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BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

APR 18 1997

REGISTERED BY *CW*

CARL J. KUNASEK  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
RENZ D. JENNINGS  
COMMISSIONER

IN THE MATTER OF THE NOTICE OF )  
PROPOSED AMENDMENTS TO THE )  
ARIZONA UNIVERSAL SERVICE FUND. )

DOCKET NO. R-0000-97-137

DECISION NO. 60169

ORDER

Open Meeting  
April 16, 1997  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. The Arizona Universal Service Fund ("AUSF") was established by Decision No. 56639 (dated September 22, 1989) and was designed to help off-set high basic local telephone rates in rural areas. One half of the funding was derived from local exchange carriers based on the number of access lines, and one half of the funding was derived from interLATA and intraLATA intrastate minutes of use. U S WEST Communications, Inc. ("U S WEST") was designated a Plan Administrator.

2. Any company requesting Universal Service funding must first have received authorization from the Commission in a rate case. To date, only Citizens Telecommunications Company of the White Mountains, Inc. (Citizens) is receiving universal service fund money in the amount of \$775,620 annually. (Decision No. 55657, October 10, 1989.)

3. On June 23, 1995, the Commission issued Decision No. 59124, approving new rules for competitive telecommunications services. A.A.C. R14-2-1113 of the competitive rules required that the Commission establish an intra-state universal service fund to assure the continued availability of basic telephone service at reasonable rates.

ARIZONA CORPORATION COMMISSION

1           4.    On March 24, 1996, the Commission adopted Arizona Universal Service Fund Rules  
 2 A.A.C. R14-2-1201 through R14-2-1217 establishing a new universal service fund mechanism.  
 3 The AUSF rules expanded the types of telecommunications providers that contribute to the AUSF  
 4 and revised the eligibility criteria for drawing from the fund.

5           5.    Under the new rules, the AUSF is funded by all telecommunications service  
 6 providers that interconnect with the public switched network. A.A.C. R14-2-1204(A). One half  
 7 of the AUSF funding requirement is collected through a surcharge paid by providers of basic  
 8 local exchange service, wireless, paging, and other Commercial Mobile Radio Service providers  
 9 that interconnect with the public switched network. These entities are known as "Category One"  
 10 providers. A.A.C. R14-2-1204(B)(1). One half of the funding requirements are collected from  
 11 providers of intrastate toll service. These entities are known as "Category Two" providers.  
 12 A.A.C. R14-2-1204(B)(2).

13           6.    The AUSF surcharge is equal to the total Category One funding requirement,  
 14 divided by the total number of access lines and interconnecting trunks that were in service for  
 15 all Category One providers as of October 1 of the previous year. A.A.C. R14-2-1204(B)(1)(a),  
 16 plus a growth factor calculated at half of the estimated annual percentage growth in access lines.  
 17 A.A.C. R14-2-1205(B). For Category Two providers, the surcharge is a percentage of the  
 18 Category Two AUSF funding requirement equal to that providers share of the total intrastate toll  
 19 revenue for the previous year ended July 31. A.A.C. R14-2-1204(B)(2)(a), plus a growth factor  
 20 calculated at half of the estimated annual percentage growth in toll revenues. A.A.C. R14-2-  
 21 1205(B). Providers offering both Category One and Category Two services are assessed charges  
 22 based on both the number of access lines and percentage of total revenues. A.A.C. R14-2-  
 23 1404(B)(2).

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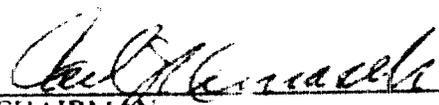
**ORDER**

THEREFORE, IT IS ORDERED that the 1997 monthly Arizona Universal Service Fund surcharge for Category One providers is \$.025386 per access line and \$ 25386 per trunk line.

IT IS FURTHER ORDERED that the 1997 monthly Arizona Universal Service Fund surcharge for Category Two providers is .2958 percent of toll revenue.

IT IS FURTHER ORDERED that this Decision shall become effective immediately, with 1997 monthly fund contributions beginning June 20, 1997.

**BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

  
CHAIRMAN

COMMISSIONER

  
COMMISSIONER

IN WITNESS WHEREOF, I, GEOFFREY E. GONSHER, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 15 day of April, 1997.

  
GEOFFREY E. GONSHER  
Executive Secretary

DISSENT \_\_\_\_\_

CD:KFR:djg:DRS

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