

**PUBLIC UTILITY COMMISSION**  
**Harrisburg, PA 17105-3265**

Public Meeting held December 2, 2004

Commissioners Present:

Wendell F. Holland, Chairman  
Robert K. Bloom, Vice Chairman  
Glen R. Thomas  
Kim Pizzingrilli

Pennsylvania Universal Service Fund : Docket No. M-00001337  
Annual Rate Adjustment :

**ORDER**

**BY THE COMMISSION:**

On November 3, 2004, the National Exchange Carrier Association (NECA), the 2000-2004 Administrator for the Pennsylvania Universal Service Fund (PaUSF or Fund), filed its Annual Administrator's Report to the Commission. NECA served 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 no comments to the Report.

Pursuant to our regulation at 52 Pa.Code §63.164 (relating to Commission USF oversight) we are issuing 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 2005:

1. Maintain Five Percent (5%) Contingency

We agree with NECA's recommendation that we maintain the annual funding contingency of five percent (5%). Last year NECA recommended we maintain a 5% contingency, and this amount has proven to be sufficient to cover uncollectibles and maintain proper cash flow in the Fund and make timely payments to the recipient carriers.

2. Revise the Monthly PaUSF Reporting Package

NECA states that the current PaUSF monthly reporting package does not conform with Generally Accepted Accounting Principles (GAAP). It is a hybrid of cash and accrual accounting. NECA recommends the reports be revised to more closely conform to GAAP. Specifically, NECA recommends that the reports be revised to represent the accrual method of accounting and include information that can be used to monitor cash flow as well as the Fund balance at the end of each month. We agree with this recommendation.

3. Assessment Rate for Calendar Year 2005

We agree with NECA that each carrier's contribution should be increased from .9336652% (.009336652) of 2002 average monthly intrastate end-user retail telecommunications revenue to .9909598% (.009909598) of 2003 average monthly intrastate end-user retail telecommunications revenue. This increase will cover the projected expenses for the Fund for calendar year 2005.

The assessment calculation is based on data submitted by telecommunications 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 2002/2003 annual access line growth rate = (1.21%)
- 2) Projected PaUSF Fund balance as of 12/31/04 = \$2,000,000

- 3) Projected 2005 annual support due to recipient carriers = \$33,565,233
- 4) Projected 2005 annual administration and audit fees = \$195,000
- 5) Projected 2005 allowance for uncollectibles = \$1,578,262
- 6) Projected 2005 total annual fund size = \$33,338,495  
[(Line 3 + Line 4 + Line 5 – Line 2)]
- 7) Reported 2003 intrastate retail revenues = \$3,364,263,243
- 8) Recommended 2005 Per Line Assessment Factor =  
 $33,338,495 / \$3,364,263,243 = .009909598$  [(Line 6/Line 7)]

**THEREFORE,**

**IT IS ORDERED:**

1. That NECA's Administrator's Report dated November 3, 2004 is approved and the PaUSF's monthly contribution factor for 2005 is hereby increased from .9336652% (.009336652) of 2002 average monthly intrastate end-user retail telecommunications revenue to .9909598% (.009909598) per year of 2003 average monthly intrastate end-user retail telecommunications revenue.

2. That NECA is directed to send a letter to all contributors of the Fund explaining specifically how this contribution factor increase affects them and what their monthly contributions will be for the calendar year 2005. This form letter must be approved by Commission Staff before it is mailed to participants.

3. That NECA revise the PaUSF Reporting Package as recommended in the body of this Order so as conform with Generally Accepted Accounting Principles. The revised form is to be approved by Commission Staff before it is mailed to participants.

BY THE COMMISSION,

James J. McNulty  
Secretary

(SEAL)

ORDER ADOPTED: December 2, 2004

ORDER ENTERED: