

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Commission,) Application No. C-3337
on its own motion, to determine)
the surcharge for the statewide) ORDER SETTING SURCHARGE
Telecommunications Relay System)
to be effective July 1, 2005)
State of Nebraska.) Entered: April 26, 2005

BY THE COMMISSION:

B A C K G R O U N D

The above-captioned proceeding was opened by the Commission, on its own motion, to determine the appropriate surcharge for the statewide Telecommunications Relay System (TRS) to be effective July 1, 2005. The Commission is charged by statute to hold an annual public hearing, prior to April 1 of each year, to determine the amount of surcharge necessary to carry out the provisions of the Telecommunications Relay System Act (Neb. Rev. Stat. § 86-301 to 86-315). The surcharge is used to fund the TRS and the Equipment Distribution Program (EDP) for the coming year.

Notice of the proceeding appeared in The Daily Record, Omaha, Nebraska, on January 27, 2005. The public hearing was held March 9, 2005 in the Commission Hearing Room.

O P I N I O N A N D F I N D I N G S

Steve Stovall, staff accountant for the Commission's Communication Department testified that Hamilton Telecommunications (Hamilton), which has the current contract for provision of TRS service in Nebraska, provided annual usage statistics since 1991, when operations began that reflect actual usage data through January of 2005.

Mr. Stovall presented six exhibits: the first assumed the surcharge remained at seven cents; the second assumed the surcharge was reduced to six cents; the third assumed the surcharge was increased to eight cents; the fourth and fifth contained selected historical statistics of the program; and the sixth was a graphical representation of the annual surcharge rate since 1991. The expenses in this information are similar to the information previously provided to the Commission and were categorized for both the TRS program and Equipment Distribution Program to accurately reflect the cost associated with these programs.

The first exhibit, assumed the surcharge remained at its current level of seven cents and reflected the current fiscal year 2004-05 with cost and revenue data updated to actual through January 2005 and projected through June 2006. Exhibit 1 also shows the resulting impact on reserve balance. The monthly costs

represented two programs: the TRS and Equipment Distribution Program. Exhibit 2 made similar reflections based on fiscal years and cost and revenue data, but reduced the surcharge to six cents. Exhibit 3 increased the surcharge to eight cents, but was only done for illustrative purposes. Exhibit 1 results in a projected reserve balance of \$447,234, and Exhibit 2 results in a projected reserve balance of \$237,115.

Further, Mr. Stovall testified that for each of the first three exhibits, cost columns for CapTel have been incorporated into the projections. This service began October 1, 2004 and is provided by Hamilton. These cost projections involve both a service provider and an equipment aspect. The minutes of use per person is projected assuming 108 minutes of use each at \$1.45 per conversation minute. For the equipment aspect, 10 users at a unit cost of \$399 is used for each month. Based on these scenarios, Mr. Stovall testified that it was his recommendation to maintain the surcharge at its existing level of seven cents, beginning July 1, 2005.

Mr. Stovall continued to testify that based on the information he provided the Commission, the access lines will be growing and generating additional revenue to the fund. To come to that conclusion, Mr. Stovall performed a historical analysis on access line growth which has declined to about 2% for calendar year 2004 while the growth rate for 2003 was 3.7%. Annual growth rates from 1999 to 2002 were in the 6-7% range. Mr. Stovall applied a monthly growth of 1,500 lines per month, which he described as "conservative".

In explaining that the Commission staff's recommendation was to maintain the surcharge at its current level, Mr. Stovall relied on two observations. First, Mr. Stovall testified, that to maintain a reasonable reserve in the fund (equal to a range of two to four months of program costs,) the six cent surcharge would result in a reserve balance at the lower end of the reasonable range. It would cost approximately \$110,667 per month to administer the program based on the twelve month average for 2004-2005. Two months' reserve balance using this estimate would be \$221,353 compared to the \$237,115 forecasted reserve for the six cent surcharge. The mid to upper range of monthly costs for a reasonable reserve, three and four months of estimated costs, would be \$332,031 and \$442,709, respectively. The seven cent surcharge would be closer to the upper range of a reasonable reserve. Moreover, the Federal Communications Commission is considering rules which may cause the states to absorb costs that NECA was formerly paying. These include costs associated with IP, VRS relay and wireless calls that a six cent surcharge could not adequately fund and provide for a reasonable reserve.

As his second reason as to why the Commission Staff has recommended maintaining the current surcharge level, Mr. Stovall stated that the CapTel service is in its infancy, and there is not enough historical data to predict this service cost with any degree of confidence. Further, he stated that to the extent that actual minutes of use exceed forecasts, the six cent surcharge may not be adequate.

To close, Mr. Stovall reported that the total minutes for relay service have declined for the last three years which may be explained by the entrance of new technologies like IP and VRS. However, it is hard to determine how these services will affect future TRS usage. No other testimony was offered at the hearing.

Lastly, on January 27, 2005, Ms. Tami Richardson-Nelson, Chairperson of the TRS Advisory Committee, stated that it was the unanimous vote of the Advisory Committee that the surcharge remain at seven cents.

The Commission finds that the recommendations of Mr. Stovall and the TRS Advisory Board are reasonable and that the surcharge should remain at seven cents. The Commission has traditionally held that a minimum reasonable reserve level should be approximately equal to two or three months of total program costs. The forecasted reserve at the seven cent surcharge level would be within this range.

The Commission finds, based on the testimony and evidence adduced at the hearing, that the surcharge should remain at seven cents.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that, pursuant to the Telecommunications Relay System Act, the surcharge remain at seven cents per access line for the period beginning July 1, 2005.

IT IS FURTHER ORDERED that all affected telecommunications companies are hereby required, beginning July 1, 2005, to collect a seven cent surcharge per month on each telephone access line in Nebraska, provided that the surcharge shall be only collected on the first one hundred access lines per customer.

MADE AND ENTERED at Lincoln, Nebraska, this 26th day of April,
2005.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Chairman

ATTEST:

Executive Director