

P-3008/CI-93-549; P-999/CI-93-589 ORDER APPROVING BUDGET AND  
AUTHORIZING INCREASE IN SURCHARGE

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair  
Commissioner  
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In the Matter of the Budget  
Proposed by the Board for the  
Telecommunications Access for  
Communication-Impaired Persons  
Program (TACIP) and the Board's  
Request for an Increase in the  
Surcharge

ISSUE DATE: July 14, 1993  
DOCKET NO. P-3008/CI-93-549,  
P-999/CI-93-589  
ORDER APPROVING BUDGET AND  
AUTHORIZING INCREASE IN  
SURCHARGE

**PROCEDURAL HISTORY**

On May 24, 1993, the Telecommunications Access for Communication-Impaired Persons Board (TACIP or the Board) filed its proposed budget for fiscal years 1994 and beyond. The Board's budget proposal included a request for an increase in the surcharge from its current level of 10 cents to 20 cents.

The matter came before the Commission on June 29, 1993.

**FINDINGS AND CONCLUSIONS**

Introduction

TACIP was created by the Legislature in 1987 to establish and maintain special programs that allow the telephone network to become fully accessible to people with speech and hearing impairments. In 1993 the Legislature extended eligibility for specialized equipment under this program to persons with mobility impairments. TACIP, under the direction of a twelve-person board, provides two services: (1) the distribution of specialized telecommunications equipment, and (2) telecommunications relay service (TRS), which transmits telephone messages between hearing persons and persons using telecommunication devices for the deaf (TDDs).

TACIP is funded by a monthly surcharge on each telephone access line in Minnesota. This appears as a separate item on each subscriber's monthly telephone bill. The current surcharge was set at 10 cents by the Commission in 1988 at the program's inception. This was the maximum surcharge allowed under the state's TACIP statute. The legislature amended the TACIP statute

in the 1993 legislative session to, among other things, (1) raise the maximum allowable surcharge to 20 cents per line, and (2) require the Commission to review the TACIP Board's budget for reasonableness. Laws of Minnesota 1993, chapter 272, section 11. The Commission may also modify a budget presented by the Board to the extent the budget is unreasonable. Id.

#### Reasonableness of TACIP Budget

In its first three years, TACIP accrued a surplus. Each year since then TACIP's expenses have increased substantially, exceeding the Board's annual revenues. The accrued surplus has been used each year to offset the annual revenue shortfall. TACIP's balance at the end of fiscal year 1992 was approximately 1.3 million dollars. The balance at the end of fiscal year 1993 will be approximately 256,000 dollars assuming no increase in the surcharge.

The increase in TACIP expenditures has resulted primarily from the expanded use of TACIP's message relay service. Indeed the demand for this service has exceeded the originally projected demand by a factor of three. More recent developments will place additional upward pressure on TACIP expenditures. The two principal developments are (1) technological upgrades required by the Federal Communications Commission (FCC) to implement the Americans with Disabilities Act of 1990 (ADA), and (2) the 1993 extension of eligibility for specialized equipment under TACIP to mobility impaired persons. These legal requirements in combination with the continued growth in the use of TACIP's message relay service will likely increase the program's budgetary requirements.

The budget proposed by the TACIP Board for fiscal year 1994 includes a 55.6% increase in expenses over the expense level for 1992. This represents a 22.6% increase over the estimated expenses for fiscal year 1993. Most of this increase is a function of the planned increase in costs under its message relay service contract with Deafness, Education & Advocacy Foundation, Inc. (DEAF or TRS Provider). The largest single component of the increase is DEAF's plan to hire additional communications assistants (CAs). These are the operators who relay calls between hearing persons and persons using TDDs.

Other significant components of the increase in expenses are (1) the additional maintenance and equipment costs associated with the TACIP WATS line which allows non-metro residents to gain access to the message relay service; (2) additional capital equipment to operate the message relay service in a manner that meets the increased demand for the service and applicable FCC standards; and (3) the cost of implementing a billing system to collect intrastate long distance charges.

The Commission finds that TACIP's budget for fiscal year 1994 is reasonable. Increased demand for the message relay service will certainly require additional CA personnel and equipment. Moreover, the budgeted increase in expenses under the message

relay contract is consistent with the projected increase in call volume for fiscal year 1994. The new FCC mandates are unavoidable and the cost of leasing the special modems for voice and hearing carryover capability identified in TACIP's budget are appropriate expenses of ensuring compliance with these requirements.

Implementation of a billing system to collect charges for intrastate long distance calls made through the message relay system is long overdue. The Commission approved tariffed rates for these calls in 1989 when it granted TACIP's request for a certificate of authority to resell intrastate long distance service. In the Matter of a Request for a Certificate of Authority to Resell Long Distance Service, Docket No. P-3008/NA-89-140, ORDER GRANTING CERTIFICATE OF AUTHORITY (September 26, 1989). TACIP's proposed billing system will begin recouping the costs associated with the provision of this long distance service from those actually benefitting from the service. The Commission is pleased to see TACIP implement this element of basic fairness.

