )**  
**RECOMMENDATIONS ) ORDER NO. 36341**  
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The Idaho Universal Service Fund (“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 Idaho Public Utilities Commission (“Commission”) established a universal service fund 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 rates throughout the state of Idaho. *Idaho Code* § 62-610(1). The IUSF is funded through a statewide end-user surcharge on local exchange services and intrastate MTS and Wide Area Telephone Service (“WATS”) type services. The IUSF administrator (“Administrator”) submits an Annual Report to the Commission 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. The Commission issues an Order in response to the Administrator’s report establishing statewide end-user surcharges to be in effect for the next twelve months beginning October 1. IDAPA 31.46.01.104.01.

As explained below, the Commission sets that the monthly IUSF surcharge rates shall decrease to \$0.24 per residential line, \$0.41 per business line, and \$0.005 per MTS/WATS minute, effective for 12 months beginning October 1, 2024.

**BACKGROUND**

The Commission annually distributes IUSF funds to qualifying high-cost local exchange telephone companies to supplement their annual revenue requirements. The IUSF Administrator submits an annual report to the Commission. *Idaho Code* § 62-610 and IDAPA 31.46.01.303.02. In the report, the Administrator reviews the fund ending balance and recommends several optional changes to the surcharge rates to maintain adequate funding levels. Commission Staff (“Staff”) then analyzes the Administrator’s report and submits its recommendations to the Commission. After reviewing the report and Staff’s recommendations, the Commission issues an order prescribing IUSF surcharge rates for the next 12 months. IDAPA 31.46.01.104-106. As set forth in the Commission’s most recent order setting IUSF surcharge rates, current monthly IUSF rates

are \$0.25 per residential line, \$0.44 per business line, and \$0.007 per intrastate long-distance billed minute. Order No. 33851.

### **POSITIONS OF THE PARTIES**

On July 15, 2024, the Administrator filed their initial report raising concerns that the fund would go insolvent before June 30, 2025, unless adjustments were made. The Administrator's report also outlined several options to fund the IUSF going forward.<sup>1</sup>

In its September 3, 2024, Decision Memorandum, Staff reiterated the Administrator's concern that the IUSF fund would become insolvent by June 30, 2025, if no action was taken. To avoid insolvency, Staff recommended that the Commission adopt Option 3 as initially proposed by the Administrator ("Original Option 3") Staff included several tables demonstrating various historical variations in the IUSF over time. Three of these tables are described herein and included as attachments to this Order:

1. Exhibit B: This table shows that the disbursement to the qualifying companies has remained unchanged since 2016.
2. Exhibit C: This table shows that the total number of reported lines contributing to the IUSF has fallen from 548,344 in 2010 to 104,914 in 2024; relatedly, notable decreases in the MTS/WATS minutes billed also occurred during this period.
3. Exhibit D: This table showed that the charges for residential lines, business lines, and MTS/WATS per minute have respectively gone from \$0.10, \$0.17, and \$0.003 in 2010 to \$0.25, \$0.44, and \$0.007 in 2024.

Original Option 3 would have lowered the disbursement while also lowering the rate per business line and the rate charged for intrastate MTS/WTS billed minutes. This option was one of the Administrator's two originally preferred options.<sup>2</sup> Amended Annual Report at 6. Original Option 3 was also the option recommended by Staff.

The Idaho Telecom Alliance ("ITA") submitted comments on August 30, 2024. Original Option 3 was not recommended by ITA who instead suggested that the Commission increase the rates charged to customers—which ITA noted had not been done since 2017. In justifying its

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<sup>1</sup> All options discussed herein are found in Exhibit A below. In coordination with Staff, the Administrator's initial report was amended on August 20, 2024.

<sup>2</sup> Under the Original Option 3 the rate charged per business line and rate charged per MTS/WATS would have slightly decreased. The rate charged per residential line would have slightly increased. *See* Exhibit A.

recommendation, ITA noted that other states have changed the funding mechanism for their analogous programs which has led to more stable funding. ITA stated that it supported legislative changes in this regard but had not been able to independently motivate legislative action. ITA also noted that the companies that receive the IUSF disbursement also provide broadband and wireless services—not simply traditional landlines—and serve some of the most rural regions of the State. ITA initially recommended “that the Commission adopt rate increases to the statewide average of \$29.17 per residential line and \$46.90 per business line.” ITA Comments at 5. ITA also recommended that the Commission raise the surcharge rate in coordination with the Administrator and requested the Commission’s assistance in promoting changes to the IUSF’s underlying statutes to ensure that the fund remains viable.

