

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

Public Meeting held December 18, 2003

Commissioners Present:

Terrance J. Fitzpatrick, Chairman
Robert K. Bloom, Vice-Chairman
Glen R. Thomas
Kim Pizzingrilli
Wendell F. Holland

Pennsylvania Universal Service Fund
Annual Rate Adjustment

Docket No. M-00001337

ORDER

BY THE COMMISSION:

On October 30, 2003, the National Exchange Carrier Association (NECA), the 2000-2003 Administrator for the Pennsylvania Universal Service Fund (PaUSF or Fund), mailed its Annual Administrator's Report to the Commission. NECA mailed copies of the Report to the telecommunications carriers participating in the PaUSF, the Office of Consumer Advocate and the Office of Small Business Advocate. The Commission received only one comment to the Report from the Rural Telephone Company Coalition (RTCC), which wanted to be sure NECA was aware that beginning January 1, 2004, it needed to reallocate distributions based upon the Commission's Order of July 15, 2003 at M-00021596, which granted a Joint Procedural Stipulation and RTCC/Sprint/United Joint Proposal for Access Charge Reductions.

Pursuant to our regulation at 52 Pa.Code §63.164 (relating to Commission oversight) we issue an order within 90 days of receipt of the Administrator's Annual Report that establishes the size of the Fund, approves a budget for the next calendar year, establishes the assessment rate for contributing telecommunications providers, and establishes administrative guidelines for the upcoming year. Based upon the Report from NECA, we have made the following determinations regarding the PaUSF for the calendar year 2004.

1. Maintain 5% Contingency

We agree with NECA's recommendation that we maintain the annual funding contingency of 5%. Last year NECA had recommended an 8% contingency, equivalent of 1-month's funding, be built into the assessment calculation given the then current economic conditions and the prevalence of bankruptcy filings by telecommunications companies. NECA argued that having a full month's contribution in surplus would afford the Commission the guarantee that the recipient carriers would receive at least one month's payments and one month's time to order a reassessment or pursue borrowing for the Fund to cover a shortfall.

Last year we rejected NECA's recommendation, and agreed with commenters AT&T-Pennsylvania and Verizon-Pennsylvania, Inc., which wanted a 5% contingency, and ordered the Fund maintain an annual funding contingency of 5%. This contingency worked well for 2003. The Fund remained solvent throughout the year. Further, NECA projects an end of year balance of \$1,900,000, which is greater than the 5% contingency needed for next year of \$1,581,193. Thus, the contribution factor is slightly decreased because of the higher than expected end-of-year projected balance. NECA stated to Commission Staff that the end-of-year balance is higher than projected at least in part because of the Commission's collection efforts against delinquent carriers.

Finally, pursuant to our Order of July 15, 2003 at M-00021596, the Fund shall continue under the existing regulations as codified at 52 Pa. Code §§63.161-63.171 until a further Commission rulemaking determines otherwise. Whatever money remaining in the Fund on the date it is dissolved will be returned to the Fund contributors in existence on the date of dissolution in their pro rata share. Thus, the surplus, while it is in the Fund, will earn interest, and that surplus with its accumulated interest will be returned at the termination of the Fund.

2. Amended PaUSF Monthly Status Report

NECA recommends basing the Monthly Status Reports on accrual basis accounting rather than cash-basis accounting, which is currently being used. We agree with this recommendation.

3. Assessment Rate for Calendar Year 2004

We agree with NECA that the contribution rate should be decreased from .9639924% (.009639924) per year of 2001 average monthly intrastate end-user retail telecommunications revenue to .9336652 (.009336652) per year of 2002 average monthly intrastate end-user retail telecommunications revenue. This decrease will cover the projected expenses for the Fund for the year 2004.

The assessment calculation is based on data submitted by carriers during the annual data collection process as well as projections of the Fund carryover balance and administrative and auditing fees as follows:

- 1) Reported 2001/2002 annual access line growth rate = -1.73%
- 2) Projected PaUSF fund balance as of 12/31/03 = \$1,900,000
- 3) Projected 2004 annual support due to recipient carriers = \$33,523,868
- 4) Projected 2004 annual administration and audit fees = \$195,000
- 5) Projected 2004 Allowance for Uncollectables = \$1,581,193
- 6) Projected 2004 Total annual Fund size = \$33,400,061
[(Line 3 + Line 4 + Line 5 – Line 2)]
- 7) Reported 2002 intrastate retail revenues = \$3,577,305,922

8) Recommended 2004 Assessment Rate =
\$33,400,061/\$3,577,305,922=.009336652 [(Line 6 / Line 7)]
THEREFORE,

IT IS ORDERED:

1. That NECA's Administrator's Report dated October 30, 2003, is approved and the PaUSF contribution rate factor for the year 2004 is hereby decreased from .9639924% (.009639924) per year of 2001 average monthly intrastate end-user retail telecommunications revenue to .9336652% (.009336652) per year of 2002 average monthly intrastate end-user retail telecommunications revenue.

2. That NECA is directed to send a letter to all contributors explaining specifically how this contribution factor decrease affects them and what their monthly contribution total has changed to for the calendar year 2004. This form letter must be approved by Commission Staff before it is mailed to participants.

BY THE COMMISSION:

James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: December 18, 2003

ORDER ENTERED: December 19, 2003