The Commission's finding on TACIP's budget does not amount to approval of each specific element of that budget. The need for additional communications assistants, for example, is clear; yet the Commission questions the need to add the full complement of CAs contemplated in the proposed budget. The record suggests that the TRS Provider is over-staffed in the evening hours and that CA staff may not be used in the most efficient manner possible. Improvements in the management and scheduling of CA personnel and call processing may reduce the need for additional staff. Improvements that create further efficiencies in other areas may also reduce the upward pressure on costs. Although TACIP has submitted a reasonable budget for 1994, improvements may still be warranted and the Board should exercise considerable restraint in granting its contractors additional funds.

The Commission expects TACIP to investigate and study CA scheduling, work load and productivity during fiscal year 1994. In addition, the Board should work with its TRS Provider to improve specific areas of operation, including (1) the allocation of CA time devoted directly to the provision of message relay service; (2) call response time; and (3) the allocation of staff between peak and off-peak calling periods. TACIP should also require its TRS Provider to provide more specific data in these areas. The Board shall document and discuss the results of its investigation and its joint efforts with the TRS Provider to improve operating efficiency in TACIP's 1993 annual report to the Commission.

### Surcharge

TACIP proposes increasing the surcharge to the 20 cent maximum authorized by statute. This amount would fund TACIP's projected expenses through 1997 without a deficit. The charge would create a surplus for fiscal years 1994 and 1995, which would be carried forward to offset the annual deficits predicted for 1996 and

1997. The surplus, however, would offset only a portion of the deficit expected for fiscal year 1998, leaving a projected revenue shortfall of \$376,000.

The Board's request rests on two principal assumptions: (1) an increase in equipment distribution expenses for fiscal years 1993 and 1994; and (2) an increase in demand for the telecommunications relay service, beginning with a 15% increase in 1994 and gradually declining to a 5% increase in 1998. The Board also cites the four cent reduction in the 911 charge effective July 1, 1993 as support for its proposed increase in the TACIP charge. The Board argues that the 911 reduction will sufficiently reduce the customer impact of the increase in the TACIP charge.

The Commission finds that a 17 cent surcharge will be sufficient to fund the budget submitted by TACIP for fiscal year 1994. The 17 cent surcharge will, in fact, generate a surplus of \$128,717 which could be used to meet unexpected expenses not included in TACIP's 1994 budget. A higher surcharge would generate a significantly larger surplus to offset projected deficits in future years. The Commission considers it imprudent and unfair to ratepayers to create a surplus specifically for the purpose of paying expenses anticipated several years hereafter. Creating a surplus of this kind would remove much of the Board's incentive to find efficiencies and reduce costs. It would also run counter to the principle of inter-generational equity, which holds that the ratepayers who pay for particular services should also benefit from those services. The ratepayers who create the surplus contemplated by TACIP may not be in a position to benefit from the surplus expenditures two, three or four years hence.

The Commission concludes that the Board has submitted a reasonable budget for 1994. Therefore, it is appropriate to provide the revenue needed to implement that budget. The Board's projections for years beyond 1994 become increasingly speculative as they move further into the future. The Commission finds it inappropriate to raise the surcharge to a level that would fund these projected expenses. Expenditures anticipated in future years should be reviewed and funded in the context of proposed annual budgets. The Commission expects the Board to file annual budgets which the Commission will review under Minn. Stat. § 237.52, subd. 2 (1993). The Commission will approve surcharge levels necessary to fund those budgets to the extent they are reasonable.<sup>1</sup>

Telephone companies should implement the new 17 cent surcharge in the first practicable billing cycle following the date of this Order, but in no case later than August 1, 1993. The increase should be accompanied by a billing insert or a printed statement informing customers of the increase and the legal basis for the change. The statement should be worded as follows: "As

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<sup>1</sup> The Commission, of course, cannot approve any surcharge in excess of the 20 cent ceiling set by statute.

authorized by Law, the surcharge for Telecommunications Relay Services has been increased from 10 cents to 17 cents per telephone line." A telephone company shall submit alternative language to the Commission within 10 days of this Order if it cannot use the language suggested herein. Telephone companies should file revised tariffs to reflect the change in the surcharge.

