



THE STATE

OF WYOMING

DAVE FREUDENTHAL  
GOVERNOR

## *Public Service Commission*

HANSEN BUILDING, SUITE 300

2515 WARREN AVENUE

CHEYENNE, WYOMING 82002

(307) 777-7427

FAX (307) 777-5700

TTY (307) 777-5723

<http://psc.state.wy.us>

### COMMISSIONERS

ALAN B. MINIER, Chairman

STEVE OXLEY, Deputy Chairman

KATHLEEN "CINDY" LEWIS, Commissioner

CHRISTOPHER PETRIE

Secretary and Chief Counsel

March 3, 2010

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

**RE: UPDATED TABLE FROM PAGE 10 OF THE WYOMING PUBLIC SERVICE COMMISSION'S AND WYOMING OFFICE OF CONSUMER ADVOCATE'S JOINT PETITION FOR SUPPLEMENTAL FEDERAL UNIVERSAL SERVICE FUNDS FOR CUSTOMERS OF WYOMING'S NON-RURAL INCUMBENT LOCAL EXCHANGE CARRIER, IN THE MATTER OF FEDERAL-STATE JOINT BOARD ON UNIVERSAL SERVICE, FCC DOCKET NO. 96-45, SUBMITTED DECEMBER 21, 2004.**

Dear Ms. Dortch:

On February 16, 2010, Wireline Competition Bureau staff (Bureau staff) contacted Wyoming Public Service Commission staff (WyPSC staff) by telephone to request an update of a table appearing on page 10 of a joint petition filed December 21, 2004, by the WyPSC and the Wyoming Office of Consumer Advocate (OCA) in CC - 96-45.<sup>1</sup> Pursuant to the FCC's decision and direction provided in the Order on Remand, in December 2004, the WyPSC and the OCA filed a joint petition for supplemental federal universal service funds for customers of Wyoming's non-rural incumbent local exchange carrier, Qwest. The table on page 10 of our 2004 petition, shown below as **Table 1**, illustrates the 2004 request, estimating \$4,728,958 of additional necessary support.

<sup>1</sup> Joint Petition of the Wyoming Public Service Commission and the Wyoming Office of Consumer Advocate for Supplemental Federal Universal Service Funds for Customers of Wyoming's Non-Rural Incumbent Local Exchange Carrier, In the Matter of Federal-State Joint Board on Universal Service, FCC Docket No. CC 96-45, submitted December 21, 2004. Page 10.

**Table 1**

<b>Table Found on Page 10 of December 2004 Joint Petition for Supplemental Funds, CC 96-45.</b>				
	<b>Base Rate Area</b>	<b>Zone One</b>	<b>Zone Two</b>	<b>Zone Three</b>
Basic Service Rate	\$23.10	\$23.10	\$23.10	\$23.10
Zone Additive	\$0.00	\$15.50	\$25.50	\$46.25
<b>Gross Rate</b>	\$23.10	\$38.60	\$48.60	\$69.35
Federal USF Credit	\$0.00	-\$6.93	-\$14.18	-\$28.00
<b>Rate Net of FUSF</b>	\$23.10	\$31.67	\$34.42	\$41.35
Wyoming USF Credit	\$0.00	\$0.00	-\$2.75	-\$9.68
<b>Net Rate</b> (before Taxes and Surcharges)	\$23.10	\$31.67	\$31.67	\$31.67
Subscriber Line Charge	\$6.50	\$6.50	\$6.50	\$6.50
FUSF Surcharge	\$0.58	\$0.58	\$0.58	\$0.58
Telecomm Relay	\$0.06	\$0.06	\$0.06	\$0.06
Wyoming Lifeline	\$0.01	\$0.01	\$0.01	\$0.01
E 9-1-1	\$0.75	\$0.75	\$0.75	\$0.75
Federal Excise Tax	\$0.93	\$1.16	\$1.16	\$1.16
Wyoming Sales Tax	\$1.24	\$1.55	\$1.55	\$1.55
<b>Final Bill to Customer</b>	\$33.17	\$42.28	\$42.28	\$42.28
Commission Benchmark	\$34.16	\$34.16	\$34.16	\$34.16
<b>Comparability Shortfall</b>	\$0.00	\$8.12	\$8.12	\$8.12
Number of Lines	138,850	11,269	12,880	24,383
Necessary Additional Support	\$0.00	\$1,098,051	\$1,255,027	\$2,375,880

Responsive to the Bureau Staff's request, the following 2010 table, **Table 2**, updates the 2004 estimate for additional necessary support. The 2010 updated estimate of additional necessary support to achieve rate comparability is \$4,263,604 using 2009 data and corrected assumptions.