### **SEPTEMBER 3, 2024, DECISION MEETING**

At the Commission’s September 3, 2024, Decision Meeting, Staff presented a Decision Memorandum recommending that the Commission adopt the Administrator’s Option 3.

At the same meeting the ITA, represented by Kenneth McClure and Cynthia Mellillo, presented the ITA’s position on the IUSF funding. The ITA countered Staff’s recommendation and requested “that the Commission adopt rate increases to the statewide weighted average of \$29.17 per residential line and \$46.90 per business line” and increase the surcharge rates in an amount that would be acceptable to both the Commission and the Administrator. ITA’s August 30, 2024, Comments at 5. The ITA also requested that the Commission bring stakeholders together to promote a change to the IUSF’s funding mechanism.

A motion was made for Staff and the ITA to supplement the record and bring the matter before the Commission again before the October 1, 2024, effective date. The motion was passed unanimously.

### **SEPTEMBER 17, 2024, DECISION MEETING**

Prior to the September 17, 2024, Decision Meeting, Staff, the ITA, and Administrator discussed alternative options. As a result of these discussions, the Administrator amended certain aspects of her report and submitted an Addendum on September 4, 2024. The Addendum adjusted, Option 3 (“Adjusted Option 3”) and Option 5 (“Adjusted Option 5”) of the options originally proposed by the Administrator. ITA submitted additional comments on September 9, 2024, noting that it had discussed the matter with Staff and recommended that the Commission adopt the Adjusted Option 5. ITA also reiterated its request for Commission assistance in promoting changes

to the IUSF statutes to ensure the fund's viability. After reviewing the additional comments from ITA, Staff also recommended the Adjusted Option 5 in its September 17, 2024, Decision Memorandum.

## FINDINGS AND DISCUSSION

As we have noted before, local access lines and intrastate long-distance billed minutes continue to decline. This complicates the task of predicting the necessary IUSF fund balance for the next fiscal year and determining appropriate rates so qualifying telephone companies can maintain IUSF eligibility. To receive IUSF funding, a telephone company providing local exchange and access services to long-distance providers must qualify to receive a distribution. *See Idaho Code* §§ 62-605, -610, and IDAPA 31.46.01.106. To qualify for IUSF distribution, a telephone company's average rates for one-party, residential and business services, and per minute for long-distance access services must meet or exceed the weighted statewide averages—or threshold rate—as calculated by the IUSF Administrator. *See* IDAPA 31.46.01.106.01 and 31.46.01.302. The Commission may revise a qualifying telephone company's rates so the company can maintain IUSF eligibility, based on the company's average rate or annual revenue as compared to the threshold rate or rates associated annual revenue. *See* IDAPA 31.46.01.106.02.

The actual statewide average rate is obscured by large, deregulated telephone companies—those with the greatest market share and therefore the greatest impact on the threshold rate—that have increased their stand-alone residential rates to encourage purchases of bundled services that include local residential service. *See* Order Nos. 32883 at 3, and 32637 at 3. The IUSF Annual Report and the threshold rate calculations do not reflect this shift to bundled services because companies are only required to report stand-alone residential rates. Also, in 2011 and 2014, the Federal Communications Commission capped inter-carrier compensation rates and caused statewide average switched access rates to decrease, further affecting IUSF eligibility. *See In the Matter of Connect America Fund*, 26 F.C.C.R. 17663 (2011); *In the Matter of Connect America Fund, etc.*, 29 F.C.C.R. 8769 (2014); *and see* Order Nos. 32637 at 4; and 32883 at 3-4.

The reality is that the total number of lines funding the IUSF has drastically decreased in recent years—as illustrated in Exhibit C. The Commission cannot continue to maintain the same disbursement provided in 2016 with less than a third of the total number of customer lines contributing to the fund. After carefully considering the Administrator's 2024 Annual Report and subsequent filings, Staff's recommendations, and ITA's filings, we find the IUSF rates per line

should be decreased to \$0.24 per residential line and \$0.41 per business line. The charge for intrastate MTS/WTS billed minutes should also be reduced to \$0.005. Available IUSF disbursements should be decreased from \$1,698,610 to \$904,977 based on the underlying metrics of the Original Option 3. The option ordered by the Commission is similar to the Original Option 3 recommended by Staff and initially preferred by the Administrator. Staff's September 3, 2024, Decision Memorandum at 16; Administrator's Amended Annual Report at 6. However, after carefully reviewing the rates charged to Idaho customers over time as found in Exhibit D, the Commission finds that the Residential Rate Per Line should also be decreased (from the \$0.26 as proposed in the Original Option 3) to \$0.24. Exhibit C shows that the \$0.24 per residential line charge is still double what residential customers were paying as recently as 2017.

