

ORIGINAL

Commissioner	Yes	No	Not Participating
Huston	√		
Freeman	√		
Krevda			√
Ober	√		
Ziegner	√		

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE COMMISSION’S) CAUSE NO. 45644
TRIENNIAL REVIEW OF THE INDIANA)
UNIVERSAL SERVICE FUND) APPROVED: DEC 01 2021

ORDER OF THE COMMISSION

Presiding Officers:
David E. Ziegner, Commissioner
David E. Veleta, Senior Administrative Law Judge

On March 17, 2004, the Commission issued an Order in Cause No. 42144 which, among other things, required the Commission to undertake a triennial review of the Indiana Universal Service Fund (“IUSF”). The purpose and scope of the triennial review is to: 1) ensure the operations of the IUSF are meeting the Commission’s objectives of preserving and advancing universal service in Indiana; 2) ensure that universal service is continuing to be made available at rates that are just, reasonable, and affordable, and reasonably comparable to rates for basic residential and single line business local exchange service in urban areas; 3) ensure that the processes, funding levels, size, operation, and administration of the IUSF remain adequate and sufficient; and 4) review the operation of IUSF relative to the federal universal service fund as may be appropriate.

The most recent triennial review of the IUSF was conducted in Cause No. 45064, and an Order was issued on August 29, 2018. We have opened this proceeding for the purpose of initiating the next triennial review of the IUSF. A prehearing conference is scheduled for January 6, 2022 at 9:30 a.m., in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Additionally, in an effort to expedite the Commission’s review of the IUSF, we have developed the following preliminary issues list. However, we note our review will not be limited to the issues raised in this list.

1. The IUSF was created to address revenue shortfalls incumbent rural local exchange carriers (“RLECs”) faced due to the FCC 2001 MAG Plan Order (“MAG Plan”). Is there still a continued need for this fund?

2. Since the IUSF fund was implemented, the FCC has created new types of funding to assist Rural Local Exchange Carriers (“RLECs”) with maintenance of their networks. For example, the FCC adopted the Access Recovery Charge (“ARC”) to mitigate the impact of reduced intercarrier compensation revenues (“ICC”). RLECs may assess the ARC on their end users subject to certain limits.¹ Connect America Fund Broadband Loop Support (“CAF BLS”) is

¹FCC 16-11, pg. 75, par. 201

another recovery mechanism available to the RLECs which is based on common line charge revenues plus a broadband-only revenue requirement.² Do these federal funding mechanisms sufficiently compensate for RLEC access revenue shortfalls?

3. RLECs can now apply for new types of grants and funding to extend or upgrade their networks, which have or are converting to a broadband platform, such as Indiana's Next Level Connections, or Rural Utilities Services ("RUS") grants and loans through the Department of Agriculture. Further, the United States Congress recently approved the \$1.2 Trillion Infrastructure Investment and Jobs Act of 2021. In light of these new sources of support for which RLECs may apply, please explain if these programs could potentially replace the IUSF?

4. Is replacement of access revenue still a relevant concern since many RLECs have moved their networks to a broadband platform which should provide new sources of revenue in addition to landline telephone service and switched access revenue?

5. How does completion of the FCC's Technology Transitions Order, which recognizes the replacement of circuit-switched, copper-based networks with Internet Protocol multimedia networks, affect the RLECs' need for support of telephone services?

6. The approximate number of landline telephone customers each recipient company continues to serve.

7. If there is still a need for the IUSF to continue, how should it be updated so it has a sustainable source of funding, or so demand on the current revenue source is reduced?

A. Should the contribution base be expanded? If so, what might that include?

B. Should the funding mechanism be changed from an assessment based on a percentage of intrastate telecommunications revenue to a flat per line or handset fee, or a per subscriber fee? Are there other alternatives the Commission should consider?

C. Should the qualifications test consider additional sources of revenue when determining the need for support, such as unregulated revenue or revenue from Competitive Local Exchange Carrier affiliates?

D. Should the allowed rate of return of 11.5% be reduced?

8. As noted on pages 9-10 of the Settlement Agreement in Cause No. 42144, the funding mechanism is a "...mandatory contribution requirement imposed on all telecommunications carriers who provide intrastate retail telecommunications service in Indiana and receive revenues therefrom. Such contribution assessments shall be passed through as a percentage surcharge to the end user customers of such telecommunications carriers." Should the

² 47 CFR 54.901

requirement to pass the surcharge through to customers be optional, to accommodate different types of telecommunications service providers and different types of billing arrangements?

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. A prehearing conference is established for January 6, 2022 at 9:30 a.m., in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana.

2. This Order shall be effective on and after the date of its approval.

HUSTON, FREEMAN, OBER AND ZIEGNER CONCUR; KREVDA NOT PARTICIPATING:

APPROVED: DEC 01 2021

I hereby certify that the above is a true and correct copy of the Order as approved.

**Dana Kosco
Secretary of the Commission**