

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Commission,) Application No. C-4437
on its own motion, to determine)
the surcharge for the statewide)
Telecommunications Relay System) ORDER SETTING SURCHARGE
to be effective July 1, 2012, in)
the State of Nebraska.)
) Entered: March 27, 2012

BY THE COMMISSION:

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, 2012. 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 Nebraska Specialized Telecommunications Equipment Program (NSTEP) for the coming year.

Notice of the proceeding appeared in The Daily Record, Omaha, Nebraska, on March 15, 2012. The order opening the above-captioned docket and setting the hearing was entered on January 31, 2012, and mailed to all interested parties. Public hearings were held on March 13, 2012, and March 20, 2012, 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 on behalf of the Staff. Mr. Stovall included seven attachments to his written testimony. The seven attachments are as follows, the first contains historical data concerning the surcharge for the previous two fiscal years including the TRS Fund balance; the second is a forecast assuming the surcharge remains at five-cents (\$.05); the third attachment is a forecast assuming the surcharge is reduced to four-cents (\$.04); the fourth attachment is a forecast assuming the surcharge is reduced to three-cents (\$.03); the fifth attachment contains selected historical statistics of the TRS program; the sixth is a graphical representation of the TRS surcharge levels since 1991; and the seventh is a graphical representation of the annual surcharge rates compared to the actual costs per line. Lastly, staff offered Exhibit No. 5 that contained information regarding a media campaign proposed by Sprint with Husker Sports Marketing.

The third attachment forecasts the TRS Fund balance assuming the surcharge is reduced to four-cents (\$.04) effective July 1, 2012. Attachment No. 3 reflects the fiscal years 2011-12 and 2012-13 with the projected cost and revenue data through fiscal year 2013-14. Attachment No. 3 projects an average reserve balance of \$596,306 at the end of the 2012-13 fiscal year and a reserve balance of \$535,758 at the end of fiscal year 2013-14.

Attachment No. 2 made a similar analysis but assumed the surcharge remained at the current five-cent (\$.05) level. Attachment No. 2 projects a reserve balance of \$842,211 at the end of fiscal year 2012-13.

Attachment No. 4 again made a similar analysis but assumed the surcharge was reduced to three-cents (\$.03). Attachment No. 4 projects a reserve balance of \$350,400 at the end of the next fiscal year, and a reserve balance of \$34,520 at the end of fiscal year 2013-14.

Mr. Stovall testified that in Attachment Nos. 2, 3, and 4, cost columns for CapTel have been incorporated into the projections. The CapTel service began October 1, 2004. These cost projections include both a service provider and an equipment component. Total minutes of use for traditional relay use is projected and adjusted downward using a mathematical forecasting technique known as linear regression. The decision to forecast reduction in minutes of use is consistent with the decline in minutes that has been evident in previous years. In fiscal year 2008-09, the usage minutes declined 29% from the previous year's usage, but the decline has slowed in the past years, with only a 14.58% decline in usage minutes in fiscal year 2009-10 and around 15.5% decline in fiscal year 2010-11.

Based on these scenarios and his experience as administrator of these programs, Mr. Stovall testified that he recommends the surcharge be reduced to four-cent (\$.04) level for the next fiscal year beginning July 1, 2012.

The revenue generated from a four-cent (\$.04) surcharge will allow the expenses of the program to be slightly higher than the surcharge revenue, continuing the decline in the reserve balance in the TRS Fund. However, with a four-cent (\$.04) surcharge the decline will not be so large that the forecasted balance in July 2013 will be sufficient to sustain the program. Mr. Stovall testified that he recommends that the fund retain a reasonable reserve that should be equal to a range of two to four months of program costs.

The TRS Advisory Committee submitted a letter on February 24, 2012, reporting that at the February scheduled meeting of the Advisory Committee, the Committee unanimously approved recommending that the Commission reduce the surcharge to four-cents (\$.04) effective July 1, 2012.

Finally, Mr. Stovall discussed the media awareness campaign proposed by Sprint to promote awareness of CapTel services on the Husker Sport's Network. The entire cost of the campaign is \$20,000, with Sprint committing to pay \$10,000 and the remaining \$10,000 coming from the TRS fund. Mr. Stovall recommended supporting the proposal.

Tami Richardson-Nelson, the chair of the TRS Advisory Committee submitted a letter on March 7, 2012, reporting the Committee's support of the Sprint media campaign proposal with Husker Sports Marketing and urging the Commission to adopt the proposal.

The Commission finds that the recommendation of Mr. Stovall and the TRS Advisory Committee is reasonable and that the surcharge should be reduced to four-cents (\$.04) effective July 1, 2012. The Commission further finds that the media awareness campaign proposed by Sprint is reasonable and the Commission shall approve the awareness campaign with Sprint as proposed.

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 should be set at four-cents per telephone number or functional equivalent beginning July 1, 2012.

IT IS FURTHER ORDERED that all affected telecommunications companies are hereby required, beginning July 1, 2012, to collect a four-cent surcharge per month on each telephone number or functional equivalent in Nebraska. Except for wireless carriers, the surcharge shall be only collected on the first one hundred telephone numbers, or functional equivalents, per subscriber.

IT IS FURTHER ORDERED the Commission shall adopt the media awareness campaign to promote awareness of CapTel as proposed by Sprint with Husker Sports Marketing.

MADE AND ENTERED at Lincoln, Nebraska, this 27th day of
March, 2012.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Chairman

ATTEST:

Executive Director

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

Application No. C-4437

Page 4

MADE AND ENTERED at Lincoln, Nebraska, this 27th day of March, 2012.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Tim Schram

Anne Boyce

Gerald F. Vap

//s// Rod Johnson
//s// Frank Landis

Chairman

Rod Johnson

ATTEST:

Phil S. [Signature]

Executive Director