**Table 2**

<b>2010 Update of Table Found on Page 10 of Joint Petition for Supplemental Funds, CC 96-45, December 2004, Number of Lines Provided by Bureau Staff.</b>				
	<b>Base Rate Area</b>	<b>Zone One</b>	<b>Zone Two</b>	<b>Zone Three</b>
Basic Service Rate	\$23.10	\$23.10	\$23.10	\$23.10
Zone Additive	\$0.00	\$15.50	\$25.50	\$46.25
<b>Gross Rate</b>	\$23.10	\$38.60	\$48.60	\$69.35
Federal USF Credit		\$5.00	\$15.19	\$31.92
<b>Rate Net of FUSF</b>	\$23.10	\$33.60	\$33.41	\$37.43
Wyoming USF Credit		\$1.03	\$0.84	\$4.86
<b>Net Rate (before Taxes and Surcharges)</b>	\$23.10	\$32.57	\$32.57	\$32.57
Subscriber Line Charge	\$6.50	\$6.50	\$6.50	\$6.50
FUSF Surcharge	\$2.31	\$3.26	\$3.26	\$3.26
WUSF Surcharge	\$0.23	\$0.39	\$0.49	\$0.69
Telecomm Relay	\$0.06	\$0.06	\$0.06	\$0.06
Wyoming Lifeline	\$0.00	\$0.00	\$0.00	\$0.00
E 9-1-1	\$0.75	\$0.75	\$0.75	\$0.75
Federal Excise Tax	\$0.69	\$0.98	\$0.98	\$0.98
Wyoming Sales Tax	\$1.11	\$1.56	\$1.56	\$1.56
<b>Final Bill to Customer</b>	\$34.75	\$46.06	\$46.16	\$46.37
Commission Benchmark	\$36.52	\$36.52	\$36.52	\$36.52
<b>Comparability Shortfall</b>	\$0.00	\$9.54	\$9.64	\$9.85
Number of Lines		9,973	9,526	17,080
Necessary Additional Support	\$0.00	\$1,142,169	\$1,102,341	\$2,019,094

In the course of responding to the request for an update, the WyPSC staff responded by telephone and email to approximately 11 clarifying information requests from the Bureau staff. A chronological account of the ex parte communication follows, with the Bureau staff's questions, and the WyPSC staff's responses, explaining the updated table, **Table 2**.

February 16, 2010. WyPSC provided an updated table via email.

February 17, 2010. Bureau Staff asked the following clarifications by email:

Bureau Staff Question 1: *You used the benchmark rate of \$36.52 which is the number reported in the FCC's Reference Book, however, in Wyoming's Sept. 18, 2009 Comparability Certification, \$37.36 was used. Where did the \$37.36 come from?*

Bureau Staff Question 2: *Also, why are the Zone 1, 2, and 3 Final Bill to Customer amounts on your updated spreadsheet different than what is reported on page 2 of the Sept 18th letter (\$46.06, \$46.06 and \$46.16)?*

February 17, 2010. WyPSC Staff responded by email and telephone.

WyPSC Staff Answer 1: The urban rate benchmark of \$37.36 (nationwide weighted average urban rate plus two standard deviations) used in the WyPSC's September 18, 2009, certification of comparability of rural residential rates of the non-rural carrier (Qwest) to urban rates was cited on page 1 of the September 18, 2009, letter. The figure of \$37.36 came from page I-4 of the August 8, 2008, *Reference Book of Rates, Price Indices, and Expenditures for Telephone Service* (the *Reference Book*) published by the Wireline Competition Bureau of the FCC. WyPSC staff explained that the figure of \$36.52 was used in the 2010 update to the table because there is confusion about the federal benchmark since both figures are cited in the *Reference Book*. The \$36.52 benchmark appears in Table 1.13 of the same *Reference Book*, and based upon a review of the certification letters filed by other states, it seems that \$36.52 is the correct benchmark so that is what the WyPSC staff used to update the table.

WyPSC Staff Answer 2: Upon mutual discussion and review on the telephone with Bureau staff, WyPSC staff agreed that the February 16, 2010, update contained some incorrect assumptions and line count data were used. The WUSF surcharge was incorrectly omitted. Also, the February 16, 2010, update relied upon proprietary Wyoming Universal Service Fund (WUSF) line counts of essential services. It was agreed that Table HC16 - High Cost Model Support Projected by State - 1Q2010, in the Universal Service Administrative Company's (USAC) 2010 First Quarter FCC High-Cost Filing could be relied upon to distill appropriate line count data for use in a corrected update.

February 18, 2010. Bureau staff provided by email the line count data used in the corrected 2010 update, distilling it from Table HC16 mentioned above.

