

P-999/CI-93-1010 ORDER REDUCING TAP SURCHARGE AND MAINTAINING TAP CREDIT AT CURRENT LEVEL

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
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Commissioner

In the Matter of Annual Consideration of Possible Changes in the Telephone Assistance Plan Surcharge and the Telephone Assistance Plan State Credit for Calendar Year 1994

ISSUE DATE: November 1, 1994

DOCKET NO. P-999/CI-93-1010

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PROCEDURAL HISTORY

In 1987 the Minnesota legislature established the Telephone Assistance Plan (TAP) to provide bill credits to low income telephone subscribers who were at least 65 years old.

In 1988 the legislature amended the plan to extend the credits to low income disabled subscribers.

The current credit is in most cases \$3.50, the statutory maximum. The Federal Communications Commission provides matching funds by waiving a portion of the interstate access charge equal to the amount of the credit.

The plan is funded by a monthly surcharge to telephone subscribers. Until last year's annual review, the TAP surcharge was 10 cents per access line, the maximum permitted by statute. On October 29, 1993, the Commission issued an Order following its most recent annual review of the TAP surcharge and credit amounts. In that Order, the Commission reduced the surcharge from \$0.10 to \$0.08, effective January 1, 1994, and maintained the state TAP credit at its current amount (no more than \$3.50) for calendar year 1994. See ORDER REDUCING TAP SURCHARGE AND MAINTAINING TAP CREDIT AT CURRENT LEVEL, Docket No. P-999/CI-93-1010 (October 29, 1993).

On October 25, 1994, the Commission met to conduct its annual review of the TAP surcharge and bill credit and to set those levels for calendar year 1995.

FINDINGS AND CONCLUSIONS

The Commission's Role

The Commission serves as coordinator of the telephone assistance plan (TAP) pursuant to Minn. Stat. § 237.70, subd. 7 (d) (1992). The statute requires the Commission to adjust the level of the TAP surcharge and the level of the TAP credit to maintain appropriate levels in the state TAP fund. Under Minn. Rules, Parts 7817.0300 and 7817.0500, the surcharge and credit levels must be determined on an annual basis, no later than November 30, to be effective for the subsequent calendar year. The surcharge cannot exceed 10 cents per access line. Minn. Stat. § 237.70, subd. 6 (1992). The credit cannot exceed:

1. more than 50 percent of the local exchange rate charged for the local exchange service provided to the household by that household's telephone company; and
2. the level of credits than can actually be funded [by the surcharge].

Minn. Stat. § 237.70, subd. 5 (1992).

TAP Credit Level Review

Over time, the Commission has increased the state TAP credit to match the periodic increases in waiver of the federal subscriber line charge (currently \$3.50 for most telephone companies). At this point, the state TAP credit is at the maximum level permitted by statute. To date, the Commission has never had to decrease the state TAP credit to conserve the TAP fund.

The Commission finds that the current TAP credit level is appropriate and will maintain that level in calendar year 1995.

TAP Surcharge Review

In last year's annual review, the Commission found that the surplus on hand at the end of fiscal year '93 had grown to \$2,929,490. The Commission noted that it had been reasonable in the early potentially volatile years of the program to maintain a substantial surplus to assure continued operation of the program. In those early years there was insufficient experience with the program to be sure that demand would not suddenly soar beyond revenue. In light of confirmed trends (reduced demand for TAP credits and growth in access lines) and the resulting revised projections, the Commission found that the TAP balance was less and less justifiable.

Based on these findings, the Commission concluded that an \$0.08 surcharge would be adequate to fund the TAP at the current maximum TAP credit level for the coming three years and still leave a reasonable surplus in the TAP fund at the end of FY 1996. Accordingly, the Commission ordered a reduction in the TAP surcharge to \$0.08 effective January 1, 1994.

In its current review of TAP enrollment, revenues and expenditures for 1994, the Commission finds that despite the surcharge reduction to \$0.08 the program continues to grow in numbers served and continues to maintain a substantial surplus.

Moreover, based on a projected annual enrollment growth of 2,000¹, maintaining the TAP surcharge at the current level (\$0.08) is likely to continue to produce an unreasonably high surplus. The projected surplus, as of June 30, 1997, would be \$2,319,579.

Commission Action Regarding the 1994 TAP Surcharge

¹ This is a realistic enrollment growth figure based on historical growth patterns.

As it found in last year's TAP Review Order, the Commission believes that a surplus of this size is unnecessary to safeguard the program. Accordingly, the Commission will move to reduce it by further reducing the surcharge to \$0.06. If this rate is maintained for the next three years, the projected surplus for that same date (June 30, 1997) is \$505,874, a much more appropriate amount.

The Commission will, of course, continue to monitor the TAP performance during the coming year. The Commission will revise its projections as warranted and review the TAP surcharge and TAP credit pursuant to Minn. Rules, Parts 7817.0300 and 7817.0500, no later than November 30, 1995.

ORDER

1. The surcharge level for the Telephone Assistance Plan shall be reduced from \$0.08 per access line to \$0.06 per access line for calendar year 1995.
2. The credit level for the Telephone Assistance Plan shall remain at its 1994 levels for calendar year 1995.
3. Within 30 days of this Order, all telephone companies shall file copies of their revised tariff sheets reflecting these decisions effective January 1, 1995.

4. All telephone companies shall provide notice to customers of the surcharge reduction. The notice may be printed on bills or be provided as a separate billing insert. The notice shall accompany the first bill for which the reduction takes effect.
5. Docket No. P-999/CI-93-1010, the docket opened to monitor the TAP for calendar year 1994 is hereby closed; the Commission shall continue to monitor TAP in Docket No. P-999/CI-94-902.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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