BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Commission, on its own motion, to determine the surcharge for the statewide Telecommunications Relay System to be effective July 1, 2010, in the State of Nebraska.	)	Application No. C-4240 ORDER SETTING SURCHARGE Entered: April 6, 2010

BY THE COMMISSION:

The above-captioned proceeding was opened by the Commission, on its own motion, to determine the appropriate surcharge for the statewide Telecommunications Relay System (TRS) to be effective July 1, 2010. The Commission is charged by statute to hold an annual public hearing, prior to April 1 of each year, to determine the amount of surcharge necessary to carry out the provisions of the Telecommunications Relay System Act.[1] (). The surcharge is used to fund the TRS and the Nebraska Specialized Telecommunications Equipment Program (NSTEP) for the coming year.

Notice of the proceeding appeared in The Daily Record, Omaha, Nebraska, on January 22, 2010. The order opening the above-captioned docket and setting the hearing was entered on January 20, 2010 and mailed to all interested parties. A public hearing was held on March 9, 2010, in the Commission Hearing Room.

O P I N I O N A N D F I N D I N G S

Steve Stovall, Staff Accountant for the Commission's Communication Department, testified on behalf of the Staff. Mr. Stovall included six attachments to his written testimony. The six attachments are as follows, the first contains historical data concerning the surcharge for the previous two fiscal years including the TRS Fund balance; the second is a forecast assuming the surcharge remains at the current level of three-cents ($.03); the third attachment is a forecast assuming the surcharge is increased to four-cents ($.04); the fourth attachment is a forecast assuming the surcharge is increased to five-cents ($.05); the fifth attachment contains selected historical statistics of the TRS program; and the sixth is a graphical representation of the TRS surcharge levels since 1991.

The second attachment forecasts the TRS Fund balance assuming the surcharge remains at the current level of three-cents ($.03) effective July 1, 2010. Attachment No. 2 reflects the fiscal years 2009-10 and 2010-11 with the projected cost and revenue data through June 2011. Attachment No. 2 projects an

[1] *See* Neb. Rev. Stat. §§ 86-301 et. seq.

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average reserve balance of -$254,428 at the end of the 2010-11 fiscal year.

Attachment No. 3 made a similar analysis but assumed the surcharge was increased to four-cents ($.04). Attachment No. 3 projects a reserve balance of $3,353 at the end of the next fiscal year.

Attachment No. 4 again made a similar analysis but assumed the surcharge was increased to five-cents ($.05). Attachment No. 4 projects a reserve balance of $267,211 at the end of the next fiscal year.

Mr. Stovall testified that in Attachment Nos. 2, 3, and 4, cost columns for CapTel have been incorporated into the projections. The CapTel service began October 1, 2004. These cost projections include both a service provider and an equipment component. Total minutes of use for traditional relay use is projected and adjusted downward using a mathematical forecasting technique known as linear regression. The decision to forecast reduction in minutes of use is consistent with the decline in minutes that has been evident the three previous years. In fiscal year 2005-06, the usage minutes declined 15% from the previous year's usage. In fiscal year 2006-07, minutes of use declined 18.1% as compared to the previous year. For fiscal year, 2007-08, the usage again declined another 19%. In fiscal year, 2008-09, the decline was 29% over the previous year.

The projections in Attachment Nos. 2, 3, and 4, reflect the cost for traditional relay service increasing as of July 1, 2009, when Sprint assumed operations of the relay system from the previous provider. At that time the rate for traditional relay increased from $.94 to $1.12, and the rate for CapTel services increased from $1.45 to $1.79.

Finally, the projections in Attachment Nos. 2, 3, and 4, also reflect cash transfers that will be made as a result of the passage of Legislative Bill 1 during the specially called session of the Legislature in the fall of 2009 to address State budget shortfalls. Approximately $120,000 will be transferred from the TRS Fund to the General Fund of the State of Nebraska by the end of the next fiscal year.

Based on these scenarios and his experience as administrator of these programs, Mr. Stovall testified that he recommends the surcharge be set at five-cents ($.05) beginning July 1, 2010.

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The revenue generated from a five-cent ($.05) surcharge will still be less than the expenses of the program, continuing the decline in the reserve balance in the TRS Fund. However, the five-cent ($.05) surcharge will slow the rate of decline in the fund and the forecasted balance in July 2011, will be sufficient to sustain the program. Mr. Stovall testified that he recommends that the fund retain a reasonable reserve that should be equal to a range of two to four months of program costs.

The TRS Advisory Committee submitted a letter dated February 25, 2010, reporting that at the February scheduled meeting of the Advisory Committee, the Committee unanimously approved recommending that the Commission set the surcharge to five-cents ($.05) effective July 1, 2010.

The Commission finds that the recommendation of Mr. Stovall and the TRS Advisory Committee is reasonable and that the surcharge should be set at five-cents ($.05) effective July 1, 2010.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that, pursuant to the Telecommunications Relay System Act, the TRS surcharge should be set at five-cents per access line or functional equivalent beginning July 1, 2010.

IT IS FURTHER ORDERED that all affected telecommunications companies are hereby required, beginning July 1, 2010, to collect a five-cent surcharge per month on each telephone access line or functional equivalent in Nebraska, provided that the surcharge shall be only collected on the first one hundred access lines, or functional equivalents, per customer.

MADE AND ENTERED at Lincoln, Nebraska, this 6th day of April, 2010.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Chairman

ATTEST:

Deputy Director

//s// Frank E. Landis
//s// Gerald L. Vap

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