

06/21/16



**Utah Public Service Commission
USF Technical Conference
Docket No. 16-R360-02**

Reasons Why Payment Into The USF Is Down

Payments into the USF are down significantly causing a shortfall and a need to increase the USF surcharge.

Reasons:

- Traditional phone lines continue to decline.
 - More customers are changing to wireless and Voice over Internet Protocol (VoIP) for their voice service needs.
 - Wireless pays into the USF and not all VoIP providers pay.
- Wireless payment into the USF is down significantly even though wireless continues to grow as an industry.
- **Explanation:** CTIA – The Wireless Association: Reply Comments - PSC Docket No. 16-R360-02:
(Website Link: <http://www.psc.utah.gov/utilities/Rules/Rules%20Index/16R36002indx.html>)
 - **Wireless customer shifting to services not subject to the USF.**
 - Shifting to data, video-chat, video calling, messaging and social media applications, etc.
 - Reducing wireless rates due to competition.
 - Plan changes, decoupling equipment revenue from voice revenue.
New alternatives for financing equipment, no contracts, leasing options, etc.

CONTRIBUTION TO THE USF MUST BE NONDISCRIMINATORY AND COMPETITIVELY NEUTRAL

- Existing law and policy requires that the USF be operated in a nondiscriminatory and competitively and technologically neutral manner.

*“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.” 54-8b-15(5)*

- The Commission has the specific authority to determine the contribution to the USF fund from all corporations that provide intrastate telecommunication services in Utah, and this is exactly what they are doing as part of Docket No. 16-R360-02. 54-8b-15(10)(ii).

A per line/per connection based surcharge

- In order to satisfy this existing law, the PSC is correct to examine changing the existing USF surcharge methodology to a per line/per connection surcharge.
- The current surcharge methodology is discriminatory and is not competitively neutral.
- A lot of problems with the current surcharge methodology:
 - Inconsistencies between providers, who pays and what they pay etc.
 - Some VoIP providers do not pay the Utah USF, either because they believe they are not required to pay or they do not charge for phone service so it is unclear what should be collected for USF purposes.
 - The current revenue-based methodology does not satisfy existing USF statute requirements, since different companies providing voice service using different technologies may charge very different rates for comparable services, leading to non-equitable surcharge rates that are discriminatory.
- The proposed per line/per connection surcharge methodology is nondiscriminatory and competitively neutral.

ooma Bill Example (customer specific information redacted)



INVOICE

Ooma, Inc.
1880 Embarcadero Rd
Palo Alto, CA 94303
+1-866-939-6662
www.ooma.com

BILL TO

NORTH SALT LAKE, UT 84054-

INVOICE ID	DATE	STATUS
	2016-05-20	PAID

Item	Qty	Price	Subtotal
Base Phone Service	1	\$0.00	\$0.00

Subtotal: \$0.00
Taxes and Fees for 84054:
Regulatory Compliance Fee: \$1.98
911 Service Fee: \$1.79
Federal Universal Service Charge and Regulatory Fees: \$0.46
Total: \$4.23

Thanks for being an Ooma customer!

A per line/per connection based surcharge (cont.)

- A per line/per connection surcharge is superior to the current method:
 - Eliminates the impact of revenue shifting between voice and data services.
 - Immune to the effect of downward pressure on wireless rates.
 - More stable thus decreasing the need to continually increase the surcharge.
 - Will ensure that the collection of the UUSF is consistent with the statute.
 - Easier to administer and simpler to audit once implemented.

VoIP should be paying the Utah USF

- All Interconnected VoIP service providers should be paying into the Utah USF.
 - This is consistent with Utah Code Subsection 54-8b-15(5):
- Widening the contribution base will lower the per customer impact of a USF surcharge increase.
- The VoIP statute does not affect, limit or prohibit a “universal service fund fee.” on VoIP Providers. 54-19-103(2)(b).
- Requiring VoIP to pay the USF surcharge does not change the regulatory status of VoIP.

How many existing lines/connections are there?

- The DPU estimates that there are about **2.9 million lines/connections**.
 - This is based upon existing contributions to the Telecommunications Relay Service (TRS) Fund. (The TRS surcharge is a per line/per connection surcharge.)
 - The DPU knows this estimated number does not include the lines of most VoIP providers.
 - Many VoIP providers do not currently pay into the TRS fund.
- Based upon December 2014 FCC data, there are about 3.5 million lines/connections:

December 2014	Lines/Connections	Percentage
Wireless	2.640 million	75.4%
Local Exchange Service	.507 million	14.6%
Interconnected VoIP	.348 million	10.0%
Total	3.475 Million	

Calculated from FCC data located at: <https://www.fcc.gov/voice-telephone-services-report>

Summary

- Although CenturyLink believes the Commission can act under existing law, we recognize that there are others who do not take this position, and they question the Commission's jurisdiction to impose a per line/per connection charge, and whether the Commission has the ability to expand the base of those contributing to the fund.
- Where there is no ambiguity is that Utah law requires the fund to be operated in a **nondiscriminatory and competitively and technologically neutral manner. The current fund is not operated in this way!** Quick action is required to comply with this clear legislative directive....whether it is from the Commission or the Legislature.
- If the Commission believes there are ambiguities in the law it should act swiftly in Docket No. 16-R360-02 so these issues are addressed by the Legislature, and avoid unnecessary litigation.

USF Surcharge and Cost History

UTAH USF SURCHARGE HISTORY

6/1/1998	1/1/2000	9/1/2001	11/3/2003	7/20/2006	10/1/2008	11/1/2009	9/1/2011
1.00%	0.67%	0.34%	0.90%	0.50%	0.45%	0.25%	1.00%

UTAH USF COST HISTORY

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
High Cost	\$ 6,118,552	\$ 4,184,302	\$ 4,429,882*	\$ 5,305,412	\$ 5,376,359	\$ 6,446,100	\$ 9,002,663	\$ 7,766,076	\$ 9,145,072	\$ 9,772,153
Low Income	\$ 1,232,851	\$ 1,419,339	\$ 1,465,854	\$ 1,374,997	\$ 1,347,503	\$ 1,297,382	\$ 1,314,723	\$ 1,016,472	\$ 541,353	\$ 384,031
TOTAL	\$ 7,351,403	\$ 5,603,641	\$ 5,895,736	\$ 6,680,409	\$ 6,723,862	\$ 7,743,482	\$ 10,317,386	\$ 8,782,548	\$ 9,686,425	\$ 9,901,238

Source: Utah Division of Public Utilities

*-This includes 1-time USF distributions of \$360,126

Existing State/Local Taxes, Fees and Surcharges

Specific example from an actual bill:

	Monthly per line surcharge:
State 911	\$.61
Local 911	\$.09
Computer Aided Dispatch	\$.06
*Telecommunications Relay Services (TRS)	\$.02

Percentage based taxes/fees:

- Recovery of Municipal Telecommunications Tax (3.5%)
- *Utah Universal Service Fund (USF) (1%)
- State Sales Tax (4.7%)
- City Sales Tax (1.1%)
- County Sales Tax (.3%)
- Special District Sales (.5%)