February 22, 2010. Bureau Staff asked the following clarifications by email:

Bureau Staff Question 3: *Have the basic service rates and the zone additives not changed since 2004?*

Bureau Staff Question 4: *Why has the Wyoming USF Credit dropped significantly since 2004?*

Bureau Staff Question 5: *Was there no Wyoming surcharge in 2004? and*

Bureau Staff Question 6: *Did the Federal USF surcharge increase considerably on the worksheets from 2004 to now? I know that the contribution factor has increased since 2004, but please explain the increase from 58 cents to \$3.26 on your spreadsheets.*

February 22, 2010. Wyoming PSC staff responded as follows:

WYPSC Staff Answer 3: True. Qwest's geographic rates for essential services were set in a 1999 pricing plan and have not changed.

WyPSC Staff Answer 4: The WUSF calculation of a statewide weighted average rate, which is used as the WUSF funding benchmark to determine the WUSF credit, is a mathematical function of: federal support per line, price, and the number of lines in each rate zone, for all providers of essential services. The effect of competitive line losses has been severe in many areas, and prices for several carriers have changed over time. Over time, these multiple factors affect the WUSF per line credit amount for any given company's customer, depending on where in the state and from whom they receive service.

WyPSC Staff Answer 5: There was no WUSF surcharge in 2004.

WyPSC Staff Answer 6: For the update, we assumed a 10% FUSF surcharge to the Net Rate \$32.57 (10% of 32.57 is \$3.26). We assume that the 2004 analyst assumed approximately a 1.8% FUSF surcharge (\$0.58 is about 1.8% of the net rate depicted in the 2004 analysis, or \$31.67). The assumed contribution factor in the 2004 analysis is obviously wrong because Table 1.10 of the October 2004 Joint Board Monitoring report - Universal Service Program Requirements and Contribution Factors for 2004 show an average contribution factor of 8.8% for the first three quarters. Whereas the December 2009 Monitoring Report, Table 1.10 - Universal Service Program Requirements and Contribution Factors for 2009 reflects an average contribution factor for the four quarters of 2009 to be 11.5%, our updated analysis used a conservative FUSF contribution factor of just 10%.

February 23, 2010. Bureau staff asked the following questions.

Bureau Staff Question 7: *Is the Wyoming Sales Tax reported a general sales tax or a tax specific to Telecommunications?*

Bureau Staff Question 8: *What is the Wyoming statewide average cost (or rate?) used for calculating the Wyoming USF? and*

Bureau Staff Question 9: *Is the support still based on 130% in excess of the statewide average including Fed USF?*

February 23, 2010. WyPSC staff responded as follows.

WyPSC Staff Answer 7: The Wyoming Sales Tax is a general sales tax.

WyPSC Staff Answer 8: The funding benchmark is 130% of the Wyoming statewide weighted average rate for essential services, net of FUSF. The WUSF benchmark is \$32.57 for June 2009 to June 2010.

WyPSC Staff Answer 9: Yes.

February 23, 2010. Bureau staff asked the additional following question.

Bureau Staff Question 10: *So the average rate is \$25.05? 32.57/1.3*

February 23, 2010. WyPSC staff responded as follows.

WyPSC Answer 10: Yes, your math is correct. In WyPSC Docket No. 90072-29-XO-09, issued May 15, 2009, at Par. 13 the statewide weighted average of \$25.05 and funding benchmark of 130% or \$32.57 are set forth. A copy of the order is available at <http://psc.state.wy.us/htdocs/wyusf/90072-29.htm>.

February 23, 2010. Bureau staff asked the additional following question.

Bureau Staff Question 11: *Do any of these 36000 customers in Zones 1, 2, and 3 receive monthly Lifeline or Low Income support (either Federal or state)?*

February 25, 2010. WyPSC staff responded as follows.

WyPSC Staff Answer 11: Yes. However, the funds are administered by a different state agency, the Wyoming Department of Family Services, and we don't know where in each company's territory the low income discount recipients reside. We have no reason to think Lifeline/TAP customers are more heavily distributed in the zones. USAC may know. The Commission participated actively in Lifeline Awareness Week and the available information suggests about 40,000 households in Wyoming are potentially eligible. There are currently about 3,600 Lifeline customers in Wyoming served by 22 different local exchange companies. The WUSF manager does not account for Lifeline discounts in calculating the statewide weighted average or the funding benchmark, but estimates the effect of the discount would be to lower the weighted statewide average by 1-2 cents.

Please feel free to contact me if you require additional information.

Sincerely,

/s/



Christopher Petrie, Secretary and Chief Counsel  
Wyoming Public Service Commission