

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Edward A. Garvey

Chair

Joel Jacobs

Commissioner

Marshall Johnson

Commissioner

LeRoy Koppendrayer

Commissioner

Gregory Scott

Commissioner

In the Matter of a Petition by the Office of
Attorney General for Expedited Relief for the
Telephone Assistance Plan

ISSUE DATE: March 22, 1999

DOCKET NO. P-999/M-98-1234

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 1999

DOCKET NO. P-999/CI-98-1720

ORDER ACCEPTING REPORTS,
EXTENDING CURRENT PROGRAM
LEVELS, AND AUTHORIZING
CONTINUATION OF VOICE MAIL
PROGRAM

PROCEDURAL HISTORY

On September 30, 1998, the Commission issued an Order adjusting Telephone Assistance Plan (TAP) credit levels to \$1.75 or \$7.00, depending on whether an individual receives federal telephone assistance. The Commission stated that it would continue to monitor the effect of the TAP credit levels on the TAP fund balance.

On November 23, 1998, the Commission issued an Order maintaining the TAP surcharge at \$0.06 per line.

Pursuant to previous Commission directives, the telephone companies participating in Minnesota's Telephone Assistance Plan submitted TAP reports for the 2nd Quarter Fiscal Year (FY) 1999 and full Calendar Year (CY) 1998.

On February 8, 1999, the Department of Human Services (which administers TAP) submitted a letter to the Commission (which sets TAP credit and surcharge levels and coordinates the program). The Department of Human Services (DHS) seeks Commission guidance regarding the unexpended balance of the original \$50,000 the legislature provided (through TAP) to fund a pilot Voice Mail project for low-income persons. The grant contract with the Voice Mail provider has expired and DHS has submitted its report on the pilot project to the legislature; DHS now asks if it should continue the program, without further legislative direction, until the remaining funds are exhausted.

On March 9, 1999, the Commission met to consider various TAP issues.

FINDINGS AND CONCLUSIONS

I. INTRODUCTION AND SUMMARY OF THE ORDER

In this Order the Commission will first discuss the factual background which prompts careful monitoring of the TAP fund balance and credit and surcharge levels. The Commission will next review the information provided on the fund for FY 99 and CY 1998. In the next part of the Order, the Commission will reexamine the propriety of the TAP credit levels set in the September 30, 1998 Order. Finally, the Commission will determine if the TAP Voice Mail project should continue in 1999.

II. FACTUAL BACKGROUND

The Minnesota Telephone Assistance Program was established in 1987 to promote universal service by providing bill credits to elderly and disabled Minnesotans with low incomes. The program is funded by a monthly surcharge on all telephone lines, not to exceed ten cents per line, and is jointly administered by the Commission, the Department of Human Services, and the local telephone companies. Minn. Stat. §§ 237.69-237.711.

TAP was originally designed to leverage federal telephone assistance funds. Minn. Stat. § 237.70, subd. 3. The Commission therefore set the maximum monthly credit at \$3.50, the amount formerly available in federal matching funds. Most program participants thus received a combined federal/state monthly bill credit of \$7.00. (Participants whose local service bills were under \$7.00 received less, since the TAP statute limits the amount of the state credit to 50% of the local service bill. Minn. Stat. § 237.70, subd. 5.)

Following the passage of the federal Telecommunications Act of 1996, the Federal Communications Commission (FCC) developed a new universal service program with new participation rules. The FCC's program raised the level of federal telephone assistance credits from \$3.50 to \$5.25 or \$7.00, depending upon whether the state program qualifies for matching funds. (If the state does qualify, the benefit level is \$7.00; otherwise it is \$5.25.) Minnesota's TAP program does not currently qualify for matching federal credits under the new FCC rules. However, if TAP participants qualify for and participate in specific federal assistance programs, they may still receive the new federal "baseline" benefit of \$5.25.