Based on the year after year decrease in number of lines contributing to IUSF and the increasing rates over the recent past the Commission cannot ignore its statutory responsibility to ensure rates (including charges that fund the IUSF) are fair, just, and reasonable. The Commission has carefully considered ITA's and Staff's recent recommendation to accept Adjusted Option 5. We appreciate the parties' willingness to work together to find solutions, but this recommendation does not address the root cause of the issue—fewer lines contributing and ever-increasing customer rates. This is not sustainable. The Commission does not believe the best path forward includes forcing a smaller customer population to shoulder an even larger financial burden, something the parties also recognize; taking residential and business rates per line (that were \$0.12 and \$0.20 respectively in 2017) to \$0.51 and \$0.82 is not fair, just and reasonable. When compared to the IUSF's rates and disbursement in 2017, Adjusted Option 5's less than 20% decrease to the disbursement does not justify more than quadrupling the rates per line charged to fewer Idaho customers over the same period (the substantial increases to the MTS/WATS billed minute contribution should also be noted). *See* Exhibits B and D. Considering the record in this case the Commission finds that the funding option discussed above represents a reasonable and necessary change that will fulfill the purposes of Idaho's Telecommunications Act of 1988 and *Idaho Code* § 62-610 while also encouraging the parties to seek changes in how IUSF is funded to make it more sustainable. The Commission encourages ITA to continue to work with Staff to find solutions in this regard.

Finally, the Commission accepts the Administrator's proposed budget for fiscal year 2024-2025. 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 should continue to provide Staff with quarterly cash flow analysis to assist us in monitoring IUSF balances. *See* Order No. 33851 at 7.

**ORDER**

IT IS HEREBY ORDERED that the monthly IUSF surcharge rates shall be \$0.24 per residential line, \$0.41 per business line, and \$0.005 per MTS/WATS minute, effective for 12 months beginning October 1, 2024. The IUSF disbursement shall also be reduced to approximately \$904,977.

IT IS FURTHER ORDERED that the Administrator’s proposed fiscal year 2023-2024 budget is accepted.

IT IS FURTHER ORDERED that the Administrator shall continue to 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.

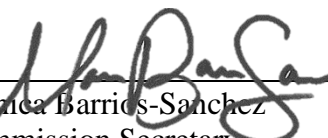
DONE by order of the Idaho Public Utilities Commission at Boise, Idaho this 1<sup>st</sup> day of October 2024.

  
ERIC ANDERSON, PRESIDENT

  
JOHN R. HAMMOND JR., COMMISSIONER

  
EDWARD LODGE, COMMISSIONER

ATTEST:

  
Monica Barrios-Sanchez  
Commission Secretary  
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**EXHIBIT A: Options Discussed Above**

<u>*All Estimates Found in this Table are Approximate</u>	<u>Option 1:</u> Status Quo	<u>Option 2:</u> Adjust Surcharge Rates and Maintain Funding	<u>Original Option 3:</u> Adjust Surcharge Rates and Adjust Funding to Meet Statewide Averages	<u>Administrator Adjusted Option 3:</u> Adjust Surcharge Rates and Funding to Meet 100% of Statewide Averages	<u>Modified Original Option 3:</u> <b>Original Option 3 with Modest Reduction in Residential Rate (Commission Decision)</b>	<u>Option 4:</u> Adjust Inventories and Surcharge Rates, Maintain Funding Levels	<u>Original Option 5:</u> Adjust Inventories, Surcharge Rates, and Funding to Meet Statewide Averages	<u>Administrator Adjusted Option 5:</u> Adjust Inventories, Surcharge Rates, and Funding to Meet 100% of Statewide Averages	<u>Option 6:</u> Adjust Inventories and Surcharge Rates and Maintain Funding Levels
Rate Per Line	Residential Line: \$0.25  Business Line: \$0.44	Residential Line: \$0.57  Business Line: \$0.91	Residential Line: \$0.26  Business Line: \$0.41	Residential Line: \$0.44  Business Line: \$0.71	<b>Residential Line: \$0.24</b>  <b>Business Line: \$0.41</b>	Residential Line: \$0.65  Business Line: \$1.05	Residential Line: \$0.30  Business Line: \$0.47	Residential Line: \$0.51  Business Line: \$0.82	Residential Line: \$0.57  Business Line: \$0.91
MTS/WATS billed minute Contribution	\$0.007	\$0.01	\$0.005	\$0.008	<b>\$0.005</b>	\$0.01	\$0.005	\$0.008	\$0.01
Total Company Disbursement	\$1,698,610	\$1,698,610	\$904,977	\$1,384,680	<b>\$904,977</b>	\$1,698,610	904,977	\$1,384,680	\$1,698,610
Fund as of June 30, 2025	Insolvent	\$408,819	\$264,201	\$343,313	<b>\$250,417</b>	\$435,305	\$278,277	\$369,943	\$318,291

