



0000126007

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# OPEN MEETING ITEM

## MEMORANDUM Arizona Corporation Commission

### DOCKETED

TO: THE COMMISSION

'APR 08 1997

FROM: Utilities Division

DATE: April 7, 1997

DOCKETED BY 

RE: ARIZONA UNIVERSAL SERVICE FUND SURCHARGE  
(DOCKET NO. R-0000-97-137)

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 interstate minutes of use. U S WEST Communications, Inc. ("U S WEST") was designated as the Plan Administrator. Any company requesting Universal Service funding was required to receive authorization from the Commission in a rate case. To date, only Citizens Telecommunications Company of the White Mountains, Inc. ("Citizens") (formerly Contel of the West, Inc.) is receiving Universal Service Fund money in the amount of \$775,620 annually. (Decision No. 56657, October 10, 1989.)

On June 23, 1995, the Commission issued Decision No. 59124, approving new rules for competitive telecommunications services. 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. A.A.C. R14-2-1113. On March 24, 1996, the Commission adopted rules (R-14-2-1201 *et. seq.*) establishing a new universal service fund mechanism. These rules expanded the types of telecommunications providers that contribute to the AUSF and revised eligibility criteria for drawing from the fund.

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

THE COMMISSION

April 7, 1997

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

The Universal Service Fund Rules mandate that a new Plan Administrator be put in place no later than July 1, 1997 A.A.C. R14-2-1212. On February 11, 1997, the National Exchange Carriers Association ("NECA") was selected to administer the expanded AUSF on behalf of the Commission. NECA is a not-for-profit association whose principle mission is to manage programs designed to accomplish universal telephone service goals. NECA requested data from all Arizona telecommunications providers for use in calculating the surcharges that would be applied to all telecommunication providers for 1997. NECA has calculated that the 1997 monthly surcharge for Category One providers for the balance of the year is \$.025386 per access line and \$.25386 per trunk line; for Category Two providers the 1997 monthly surcharge is .2958 percent of toll revenue. The collection of these amounts over the balance of the 1997 will raise sufficient funding to cover the amount of AUSF funding that Citizens has been authorized to receive.



Carl W. Dabelstein  
Director  
Utilities Division

CWD:KFR:djg\DRS

ORIGINATOR: Keith F. Rogers

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 CARL J. KUNASEK  
CHAIRMAN  
3 JIM IRVIN  
COMMISSIONER  
4 RENZ D. JENNINGS  
COMMISSIONER  
5

**PROPOSED ORDER**

BY Utilities Div

6 IN THE MATTER OF THE NOTICE OF )  
PROPOSED AMENDMENTS TO THE )  
7 ARIZONA UNIVERSAL SERVICE FUND. )  
8 \_\_\_\_\_ )

DOCKET NO. R-0000-97-137

DECISION NO. \_\_\_\_\_

**ORDER**

9 Open Meeting  
10 April 16, 1997  
Phoenix, Arizona

11 BY THE COMMISSION:

12 **FINDINGS OF FACT**

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

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

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

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

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PROPOSED AMENDMENT

RECEIVED  
AZ CORP COMMISSION

APR 15 2 51 PM '97

Company Arizona Universal Service Fund

Agenda No. 2

Docket No. R-0000-97-137

DOCUMENT CONTROL  
Open Meeting Date 4-16-97

Proposed By Utilities Division

Page 1, Line 17 **DELETE:** "interstate" and **INSERT:** "intrastate"

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