
IDAHO PUBLIC UTILITIES COMMISSION

July 29, 2004

Case No. GNR-T-03-8, GNR-T-03-16

Order No. 29541

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Commission denies funding for telecom high-cost support

Two wireless telecommunication providers will not qualify for subsidized support to offer services in areas of rural Idaho already served by other telephone companies.

By a 2-1 vote, the Idaho Public Utilities Commission denied petitions by Nextel Partners and Clear Talk, each of which sought designation as an “eligible telecommunications carrier” (ETC). The designation would have qualified the companies for assistance from the Universal Service Fund.

The Universal Service Fund (USF) was created by Congress in the 1930s to ensure that citizens, schools, libraries and health care facilities located in largely rural areas receive the same quality of service and comparable rates to those who live in urban areas. It costs telephone companies more money to serve in rural areas where there are fewer customers to pay for telephone lines, wires and switches. All telephone companies providing interstate service must contribute to the USF and nearly all choose to pass on their contribution to customers in the form of a line item that appears on customer bills. In Idaho, customers contribute about 8 cents per residential line per month, 13 cents per business line per month and \$.0025 for every minute of long-distance calls within the state.

Both Nextel and Clear Talk already provide wireless service in the areas in which they seek ETC designation but maintain they could expand services in their areas and also promote competition with USF support. The Telecommunications Act of 1996 promotes two primary goals for the federal Universal Service Fund: to provide for universal service in rural, high-cost areas and to encourage competition.

However, the majority on the commission said both companies were engaging in “cream skimming” by seeking ETC designation only in the lower cost areas of the study areas pertinent to their applications. For example, Clear Talk sought ETC designation for St. Anthony, but excluded the Island Park area. Nextel applied for service in Rupert, but excluded Oakley, Minidoka and Norland.

Commissioners were also concerned that qualifying more areas for universal service support in areas where there are already telecommunication providers that qualify for USF would drain the fund and increase consumers’ costs to support the fund.

Commissioner Marsha Smith dissented from the majority opinion. "Although I share the majority's concern that granting these applications may adversely impact the federal USF, this concern is an insufficient basis to deny the application," Smith said. "While this commission may not approve of a support system that awards USF to multiple ETCs, that is the system that is in place today." Smith said the FCC is examining the issue of USF support in competitive areas but has not yet modified the standards in place for granting ETC designation.

Further, Smith said Nextel Partners' application should have been granted because the company indicated it would make the same commitments to provide service outside its existing service areas. "Nextel Partners' dilemma is that it needs ETC status to obtain federal USF support to expand in high-cost rural areas, but cannot get ETC status without expanding into such areas," she said.

Nextel sought ETC status in areas served by Albion Telephone Company, Filer Mutual Telephone Company, Farmers Mutual Telephone Company, Mud Lake Telephone Cooperative, Project Mutual Telephone Cooperative, Rural Telephone and Citizens Telecommunications of Idaho. Clear Talk sought ETC designation in areas served by Fremont Telecom, Project Mutual and Citizens. The majority of those companies were represented in the case by the Idaho Telephone Association, which opposed the Nextel and Clear Talk petitions. Also intervening in opposition to the applications were Project Mutual Telephone Cooperative and Citizens Telecommunications Company.

A full text of the commission's order, along with other documents related to this case, are available on the commission's Web site at www.puc.state.id.us. Click on "File Room" and then on "Telecommunications Cases" and scroll down to Case No. GNR-T-03-8 for Clear Talk and GNR-T-03-16 for Nextel Partners.

Interested parties may petition the commission for reconsideration by no later than Aug. 16. Petitions for reconsideration must set forth specifically why the petitioner contends that the order is unreasonable, unlawful or erroneous. Petitions should include a statement of the nature and quantity of evidence the petitioner will offer if reconsideration is granted.

Petitions can be delivered to the commission at 472 W. Washington St. in Boise, mailed to P.O. Box 83720, Boise, ID, 83720-0074, or faxed to 208-334-3762.