

1 S.180

2 Introduced by Senator Illuzzi

3 Referred to Committee on

4 Date:

5 Subject: Telecommunications; universal service fund; incumbent local
6 exchange carriers; high-cost program

7 Statement of purpose: This bill proposes to disburse universal service funds to
8 Vermont's incumbent local exchange carriers as compensation for offering
9 universal basic local service throughout their exchanges.

10 An act relating to the universal service fund and establishment of a
11 high-cost program

12 It is hereby enacted by the General Assembly of the State of Vermont:

13 Sec. 1. FINDINGS AND PURPOSE

14 (a) The general assembly finds:

15 (1) Incumbent local exchange carriers (ILECs) are obligated to provide
16 broad-based access to telephone services, even in areas that are high cost,
17 sparsely populated, or filled with subscribers of limited means.

18 (2) Traditionally, ILECs were rewarded with an exclusive franchise in
19 return for carrying out their regulatory responsibilities in unprofitable areas.

1 (3) However, with increased competition in the telecommunications
2 field, particularly in profitable areas, ILECs have less of an opportunity to
3 cover the costs of serving unprofitable areas.

4 (4) Vermont has a state universal service fund which is currently used to
5 support the lifeline and enhanced 911 programs. Funds are generated by an
6 end-user surcharge on all retail telecommunications service provided to a
7 Vermont address.

8 (b) It is the purpose of this act to establish a new regulatory model under
9 which ILECs can continue their costly responsibilities over wide areas and still
10 have an opportunity to cover their costs, even in the presence of competitors.

11 Sec. 2. 30 V.S.A. § 7515 is amended to read:

12 § 7515. HIGH-COST BASIC TELECOMMUNICATIONS SERVICE

13 ~~The general assembly intends that~~ There is created a high-cost program
14 under which the universal service charge shall be used ~~in the future~~ as a means
15 of keeping basic telecommunications service affordable in all parts of this
16 state, thereby maintaining universal service. ~~In the future, and after this~~
17 ~~section has been amended by further act of legislation, payments~~ Payments
18 may shall be made to ~~reduce~~ Vermont's incumbent local exchange carriers
19 (ILECs) for the purpose of reducing the cost of providing basic local
20 telecommunications service in areas where that cost would otherwise
21 jeopardize universal service or uniform economic development.

1 (b) ~~The public service board shall conduct a study of the costs and other~~
2 ~~factors affecting the delivery of local exchange service. The study shall be~~
3 ~~conducted either as an independent inquiry or as part of a proceeding or docket~~
4 ~~affecting other matters. The study shall:~~

5 (1) ~~After considering information on how various factors affect the costs~~
6 ~~of providing telecommunications service in Vermont and elsewhere, estimate,~~
7 ~~on a forward looking basis, the differential costs of providing local exchange~~
8 ~~service to various customer groups throughout Vermont.~~

9 (2) ~~Estimate the relationship between basic telecommunications service~~
10 ~~charges and universal service, and the threshold level beyond which universal~~
11 ~~residential service is likely to be harmed.~~

12 (3) ~~Estimate the relationship between basic telecommunications service~~
13 ~~charges and opportunities for uniform economic development throughout the~~
14 ~~state, and the threshold prices beyond which such opportunities may be~~
15 ~~adversely affected.~~

16 (4) ~~Estimate the potential effects of local exchange competition on~~
17 ~~uniform and affordable basic telecommunications service charges in all parts~~
18 ~~of the state.~~

19 (5) ~~Examine policy options by which the cost to customers may be~~
20 ~~managed so as not to jeopardize universal service and the uniform economic~~
21 ~~development opportunities, including at least the following:~~

1 ~~(A) establishing a maximum price for basic telecommunications~~
2 ~~service, beyond which customers would have access, without regard to income,~~
3 ~~to credits or vouchers negotiable for local exchange service from a local~~
4 ~~exchange provider or competitive access provider;~~

5 ~~(B) broadening eligibility for the lifeline program; and~~

6 ~~(C) establishing a mechanism to adjust the level of support for higher~~
7 ~~cost customers over time to reflect legal rights, recover historic costs, and~~
8 ~~reflect the advantages of improved technology and increased efficiency.~~

9 ~~(6) Examine the actions, if any, of the Federal Communications~~
10 ~~Commission in revising its universal service fund, and the need, if any, for~~
11 ~~additional action in Vermont.~~

12 ~~(7) Propose mechanisms to support universal service and rural economic~~
13 ~~development while securing the benefits of telecommunications competition~~
14 ~~for Vermont households and businesses.~~

15 ~~The results of the study, together with any plan for amending and~~
16 ~~distributing funds under this section, shall be submitted to the general~~
17 ~~assembly on or before January 15, 1996.~~

18 Funds distributed under the high-cost program are intended to defray the
19 cost an ILEC incurs in building and maintaining its network so that it stands
20 ready to serve any customer in its service area, even those in the most remote
21 areas of Vermont. In order to achieve this goal, funding shall not be based

1 upon the number of basic telecommunications services ordered, but rather
2 upon the cost to serve any customer in that service area who may request basic
3 local exchange service. This includes the costs of building and maintaining the
4 entire network in each exchange in the applicable service area.

5 (c) The fiscal agent shall make distributions for the high-cost program to
6 the ILECs, as required by this section. The amount of the transfer to the
7 program shall be determined by the commissioner of public service as the
8 amount reasonably necessary to compensate the ILECs for maintaining
9 universal basic local service throughout their exchanges. The percentage of
10 funds distributed to each ILEC shall reflect the percentage of total access lines
11 reported by each ILEC in its annual report to the public service board.

12 (d) At the end of each fiscal year, any remaining universal service funds in
13 the high-cost program shall be distributed among all the ILECs in a manner
14 determined by the commissioner of public service.

15 Sec. 3. EFFECTIVE DATE

16 This act shall take effect on passage.