JUSTIN C. JETTER (#13257)
PATRICIA E. SCHMID (#4908)
Assistant Attorney Generals
Counsel for the DIVISION OF PUBLIC UTILITIES
SEAN D. REYES (#7969)
Attorney General of Utah
160 E 300 S, 5th Floor
P.O. Box 140857
Salt Lake City, UT 84114-0857
Telephone (801) 366-0335
jjetter@utah.gov

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THEUNIVERSAL SERVICE FUND SURCHARGE	DOCKET NO. 16-R360-02 COMMENTS OF THE UTAH DIVISION OF PUBLIC UTILITIES

On April 13, 2016 the Public Service Commission of Utah issued a Request for Comments regarding the declining revenue in the Utah Universal Service Fund ("UUSF"). The Commission requested comments on 1. "Industry trends or other circumstances that might explain why the current surcharge is generating less revenue." And 2. Mechanisms that would maintain funding to the UUSF. The Commission provided two possible options of an increase in the rate of the current surcharge or an alternative method of a fixed surcharge on access lines. The following are the comments of the Utah Division of Public Utilities.

The Division does not have a complete picture of all of the reasons for why the UUSF surcharge revenue is in decline. Clearly the revenue upon which the UUSF fee is calculated is in decline. This is reflected in the carrier reports. Many of the carriers who report revenue are not subject to in depth audits by the Division. The Division could only speculate at this time as to why the reported revenues are seeing the current declines.

The Division does not have a strong position on whether it is preferable to continue with a percentage of revenue model or to move to a fixed fee per access line. The Division would like to comment on some advantages it sees in moving to a flat fee per access line. The Division believes that access line fee would be more stable over time and prepare the UUSF fund for possible future changes in the telecommunications industry.

The primary advantage from the perspective of the fund administrator is that the number of access lines that would contribute to the UUSF is unlikely to see the same type of variability from year to year. As a result the UUSF revenue would also have greater stability and predictability. Additionally it would ease the administration in some ways. The appropriate revenue figure to be used would not be disputed. And the Division would not be in the position of attempting to determine whether compliance and contributions to the fund are calculated correctly with limited information regarding the internal accounting of telecommunications companies that contribute but are otherwise not subject to regular review by the Division.

Additionally the UUSF benefits all customers by providing basic telecommunication access to remote areas of Utah. All customers using the telephone system benefit from this because they have the ability to both call and receive calls from these individuals. It is unclear to the Division whether there is a strong enough relationship between the value of a subscriber line in terms of the bill from the provider and the benefit received to justify the surcharge being based on the bill. In the alternative there is some public policy in favor of the revenue percentage model because it may be argued that the access lines with higher billing do reflect greater usage.

The Division does not have sufficient information to make a strong recommendation on this issue.

Finally the Division sees a general transition away from standalone telephone service toward a mix of traditional telephone service with VoIP and other voice services that are not currently contributing to the UUSF. One example is free ViOP service. Generally the provision of free service is funded by advertising or other sources and not through the customer bill. Those customers are assigned a telephone number and make traditional voice telephone calls to the areas that service is supported by the UUSF. They are essentially free riders under the current system. While the Division is not taking a position on whether a per access line fee would extend to those types of telephone services at this time, it is important to recognize that the per access line model may put the UUSF in a better position to include those customers in the future.

For these reasons the Division believes that a fee per access line is a reasonable alternative to the current model based on revenue. The Division is also not strongly opposed to increasing the revenue based fee.

Respectfully submitted this 16th day of May, 2016

______/s/ Justin C. Jetter___________

Justin C. Jetter
Attorney for the Division of Public Utilities