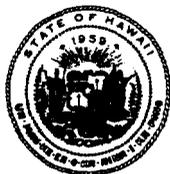


BENJAMIN J. CAYETANO
GOVERNOR



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CHAIRMAN
DENNIS R. YAMADA
COMMISSIONER

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FCC MAIL ROOM

STATE OF HAWAII
PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE

465 S. KING STREET, #103
HONOLULU, HAWAII 96813

November 21, 1997

COMMISSIONER

Director Universal Services Program
Universal Service Administrative Company
100 South Jefferson Road
Whippany, NJ 07981

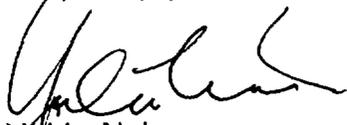
Re: FCC Docket No. 96-45; Federal-State Joint Board on Universal Service;
FCC Public Notice DA97-1892; Adoption of Federal Discount Matrix

Dear Director:

The Public Utilities Commission of the State of Hawaii, by Order No. 15693, (enclosed) filed on July 7, 1997, adopted the FCC-prescribed interstate discounts for schools and libraries, as set forth in 47 C.F.R. § 54.505(c), pursuant to FCC 97-157 (May 8, 1997).

Should you have any questions or need further information, please contact Clay Nagao, chief counsel, at (808) 586-2020.

Very truly yours,


Yukio Naito
Chairman

YN:ADV:vn

Enclosures

cc: Sheryl Todd, FCC Universal Service Branch
Office of the Secretary, FCC

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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

FCC MAIL ROOM

----- In the Matter of -----)
)
PUBLIC UTILITIES COMMISSION)
)
Instituting a Proceeding on)
Communications, Including an)
Investigation of the)
Communications Infrastructure)
of the State of Hawaii.)
_____)

DOCKET NO. 7702

ORDER NO. 15693

Filed July 7, 1997

At 11:30 o'clock A.M.

Karen Higashi
Chief Clerk of the Commission

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

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NOV 28 1997
FCC MAIL ROOM

----- In the Matter of -----)
PUBLIC UTILITIES COMMISSION)
Instituting a Proceeding on)
Communications, Including an)
Investigation of the)
Communications Infrastructure)
of the State of Hawaii.)
_____)

Docket No. 7702
Order No. 15693

ORDER

I.

The federal Telecommunications Act of 1996 requires that all telecommunications carriers, upon request, provide to elementary schools, secondary schools, and libraries any of the services included in the definition of universal service at discounted rates. Specifically, the Act provides:

All telecommunications carriers serving a geographic area shall, upon a bona fide request for any of its services that are within the definition of universal service under subsection (c)(3), provide such services to elementary schools, secondary schools, and libraries for educational purposes at rates less than the amounts charged for similar services to other parties. The discount shall be an amount that the Commission, with respect to interstate services, and the States, with respect to intrastate services, determine is appropriate and necessary to ensure affordable access to and use of such services by such entities. 47 U.S.C. § 254(h)(1)(B)¹

¹The federal Telecommunications Act of 1996 amended Title 47 of the United States Code (U.S.C.). Section references in this decision and order are, thus, to those in 47 U.S.C., as amended by the Act of 1996.

On May 8, 1997, the Federal Communications Commission (FCC) issued Report and Order FCC 97-157, in CC Docket No. 96-45 (Report and Order), implementing the provisions of section 254 of the Act. In the Report and Order, the FCC defined the services to be supported by the federal universal service support mechanisms and established the discount amounts that telecommunications carriers are required to offer to schools and libraries for the provision of any interstate service included in the definition of universal service. The discount amounts range from a low of 20 per cent to a high of 90 per cent. The amount of the discount a particular school or library is entitled to depends on whether it is situated in an urban or rural area and the degree to which the school or library is economically disadvantaged. The degree to which a school is economically disadvantaged is measured by the percentage of students in the school who are eligible to participate in the national school lunch program. The degree to which a library is economically disadvantaged is measured by how disadvantaged the schools are in the school district in which the library is located. The FCC adopted the following discount matrix for this purpose.²

²The discounts are applied to a pre-discount price that must be no higher than the lowest corresponding price that the carrier charges to similarly situated non-residential customers for similar services. Similar services include those provided under contract as well as those provided under tariff. The tariffed rate represents a carrier's lowest corresponding price in a geographic area in which the carrier has not negotiated rates that differ from the tariffed rates. Report and Order at ¶¶ 485, 491. To determine the pre-discount price, schools and libraries must seek competitive bids for all services eligible for section 254(h) discounts. Report and Order at ¶ 480. With some restrictions, eligible schools and libraries may aggregate their telecommunications needs with those of both eligible and ineligible entities, including

SCHOOLS AND LIBRARIES DISCOUNT MATRIX	DISCOUNT LEVEL	
	urban discount	rural discount
HOW DISADVANTAGED? % of students eligible for national school lunch program		
< 1	20	25
1 - 19	40	50
20 - 34	50	60
35 - 49	60	70
50 - 74	80	80
75 - 100	90	90

Although the matrix establishes the discount rates for interstate services, federal universal support is available for both interstate and intrastate services provided to eligible schools and libraries. However, the FCC requires that, as a condition of federal universal service support to schools and libraries in a given state for intrastate services, the state must establish intrastate discounts at least equal to the discounts on interstate services. Report and Order at ¶ 550.

II.

Schools and libraries in this State are preparing to apply for support from the federal universal support mechanisms for both interstate and intrastate services. However, as noted above, for the schools and libraries to be successful, this commission

health care providers and commercial banks. Report and Order at ¶ 477, 478. The carrier providing service to schools and libraries is entitled to receive the difference between the pre-discount price and the amount of the discount from the federal universal service support mechanisms.

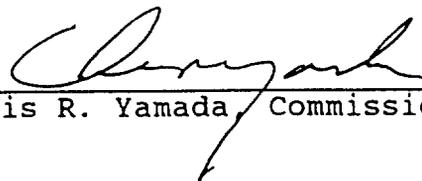
must establish discounts for intrastate services that are at least equal to the discounts provided by the FCC for interstate services.

It is in the public interest for schools and libraries in this State to secure federal universal service support. Annually, \$2.25 billion will be available for support to schools and libraries, with any unspent funds in any given year available to support discounts for schools and libraries in subsequent years. Thus, in order that Hawaii schools and libraries may avail themselves of federal universal service support, we adopt the FCC-prescribed interstate discounts, as displayed in the matrix above, for intrastate services (provided to schools and libraries) that are sustained by the federal universal support mechanisms.

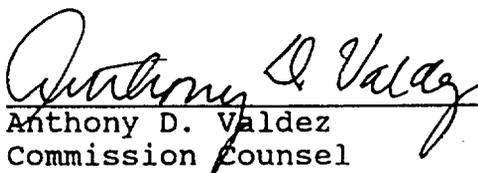
DONE at Honolulu, Hawaii this 7th day of July, 1997.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Yukio Naito, Chairman

By 
Dennis R. Yamada, Commissioner

APPROVED AS TO FORM:


Anthony D. Valdez
Commission Counsel

7702.vn

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 15693 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

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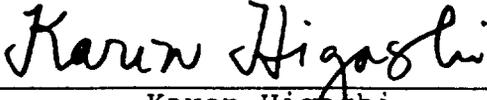
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Karen Higashi
Chief Clerk

DATED: July 7, 1997