### Budget Review Process

The Commission has serious concerns with TACIP's filing in this matter. The absence of adequate information and explanation in TACIP's written filing required substantial follow-up by Commission staff. This follow-up was generally conducted by telephone. Full and fair budgetary review is difficult under these circumstances. The process demands a much more complete written record. To that end, the Commission expects all future budget filings with the Commission to include, at a minimum, the following information and explanations:

1. a general narrative explaining the need for a change in the surcharge and identifying the inadequacies in the current surcharge.
2. For each line item in the budget, a separate column for each of the following:
  - a. the current dollar expense for each element of the line item;
  - b. the current total expense for the line item;
  - c. the proposed dollar expense for each element of the line item;
  - d. the proposed total expense for the line item;
  - e. the portion of the total increase attributed to the change in the number of items;
  - f. the portion of the total increase attributed to the change in the price per item; and
  - g. the percentage change in number, price, and total for each line item.
3. A calculation of the level of the surcharge needed to meet the proposed change in expenditures under the budget.
4. A narrative description of the items included in each line item.
5. Telecommunications relay data regarding the number of calls, including:

- a. the total number of incoming calls;
  - b. the total number of incoming calls actually answered by a communications assistant;
  - c. the average number of calls relayed per communications assistant on an hourly basis over a 24-hour period;
  - d. the average length of a relayed call;
  - e. the number of metro and outstate local calls and the percentage of total calls they represent;
  - f. the number and minutes of billable intrastate long distance calls and the percentage of total calls they represent;
  - g. the number and minutes of interstate long distance calls and the percentage of total calls they represent;
  - h. the number and percentage of total calls that are voice to TDD;
  - i. the number and percentage of total calls that are TDD to voice;
  - j. the number and percentage of calls answered within 10 seconds and within 30 seconds;
  - k. the percentage of time communications assistants are actually relaying calls;
  - l. the percentage of time communications assistants are not relaying calls and a description of the tasks assigned to communications assistants when they are not relaying calls; and
  - m. the percentage of time communications assistants are not relaying calls and not assigned tasks.
- 6. All work papers and calculations used to prepare the budget.
  - 7. Any other information the Board believes will help explain and justify its propose budget.

#### Identification of TACIP Surcharge

Minnesota law requires telephone companies to list the TACIP charge together with the 911 and telephone assistance plan charges as one amount on a customer bill. Minn. Stat. § 237.49. Typically, the TACIP component of that amount is referred to specifically in connection with communication impairment.

U S West Communications, Inc. (U S West), for example, identifies the three surcharges as "911/Tel Assist/Communication-impaired Surcharges."

Recently, however, the FCC issued a directive which prohibits telephone companies from identifying the TACIP surcharge in a manner that suggests the service is available only to one group of telephone subscribers. The Board, U S West and the Minnesota Telephone Association (MTA) agree that the references on current Minnesota phone bills must be changed to ensure compliance with the FCC directive. The Commission agrees since failure to comply may jeopardize FCC certification of Minnesota' telecommunications relay service.

U S West recommends using the word "tele-relay" to identify the TACIP surcharge on customer bills. U S West currently uses this term in other states, presumably without objection from the FCC. The Commission concludes that the term "tele-relay" would be appropriate in Minnesota and should be substituted for the TACIP references used to date. The term "tele-relay" refers generically to the primary service funded by the TACIP surcharge. It does not suggest in any way that this service is provided exclusively to the communication-impaired or any other discrete group. The term should, therefore, comply with the FCC directive.

If a telephone company cannot implement the TACIP reference required by this Order, it must inform the Commission of this fact by August 1, 1993.

#### **ORDER**

1. All Local Exchange Companies shall increase the TACIP surcharge from 10 cents to 17 cents per access line and shall revise their uniform TACIP tariffs accordingly. The new 17 cent surcharge shall be implemented in the earliest practicable billing period, but no later than August 1, 1993. The revised tariff shall be filed no later than August 1, 1993.
2. Any telephone company unable to begin billing the new surcharge by August 1, 1993 shall inform the Commission on or before that date of its inability to do so and shall provide the Commission with a proposed schedule for implementation.
3. The TACIP Board shall exercise substantial and careful fiscal restraint to minimize the need for future surcharge increases.
4. TACIP's budgets submitted to the Commission shall henceforth include the information identified above in the Commission's Findings and Conclusions.

5. The TACIP Board shall file future budgets on or before January 31 of each year.
6. Telephone companies shall identify the TACIP component of the surcharge line item on customer bills as "tele-relay" service.
7. Any telephone company unable to implement the new term identifying the TACIP component of the surcharge line item shall inform the Commission of its inability to do so by August 1, 1993.
8. Telephone companies shall provide customers with a billing insert or a printed statement informing them of the increase in the surcharge and the legal basis for the change. The statement should be worded as follows: "As authorized by Law, the surcharge for Telecommunications Relay Services has been increased from 10 cents to 17 cents per telephone line." A telephone company shall submit alternative language to the Commission within 10 days of this Order if it cannot use the language suggested herein.
9. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster  
Executive Secretary

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