

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Commission,) Application No. C-3530
on its own motion, to determine)
the surcharge for the statewide) ORDER SETTING TRS SURCHARGE
Telecommunications Relay System)
to be effective July 1, 2006,)
in the state of Nebraska.) Entered: April 4, 2006

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, 2006. 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 February 9, 2006. Notice of the hearing was also mailed to all known interested parties on February 7, 2006. The public hearing was held on March 7, 2006 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 statistics since 1991, when relay operations began that reflect actual usage data through January of 2006.

Mr. Stovall presented seven exhibits: the first contained historical data for the last three years; the second was a forecast assuming the surcharge remains at seven cents; the third forecast assumed the surcharge was reduced to six cents; the fourth forecast assumed the surcharge was reduced to five-cents; the fifth forecast assumed the surcharge was reduced to four cents; the sixth contained selected historical statistics of the program; and the seventh was a graphical representation

of the annual surcharge since 1991. The expenses depicted in these exhibits have been provided to the Commission using this format in the past where the TRS and EDP expenses are separately categorized.

The fourth exhibit, assumed the surcharge was reduced to five-cents effective July 1, 2006, and reflects the current fiscal year 2005-06 with the cost and revenue data updated to actual through January 2006 and projected for February 2006 through June 2007. Exhibit 4 also shows the resulting impact on the combined programs reserve balance. The monthly total costs include both the TRS and EDP expenses. Exhibit 5 made a similar analysis but reduced the surcharge to four cents effective July 1, 2006. Exhibit 2 assumed the surcharge remained at seven cents to demonstrate that the reserve balance would be \$769,837 at the end of the current fiscal year. Exhibit 4 projects an average reserve balance of \$602,888 at the end of the next fiscal year while Exhibit 5 projects that the reserve balance would be \$380,856.

Further, Mr. Stovall testified that for each of the first five 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 include both a service provider and an equipment component. The usage projection is based on the assumption that each person uses 70 minutes each month at \$1.52 per conversation minute. For the equipment piece, the forecast is based on adding 10 users each month at a cost of \$399 each. Based on these scenarios and his experience as administrator of these programs, Mr. Stovall testified that it was his recommendation to reduce the surcharge to five-cents, beginning July 1, 2006.

Mr. Stovall continued to testify that based on the information he provided the Commission access lines have been growing thereby generating some additional revenue to the fund. To come to that conclusion, Mr. Stovall performed a historical analysis on access line growth which increased 3.5% in calendar year 2005 which followed a 2% decline for calendar year 2004. The growth rate for 2003 was 3.7%. Annual growth rates from 1999 to 2002 were in the 6-7% range. Mr. Stovall's forecast used a monthly access line growth of 2,000 lines, which he described as "conservative".

In further support for the Commission staff's recommendation to lower the surcharge to five-cents, Mr. Stovall shared two observations. First, Mr. Stovall testified, that to maintain a "reasonable reserve" in the fund setting the surcharge at four cents would result in a June 2007 reserve

balance within a reasonable range, however this reserve could not be sustained beyond one year with the surcharge set at four cents. Adopting a five-cent surcharge should provide sufficient operating reserve through the next two assessment periods. A review of the reserve balance at the five-cent level beginning in July 2006 indicates that the balance declines monthly yet results in a reserve sufficient to absorb the net cost of administering the program. Moreover, the Federal Communications Commission is considering rules, which may result in the states absorbing costs that NECA is currently paying. These include costs associated with Internet Protocol (IP), Video (VRS) and wireless relay services that a four-cent surcharge could not adequately fund while maintaining a reasonable reserve.

As his second reason for reducing the surcharge level, Mr. Stovall stated a five-cent surcharge is closer to the average monthly cost of administering the programs. Based on his calculations, \$.0587 is the monthly surcharge required to produce sufficient revenue to fund the programs on a monthly basis. Therefore, based on the current and forecasted monthly cost of the two programs a five-cent surcharge would gradually reduce the fund's reserve balance and at the same time provide sufficient operating revenue.

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

Lastly, Tami Richardson-Nelson, Chairperson of the TRS Advisory Committee submitted a letter dated February 28, 2006, that at the January scheduled meeting of the Advisory Committee, the committee unanimously approved recommending that the Commission reduce the surcharge to five-cents effective July 1, 2006.

The Commission finds that the recommendations of Mr. Stovall and the TRS Advisory Committee are reasonable and that the surcharge should be reduced to five-cents.

The Commission finds, based on the testimony and evidence adduced at the hearing, that the TRS surcharge should be reduced to five-cents effective July 1, 2006.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that, pursuant to the Telecommunications Relay System Act, the TRS surcharge be reduced to five-cents per access line beginning July 1, 2006.

IT IS FURTHER ORDERED that all affected telecommunications companies are hereby required, beginning July 1, 2006, to collect a five 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 4th day of April, 2006.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Chairman

ATTEST:

Executive Director