

UTAH UNIVERSAL SERVICE FUND

Prepared for the PUBLIC UTILITIES, ENERGY,
AND TECHNOLOGY INTERIM COMMITTEE
JUNE 15, 2016
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UTAH UNIVERSAL SERVICE FUND

- ▶ The Utah Universal Service Fund (“UUSF”) is currently a 1% surcharge on intrastate retail revenues billed by telecommunications corporations to their customers.
- ▶ The fund balance has ranged between \$3.9M and \$5.8M in the last 12 months.
- ▶ Since 2006, the distributions from the fund have ranged from a low of \$5.3M in 2007 to a high of approximately \$10M in 2012.
- ▶ In 2016 the fund is estimated to disburse approximately \$10.8M.

UTAH UNIVERSAL SERVICE FUND

- ▶ The UUSF is designed to:
 - promote equitable cost recovery of basic telephone service through the imposition of just and reasonable rates for telecommunications access and usage; and
 - preserve and promote universal service within the state by ensuring that customers have access to affordable basic telephone service.
- *U.C.A. Section 54-8b-15(6).*

HOW THE FUND WORKS

- ▶ To the extent not funded by a federal universal service fund or other federal jurisdictional revenues, the UUSF shall be used to defray the costs, as determined by the Commission, of any qualifying telecommunications corporation in providing public telecommunications services to:
 - Lifeline customers; and
 - Customers whose affordable rates (as determined by the Commission) don't cover the reasonable costs (as determined by the Commission) of providing service in that geographic area.

TECHNOLOGICALLY NEUTRAL

- ▶ Operation of the fund shall be nondiscriminatory and competitively and technologically neutral in the collection and distribution of funds, neither providing a competitive advantage for, nor imposing a competitive disadvantage upon any telecommunications provider operating in the state.
 - *U.C.A. Section 54-8b-15(5).*

CONTRIBUTIONS TO THE FUND

- ▶ Each telecommunications corporation that provides intrastate public telecommunications service **shall** contribute to the fund on an equitable and nondiscriminatory basis.
- ▶ For the purposes of funding the fund, the Commission shall have the authority to require all corporations that provide intrastate telecommunications services in this state to contribute money to the fund through explicit charges determined by the Commission.
 - *U.C.A. Section 54-8b-15(10).*

CONTRIBUTORS

- ▶ Pursuant to Utah Code, any corporation or person who provides the two-way transmission of signs, signals, writing, images, sounds, messages, data or other information by wire, radio, light waves or other electromagnetic means, is required to contribute to the UUSF.
 - *U.C.A. Section 54-8b-2(16).*

QUALIFYING FOR THE FUND

- ▶ To receive UUSF support a telecommunications provider must:
 - Be designated an “eligible telecommunications carrier” pursuant to 47 USC Section 214(e).
 - Apply for UUSF support from Commission including review of rates and revenue requirement.
- ▶ No UUSF support is received without a thorough review of the applicant’s operational and capital expenditures and financial data.

UUSF FUND REVENUE DECLINE

- ▶ Commission has identified a decline in revenue upon which UUSF is charged which has resulted in a decline in the fund.
- ▶ Commission has opened a docket to study these issues and to discuss an increase in the UUSF surcharge to address the decline in revenues.

WHAT IS DRIVING DECLINE?

- ▶ URTA members know that land line does not account for the large decline in revenues.
 - URTA members surmise that the decline results from a shift in wireless revenue from voice to data.
- ▶ The Commission, through the Division of Public Utilities as the administrator of the UUSF, has access to the books of all telecommunications corporations and should be able to determine the reason for the decline in revenues.

OTHER FACTORS RELATED TO DECLINE

- ▶ Another factor that could be affecting the UUSF revenues is the failure of some telecommunications corporations to contribute to the UUSF as required by Utah law.
- ▶ It is unclear whether interconnected voice over internet providers (VoIP) are contributing to the fund.

OPEN DOCKET ON UUSF SURCHARGE

- ▶ To better understand these issue the Commission has opened a docket on the UUSF surcharge.
 - Two rounds of Comments
 - Technical conference June 21, 2016
 - Enhance the record on reason for decline in revenues;
 - Look at contributors;
 - Discuss increase to surcharge;
 - Discuss method of surcharge.

REQUIRE COMPLIANCE IN CONTRIBUTION

- ▶ Before imposing an increase in the UUSF surcharge, the Commission should require compliance in contribution from all appropriate parties.
- ▶ Only then can we accurately determine the potential shortfall in the fund and determine the appropriate surcharge needed.

PLAIN LANGUAGE OF STATUTE

- ▶ URTA believes that the plain language of the statute requires interconnected VoIP providers to contribute to the fund.
 - Interconnected VoIP providers fit the definition of telecommunications corporations, and provide the two way transmission of signs, signals, sounds, messages, and data by way of wire, radio, light waves, or other electromagnetic means to the public generally.
 - Further, the operation of the fund is required to be competitively and technologically neutral, so there is no basis for excluding interconnected VoIP providers).

STATUTORY CLARIFICATION

- ▶ Based on the comments filed in the open docket there seems to be a difference of opinion on whether interconnected VoIP providers are required to contribute to the fund.
- ▶ If the Commission requires legislative clarification on this issue the Commission should issue an Order in its open docket seeking such clarification from the legislature.

SURCHARGE REFORM

- ▶ URTA believes the surcharge should be transitioned from a percentage of intrastate retail revenues to a per line/per connection surcharge.
 - Easier to administer by the Division of Public Utilities;
 - Eliminates the impact that revenue shifting between voice and data will have on UUSF revenues;
 - Ensures that the UUSF is applied on a technologically neutral manner; and
 - Eliminates the effect of downward pressure on wireless voice rates.

ADDITIONAL UUSF ISSUES

- ▶ URТА believes that additional modifications to the Utah Universal Service Fund would also be assistive based on changes in the telecommunications industry since the UUSF statute was originally drafted:
 - Clarification from the legislature that the UUSF should be available for cost recovery of deployment and management of networks capable of providing basic telephone service or broadband internet access service (BIAS).
 - BIAS is the *wholesale* component that common carriers offer to all comers who want to provide *retail* internet service.

ADDITIONAL UUSF ISSUES

- ▶ **Legislative changes that would give the regulated telecommunications corporations more regulatory certainty on such issues as:**
 - Rate of return/Return on Equity
 - Capital Structure
 - Depreciation Methods

- ▶ **Regulatory certainty on these issues would reduce the time and expense associated with UUSF and Rate Increase Applications.**

- ▶ **Modifications to one-time UUSF support requests.**
 - As designed the one-time funding system is broken.

QUESTIONS?

