

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye  
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Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of the Annual Consideration of  
Possible Changes to the Telephone Assistance  
Plan Surcharge and the Telephone Assistance  
Plan State Credit

ISSUE DATE: March 29, 2007

DOCKET NO. P-999/CI-06-1399

ORDER ACCEPTING TAP REPORTS,  
RETAINING CURRENT BENEFITS AND  
REDUCING TAP SURCHARGE

**PROCEDURAL HISTORY**

On January 5, 2007, the Commission issued a Notice of Opportunity for Comments, which presented options for Commission consideration regarding possible reductions to the Telephone Assistance Plan (TAP) fund balance. The notice stated that the Commission would accept written comments on the matter until February 5, 2007, and reply comments until February 15, 2007.

The Minnesota Telecom Alliance (MTA) filed comments on February 1, 2007.

The Legal Services Advocacy Project (LSAP) filed comments on February 2, 2007.

On February 5, 2007, the following parties filed comments:

- Department of Commerce (the Department);
- Minnesota Office of the Attorney General - Residential and Small Business Utilities Division (RUD-OAG); and
- Qwest Corporation

The matter came before the Commission on March 15, 2007.

## FINDINGS AND CONCLUSIONS

### **I. Background**

In 1987 the Minnesota Legislature created the TAP program to promote universal service by providing telephone discounts to elderly and disabled Minnesotans with low incomes. The program was later expanded to include low income people without regard to age or disability status. Funded by a surcharge on telephone lines, TAP provides subsidies, or “credits,” for local telecommunications service to low-income consumers.

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, and the local telephone providers. The Commission is authorized under the enabling statute to establish the amount of the TAP credits, and the amount of surcharge on telephone lines used to fund the program.<sup>1</sup>

The TAP program now provides a monthly credit of \$1.75 for TAP recipients. The Commission funds the TAP program with a \$0.05 monthly surcharge on all telephone access lines.

The TAP fund balance was \$4.5 million as of December 31, 2005, and is currently \$5.24 million. The Commission has previously considered means by which to reduce the surplus; however, to date it has deferred action, based on requests by the RUD-OAG, the Department and the Legal Services Advocacy Project (LSAP)<sup>2</sup> and a workgroup convened to address issues related to TAP.<sup>3</sup>

To operate the TAP program, approximately \$1.36 million currently is needed per year.

### **II. TAP Reports, Surcharges and Credits**

#### **A. Options Presented**

The Commission considered alternative strategies with respect to the TAP fund balance:

- a) make no change to either the TAP surcharge or credit;
- b) reduce the TAP surcharge only;
- 3) increase the TAP credit only; or
- 4) reduce TAP surcharge and increase TAP credit.

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<sup>1</sup> Minn. Stat. § 237.69 - § 237.72.

<sup>2</sup> See, e.g. Order Accepting TAP Reports and Maintaining Current Surcharge and Credit Levels, Docket No. P-999/CI-06-405 (May 10, 2006).

<sup>3</sup> *Order Establishing Verification Procedures, Accepting TAP Reports, and Maintaining Current Surcharge and Credit Levels*, Docket No. P-999/CI-04-305, June 10, 2005.

## **B. Positions of the Parties on Surcharges and Credit**

The Department supported reducing the TAP surcharge or a more modest reduction to the surcharge coupled with an increase in the TAP credit.

The RUD-OAG filed comments recommending a simultaneous decrease in the TAP surcharge with an increase to the TAP credit.

Qwest recommended reducing the surcharge to two cents and maintaining the current \$1.75 credit, as did MTA.

LSAP recommended that, to the extent possible, the Commission should maximize the TAP credit, while ensuring the ability to sustain it over time, indicating that fluctuations in the credit received are problematic for eligible customers.

## **C. Commission Analysis and Action**

Having reviewed the TAP reports<sup>4</sup> for 2006, the Commission will accept the reports.

The Commission recognizes the importance of the TAP program to low-income consumers. The credit provides meaningful financial assistance to the price of basic phone service for those who qualify for the program. Ensuring the stability of the credit to qualifying consumers is of paramount concern. Therefore, the Commission will maintain the current credit to consumers as the most prudent course for the present.

The Commission also recognizes, however, that measures are needed to reduce the increasing growth in the size of the TAP fund balance. It is the Commission's understanding that a reduction in the surcharge by one cent (to four cents) results in a break even scenario for the TAP fund balance – i.e., where the money coming into the fund through the surcharge goes out through the credit.<sup>5</sup> Each additional cent reduction in the surcharge, beyond the break even point of four cents, results in a reduction of the fund balance of approximately \$330,000 per year.

The Commission will therefore decrease the surcharge to telephone service providers from five cents to two cents. This amount of reduction will reduce the size of the TAP fund balance over time, without threatening the stability of the credit to low-income consumers.

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<sup>4</sup> These include the annual reports on TAP receipts and expenditures filed under Minn. Rules 7817.0900, subp. 4.

<sup>5</sup> However, the fund balance would continue to grow due to accumulating interest.

This decrease also preserves the established TAP reporting procedures.<sup>6</sup>

To allow local service providers time to coordinate billing system and tariff changes necessitated by these actions, the Commission will order implementation of the changes on July 1, 2007.

**ORDER**

1. The Commission accepts the TAP reports for 2006.
2. TAP credits shall be maintained at current levels.
3. TAP surcharges shall be reduced by three cents, to a total of two cents, commencing on July 1, 2007.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

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<sup>6</sup> If the Commission were to completely eliminate the surcharge at this time, it would require companies to stop TAP collection on a temporary basis, only to require recommencing collection when the surplus has been depleted. Such a move would result in increased costs and customer confusion.