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*Dec. Tol.*

**BEFORE THE ARIZONA CORPORATION COMMISSION**

JIM IRVIN  
Commissioner - Chairman  
RENZ D. JENNINGS  
Commissioner  
CARL J. KUNASEK  
Commissioner

Arizona Corporation Commission

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IN THE MATTER OF THE ARIZONA  
UNIVERSAL SERVICE FUND  
SURCHARGE

DOCKET NO. RT-0000-97-137

DECISION NO. 60547

ORDER

Open Meeting  
December 16, and 17, 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 offset 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. (USWC) was designated as Plan Administrator.

2. Any company requesting Universal Service funding must first have received authorization from the Arizona Corporation Commission (Commission) in a rate case or other method as the Commission may prescribe. 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 intrastate universal service fund to assure the continued availability of basic telephone service at reasonable rates.

Decision No. 60547

1           4.     On March 24, 1996, the Commission adopted Arizona Universal Service Fund  
2 Rules A.A.C. R14-2-1201 through R14-2-1217 establishing a new universal service fund  
3 mechanism. The AUSF rules expanded the types of telecommunications providers that  
4 contribute to the AUSF 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 all  
15 Category One providers as of October 1 of the previous year, A.A.C. R14-2-1204(B)(1)(a), plus  
16 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 provider's 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 toll revenues. A.A.C. R14-2-  
23 1404(B)(2).

24           7.     The AUSF rules mandated that a new Plan Administrator be put in place no later  
25 than July 1, 1997. On February 11, 1997, the National Exchange Carriers Association (NECA)  
26 was selected to administer the expanded AUSF on behalf of the Commission. NECA is a not-  
27 for-profit association whose principle mission is to manage programs designed to accomplish  
28 universal telephone service goals.



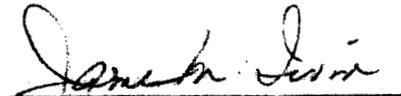
ORDER

THEREFORE. IT IS ORDERED that the 1998 monthly Arizona Universal Service Fund surcharge for Category One providers is \$0.013450 per access line and \$0.13450 per trunk line.

IT IS FURTHER ORDERED that the 1998 monthly Arizona Universal Service Fund surcharge for Category Two providers is 0.1881 percent of toll revenue.

IT IS FURTHER ORDERED that this Decision shall become effective immediately, with 1998 monthly fund contributions beginning January 20, 1998.

**BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

  
COMMISSIONER - CHAIRMAN

  
COMMISSIONER

  
COMMISSIONER

IN WITNESS WHEREOF, I, JACK ROSE, 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 18th day of December 1997.

  
JACK ROSE  
Executive Secretary

DISSENT \_\_\_\_\_

CWD:KFR:djg/MS

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2 DOCKET NO.: RT-0000-97-137

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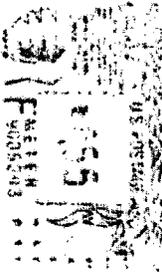
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