

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held November 14, 2019

Commissioners Present:

Gladys Brown Dutrieuille, Chairman
David W. Sweet, Vice Chairman
Andrew G. Place
John F. Coleman, Jr.
Ralph V. Yanora

Pennsylvania Universal Service Fund
Annual Rate Adjustment

M-00001337

ORDER

BY THE COMMISSION:

On September 9, 2019, GVNW Consulting, Inc. (GVNW), the Administrator for the Pennsylvania Universal Service Fund (PaUSF or Fund), filed its annual Administrator's Report (Report) with the Commission as required under 52 Pa. Code § 63.163(e), providing a Fund income statement, recommendations for Fund operations, and a proposed budget and assessment rates for the upcoming year. GVNW served copies of the Report on the telecommunications carriers participating in the PaUSF, the Office of Consumer Advocate and the Office of Small Business Advocate. No comments were filed.

Pursuant to 52 Pa. Code § 63.164 (relating to Commission PaUSF oversight), we are issuing this order within ninety days of receipt of the Report. This order establishes the size of the Fund, approves a budget for the next calendar year, establishes the assessment rate for contributing telecommunications providers, and establishes

caution so that the Fund is adequately funded.¹ Therefore, we will use a \$1.5 million cash contingency reserve balance to calculate contributions for the 2020 calendar year; any difference above \$1.5 million will be reconciled the following year.

4. Electronic Filing of Carrier Data Collection Reports of Prior Year Revenues

By March 31st of each year, carriers are required to report annual revenues from the prior calendar year, which are used to calculate the following year's PaUSF assessment rate. GVNW has developed a web-based portal for online reporting that carriers use to fulfill this requirement. We will continue to require carriers to submit their annual affidavit identifying their total intrastate end-user telecommunications retail revenue for the previous calendar year to GVNW using the web-based portal. Carriers will continue to be required to file a paper copy of their annual revenue report with the Commission's Secretary's Bureau pursuant to the Commission's regulations at 52 Pa. Code § 63.165(a).

5. Recommendations for Ensuring Carrier Compliance

GVNW recommends that the Commission take the following actions to aid in the future operations of the Fund: (1) assess a late penalty for any provider that submits its annual assessment data request response 30 days or more after the March 31st due date; and (2) authorize a certain number of carrier compliance reviews annually to ensure that carrier filings are compliant with the Commission's regulations.

With respect to the overall issue of carrier compliance, initially we note that in the past year, we have established enforcement procedures applicable to contributing telecommunications providers that fail to submit their annual USF Assessment Forms. Specifically, the Commission has implemented a policy to issue a warning letter to all

¹ The Commission previously adopted this methodology in its 2010 Annual Rate Adjustment Order, *In re: Pennsylvania Universal Service Fund Annual Rate Adjustment*, Docket No. M-00001337 (Order entered December 3, 2010).

not include access revenues, resale (toll or local), or the sale of unbundled network elements or other services which are essentially wholesale in nature. These exclusions totaled 16.10% of 2017 gross intrastate revenues but only 13.75% of 2018 gross intrastate revenues. This can be ascribed, in part, to declining access revenues as they are partially transitioned to bill-and-keep per the FCC's decision, *In re: Connect America Fund*, Docket No. 10-90, *et. al.*² The projected expenses for the Fund for calendar year 2020 will be covered with this year's decrease to the contribution rate.

GVNW based the assessment calculation on data submitted by telecommunications carriers during the annual data collection process, as well as GVNW's projections of the Fund carryover balance and projected 2020 administrative and auditing fees as follows:

1. For recipient carriers, reported 2017/2018 annual access line growth rate = -11.23%.
2. Projected PaUSF Fund balance as of 12/31/19 = \$1,500,000
3. Projected 2020 annual support due to recipient carriers = \$33,826,770.48³
4. Projected 2020 annual administration and audit fees = \$119,874.00⁴
5. Projected 2020 5% allowance for uncollectibles = \$1,616,338.52⁵
6. Projected 2020 total annual fund size = \$34,062,983.00
[(Line 3 + Line 4 + Line 5 – Line 2)]
7. Reported 2018 intrastate end-user retail revenues = \$1,634,652,686.92
8. Recommended 2019 Assessment Rate =
 $\$34,062,983.00 / \$1,634,652,686.92 = \underline{\underline{0.020838055}}$

² See *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 18149, para. 1404 (2011), *pets. for review denied sub nom. In re: FCC 11-161*, 753 F.3d 1015 (10th Cir. 2014), *cert. denied*, 83 U.S.L.W. 3835, May 4, 2015 (Nos. 14-610 *et al.*).

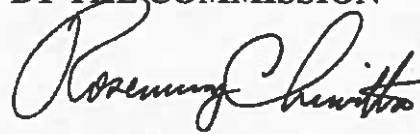
³ Annual support projections are based upon annual reports submitted by the recipient carriers.

⁴ This projection is based upon the contracted administrator's fee of \$99,000 for calendar year 2019 plus \$20,874 needed for the external auditor's fees in 2020.

⁵ This represents the 5% contingency for uncollectibles over the year 2019.

3. That GVNW Consulting, Inc. is directed to send a letter to all contributing telecommunications providers to the Pennsylvania Universal Service Fund explaining specifically how this contribution factor decrease affects them and what their monthly contributions will be for the calendar year 2020. The letter should encourage either payments on a quarterly basis or annual lump-sum payments in early 2020; the letter must be pre-approved by Commission staff before it is mailed to participants.

BY THE COMMISSION



Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: November 14, 2019

ORDER ENTERED: November 14, 2019