

ISSUE DATE: November 5, 1996

DOCKET NO. P-999/CI-95-1263

DOCKET NO. P-999/CI-96-1331

ORDER MAINTAINING CURRENT SURCHARGE LEVEL FOR CALENDAR YEAR 1997
AND CLOSING FY 1996 MONITORING DOCKET

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Joel Jacobs
Marshall Johnson
Dee Knaak
Mac McCollar
Don Storm

Chair
Commissioner
Commissioner
Commissioner
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 1996

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YEAR 1997 AND CLOSING FY 1996
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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 (FCC) 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 the annual review for FY 1993, the TAP surcharge was 10 cents per access line, the maximum permitted by statute.

On November 30, 1995, the Commission issued its ORDER MAINTAINING CURRENT SURCHARGE LEVEL FOR CALENDAR YEAR 1996 AND CLOSING FY 1995 MONITORING DOCKET. In that Order, the Commission announced the results of its annual review of the TAP surcharge and bill credit and to set those levels for calendar year 1996. The Commission stated:

In its current review of TAP enrollment, revenues and expenditures for 1995, the Commission finds enrollment growth is slowing and appears to be approaching or, in fact, to have already reached a plateau. While recipient growth was 2 percent in 1994, it was only .1 percent for the first six months of 1995. Based on current information, it appears that the current \$0.06 surcharge does not generate enough revenue in FY 1996 to cover TAP credits and expenses for FY 96. However, due to the fund balance carried over from previous years, it appears that it will be possible to maintain the surcharge at \$0.06 and still experience a positive balance at the end of FY 1996. At the same time, however, the projected balance is not such that it warrants a further reduction of the surcharge and eventually the surcharge may have to be increased. Order at page 3.

On October 29, 1996, the Commission met to review the Fourth Quarterly Staff Report regarding TAP enrollment, revenue and expenditures during FY 96 and to conduct its annual review of the TAP surcharge and bill credit and to set those levels for calendar year 1997.

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) (1994). 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 (1994). The credit cannot exceed

- 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
- the level of credits that can actually be funded by the surcharge.

Minn. Stat. § 237.70, subd. 5 (1994).

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 which is 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.

Based on its review of TAP budget projections for FY 1997 to 1999, the Commission finds that the current TAP credit level is appropriate and will maintain that level in calendar year 1997.

TAP Surcharge Review

Last year when it reviewed FY 1995, the Commission found it appropriate to maintain the surcharge at \$0.06, the level to which it had reduced the surcharge in the previous year. The Commission concluded that although the growth in demand for TAP service appeared to be leveling off and that revenues in FY 1996 might not cover expenses, there was adequate reserve on hand to warrant maintaining the surcharge at the lower \$0.06 level.

Based on its review of actual figures for FY 1996, the Commission finds that actual TAP revenues for that period were above projection while expenses closely tracked the projected figures. In addition, the projected levels of collections and expenses for FY 1997 likewise support maintenance of the current \$0.06 surcharge level.

In this process, the Commission balances several goals: rate stability (avoiding constant or precipitous changes in the surcharge level), assured continuous operation (having adequate reserves to ride out any short term precipitous reductions in total annual revenue), and avoidance of unreasonably high surcharge levels (i.e., levels that produce an unnecessary surplus level). With these goals in mind, the Commission will

- ▶ close the docket opened to set TAP surcharge and credit levels for calendar year 1996 and to monitor the TAP program during FY 1996, Docket No. P-999/CI-95-1263;
- ▶ maintain the current TAP surcharge and credit levels for calendar year 1997;
- ▶ continue to monitor the TAP performance during FY 1997, revising its projections as warranted, in Docket No. P-999/CI-96-1331, and
- ▶ open a docket at a later date to 1) set the TAP surcharge and TAP credit for calendar year 1998 pursuant to Minn. Rules, Parts 7817.0300 and 7817.0500 no later than November 30, 1997 and 2) receive and review quarterly reports regarding TAP operations for FY 1998.

ORDER

1. The surcharge level for the Telephone Assistance Plan shall be maintained at \$0.06 per access line for calendar year 1997.

2. The credit level for the Telephone Assistance Plan shall remain at its 1996 levels for calendar year 1997.
3. Docket No. P-999/CI-95-1263, the docket opened to set the TAP surcharge and credit levels for FY 1996 and to monitor the TAP for calendar year 1996 is hereby closed. The Commission will continue to monitor TAP for FY 1997 in Docket No. P-999/CI-96-1331.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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