



State of Utah
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Division of Public Utilities

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April 20, 2011

TO: PUBLIC SERVICE COMMISSION
FROM: DIVISION OF PUBLIC UTILITIES
Chris Parker, Director
William F. Duncan, Manager Telecom Section
Paul A. Hicken, Analyst
Paul M. Anderson, Technical Consultant

RE: SENATE BILL 209 "TELECOMMUNICATIONS AMENDMENTS" In the Matter of Rule R746-343-15 for the Deaf, Severely Hearing, or Speech Impaired Person Surcharge Rates.

The Public Service Commission (Commission) has requested that the Division of Public Utilities (DPU) perform an analysis to implement S.B. 209 to determine a surcharge rate that will be applied to cell phone lines as well as land lines to continue to fund the Hearing and Speech Impaired Fund.

As of March 31, 2011 the balance of the Hearing and Speech Impaired Fund is approximately \$1.3 million. This fund balance has gradually decreased since 2006. The reason for the decreasing balance is disbursements are greater than collections. This is illustrated in the following table.

| HEARING & SPEECH IMPAIRED SURCHARGE FUND | | |
|---|--------------------|--------------------|
| Annual Collections and Disbursements | | |
| YEAR | COLLECTED | DISBURSED |
| 2006 | \$1,292,026 | \$1,643,866 |
| 2007 | \$1,304,824 | \$1,847,467 |
| 2008 | \$1,262,447 | \$1,599,091 |
| 2009 | \$1,177,332 | \$2,291,199 |
| 2010 | \$1,127,500 | \$1,237,297 |
| AVERAGE | \$1,232,826 | \$1,729,184 |

For the past 5 years the total annual surcharge collections for the Hearing & Speech Impaired Fund have averaged about \$1.2 million. The total annual disbursements from the fund have

averaged about \$1.7 million. This is the amount that would need to be collected to maintain a stable fund balance, based on a 5 year average.

Until this past legislative session, the surcharge fee was assessed only on business and local access lines of Local Exchange Carriers (LECs). The rate assessed was \$.10 cents per line. In the 2011 Legislative Session, Senate Bill 209 was signed into law and becomes effective on May 10, 2011. This legislation will assess a surcharge fee on all business and local access lines of LECs and also lines of wireless carriers. A new surcharge rate per line has been analyzed by the Division of Public Utilities (DPU) and will be established by the Commission.

In order to determine a rate that would provide collections of \$1.7 million annually, DPU looked at two sources to get an estimate of total intrastate lines to which the surcharge fee would be applied. The Wireline Competition Bureau of the Federal Communications Commission (FCC) published a report entitled Local Telephone Competition: Status as of June 30, 2010 which listed the total mobile telephony subscribers in Utah at 2,220,000. This number extrapolated to the end of year December 2010 is about 2,304,500. The average number of subscribers for the year is about 2,262,262. The FCC figures for mobile subscribers are shown in the attached Exhibit 1. The Division's own estimate of total local and business access lines for 2010 is 939,583. This is based on total surcharge revenues collected divided by the rate as shown in the attached Exhibit 2. Total access lines added to total mobile lines is about 3,201,845.

The second source for total phone subscribers was a revenue report from the State Tax Commission. The Tax Collections – TC23 revenue as of 9/28/2010 shows Emergency Services Phone Charge revenues of \$26,113,170 for FY 2010. These revenues are comprised of state and local 911 Surcharge fees and Poison Control Surcharges assessed to all Utah phone lines. A total of \$9.12 per line per month is collected. The total annual revenues collected divided by the monthly surcharge fees indicate there were about 2,863,286 lines in FY 2010.

DPU cannot be certain of the total number of lines in Utah at end of year 2010, but the low estimate is 2,863,286 and the high estimate is 3,201,845. The average of 3,032,565 would be a reasonable estimate for which to calculate a rate for the surcharge fee. Using this number of subscriber lines, a surcharge of \$.05/ month would yield an annual collection of \$1,819,539, slightly more than the average disbursement over the last five years. However, based on experience in collecting Utah USF, the DPU believes that there will be a few months delay before all phone companies are accurately reporting their phone lines and it is probably fair to predict about 80 percent of the total estimated lines will be reported initially. Using this 80 percent figure, the rate of \$.06 per line per month would bring in about \$1.7 million annually, which is the amount needed to maintain stability of the fund.

The DPU also assumes that the Speech and Hearing Impaired fund will continue to have similar expenses as the recent past and will not incur significant expense increases in the near future.

Recommendation

From the above analysis, the DPU recommends that the new rate for the Hearing and Speech Impaired Fund should be either \$.05 or \$.06 per line per month. The DPU believes that this new collection rate will provide sufficient funds to operate the program and will enable a one-year surplus balance to be maintained as the Commission has requested.

Attachments: 2