**EXHIBIT B: Table 3 in Staff’s September 3, 2024, Decision Memorandum**

<b>Year</b>	<b>Surcharge Revenue</b>	<b>Disbursement</b>	<b>Fiscal Year-End Cash Balance</b>	<b>Projected Year- End Cash Balance</b>
(a)	(b)	(c)	(d)	(e)
2016	\$ 1,644,938	\$ 1,698,610	\$ 500,768	\$ 479,993
2017	\$ 1,291,532	\$ 1,698,610	\$ 80,784	\$ (504,036)
2018	\$ 1,889,493	\$ 1,698,610	\$ 249,758	\$ 502,320
2019	\$ 2,227,054	\$ 1,698,610	\$ 767,449	\$ 1,038,211
2020	\$ 1,917,737	\$ 1,698,610	\$ 972,125	\$ 744,509
2021	\$ 2,000,824	\$ 1,698,610	\$ 1,254,623	\$ 994,058
2022	\$ 1,650,870	\$ 1,698,610	\$ 1,187,050	\$ 719,490
2023	\$ 1,420,072	\$ 1,698,610	\$ 889,068	\$ 40,000
2024	\$ 1,174,946	\$ 1,698,610	\$ 345,966	\$ (343,344)



**EXHIBIT C: Table 4 in Staff's September 3, 2024, Decision Memorandum**

<b>Years</b>	<b>Reported average monthly inventory: Residential Lines</b>	<b>Reported average monthly inventory: Business Lines</b>	<b>Reported Total Lines</b>	<b>MTS/WATS Total Billed minutes</b>
(a)	(b)	(c)	(d)	(e)
2010	328,592	219,752	548,344	284,863,207
2011	292,282	221,764	514,046	253,602,445
2012	253,461	219,108	472,569	257,750,454
2013	229,336	230,860	460,196	197,465,217
2014	202,341	236,547	438,888	172,567,590
2015	182,038	225,512	407,550	167,029,919
2016	169,987	193,095	363,082	197,135,147
2017	152,290	122,009	274,299	125,154,200
2018	122,347	114,359	236,706	110,719,570
2019	106,787	114,073	220,860	117,572,337
2020	94,556	87,586	182,142	107,374,568
2021	97,154	101,719	198,873	90,893,786
2022	72,811	78,030	150,841	89,781,375
2023	65,516	68,257	133,773	46,111,289
2024	57,436	47,478	104,914	87,944,136

**EXHIBIT D: Table 5 in Staff's September 3, 2024, Decision Memorandum**

<b>Years</b>	<b>Rates: MTS/WATS per minute</b>	<b>Rates per residential lines</b>	<b>Rates per business lines</b>	<b>Total Surcharge Revenue</b>
2010	\$ 0.003	\$0.10	\$0.17	\$1,734,098
2011	\$ 0.003	\$0.12	\$0.19	\$1,715,397
2012	\$ 0.003	\$0.12	\$0.19	\$1,654,166
2013	\$ 0.004	\$0.15	\$0.23	\$1,683,231
2014	\$ 0.006	\$0.16	\$0.25	\$1,946,672
2015	\$ 0.006	\$0.16	\$0.25	\$2,046,064
2016	\$ 0.005	\$0.12	\$0.20	\$1,644,938
2017	\$ 0.005	\$0.12	\$0.20	\$1,291,532
2018	\$ 0.009	\$0.25	\$0.44	\$1,889,493
2019	\$ 0.009	\$0.25	\$0.44	\$2,227,054
2020	\$ 0.007	\$0.25	\$0.44	\$1,917,737
2021	\$ 0.007	\$0.25	\$0.44	\$2,000,824
2022	\$ 0.007	\$0.25	\$0.44	\$1,650,870
2023	\$ 0.007	\$0.25	\$0.44	\$1,420,072
2024	\$ 0.007	\$0.25	\$0.44	\$1,174,946