The Commission's September 30, 1998 Order sought to mitigate the effects of these changes by setting the new TAP credit level at \$1.75 for persons receiving the \$5.25 federal baseline assistance and \$7.00 for persons not receiving such assistance. All TAP participants (except those in low-rate areas subject to the 50% cap) thus continue to receive a total monthly telephone assistance benefit level of \$7.00.

Finally, the Commission recognized that guaranteeing a set level of benefit--whether or not a participant eligible for federal assistance applies for and receives such assistance--could result in an over-reliance on the TAP fund, and thus a premature depletion of the TAP fund balance. The Commission stated that it would carefully monitor TAP expenditures and the TAP fund

balance until July 1, 1999, when the Commission planned to reexamine and possibly adjust TAP

credit and surcharge levels in light of any further guidance from the legislature.

III. TAP REPORTS FOR 2ND QUARTER FY 99 AND CY 1998

The TAP reports, based on information provided by the telephone companies participating in TAP, provided extensive information on numbers of access lines contributing to TAP, the numbers of TAP beneficiaries, and the revenues and expenditures for the program. Pursuant to the Commission's direction, the companies also separated TAP participants into those getting federal telephone assistance (thus receiving \$1.75 from TAP) and those not receiving federal support (thus receiving \$7.00 from TAP). The figures show that, as of December, 1998, at least 51% of the TAP recipients received federal telephone assistance.

The Commission finds that the companies' reports for 2nd quarter FY 99 and CY 1998 are both complete and useful. The Commission will accept the reports and require the companies to continue their TAP reports on the same basis. The reports will be particularly valuable as the Commission further assesses the TAP surcharge/credit levels in the coming fiscal year.

IV. REVIEW OF TAP CREDIT LEVELS

Although the TAP reports show a decrease in the TAP fund balance, that decrease represents an anticipated gradual drawdown of the fund. The data show that the TAP fund, while shrinking, will remain viable without any changes in credit/surcharge levels at least through the beginning of the year 2000. The Commission thus finds that it can maintain a sufficient balance in the TAP fund without making any adjustments before October 1, 1999 (rather than July 1, 1999, as previously projected). The Commission will therefore extend the current TAP credit and surcharge levels until October 1, 1999, at which time the Commission may implement necessary adjustments to TAP surcharge/credit levels.

At the same time, the Commission must continue to monitor the fund closely, to ensure that the decreasing balance, the changes in the federal law, and the uncertainties in federal assistance participation do not jeopardize the health of the program.

At the March 9 meeting, representatives of the Department of Public Service and the Residential Utilities Division of the Office of Attorney General expressed a desire to study available data further and to provide comment and analysis before the Commission considers any change to the current credit or surcharge levels. The Commission welcomes the participation and contribution of these agencies, as well as any other interested parties. The Commission will therefore establish a comment period that will provide sufficient time for the Commission to benefit from the information provided, to meet to decide on the necessary TAP program adjustments (if any), and to put any adjustments into effect by October 1, 1999. The Commission will delegate to its Executive Secretary the authority to establish comment periods and to send parties any necessary notices.

V. CONTINUATION OF VOICE MAIL PROJECT FOR 1999

Approximately \$11,000 remains of the original sum provided to the DHS for its pilot low-income Voice Mail project administered through TAP. That sum should be expended for the purpose originally earmarked by the legislature. As coordinator of the TAP program, the Commission will therefore approve the continuation of the Voice Mail project until the current funds are exhausted. The Commission will authorize its Executive Secretary to sign any provider contracts necessary to implement the program until the funds are fully expended.

ORDER

1. The Commission accepts TAP reports for 2nd quarter FY 99 and full CY 98.
2. The Commission delegates to its Executive Secretary the authority to establish comment periods to gather data regarding the TAP fund balance, TAP surcharge and credit levels, and factors impacting these issues. The Executive Secretary is authorized to send any notices necessary to implement the comment periods.
3. The Commission authorizes the continuation of the current low-income Voice Mail pilot project until the current funds in the project fund are exhausted. The Commission authorizes its Executive Secretary to sign any provider contracts necessary to implement the program until the funds are fully expended.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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