

July 23, 2003

VIA E-MAIL, FACSIMILE & FIRST CLASS MAIL

Carole Washburn
Executive Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-7250

**RE DSHS Petition to Increase the WTAP Client Co-Payment
WUTC Docket UT-031033**

Dear Ms. Washburn:

Public Counsel submits these comments in advance of the Commission's July 24, 2003 Open Meeting. As we have emphasized in prior comments, Public Counsel is a strong supporter of an effective and healthy Washington Telephone Assistance Program (WTAP). The petition filed by the Department of Social and Health Services (DSHS) to increase the monthly WTAP rate from its current level of \$4 to \$9 would have a significant impact on low income customers, as evidenced by the over 1,500 comments the WUTC has received regarding the DSHS petition. We recognize that some amount of increase in the WTAP client co-payment level is necessary to ensure the continued health of the WTAP fund. Public Counsel has worked with Commission staff, DSHS staff and other stakeholders to analyze the DSHS petition and to try to understand the many assumptions embedded within the DSHS petition. While the various stakeholders may have different opinions as to what assumptions should be incorporated into the analysis, we can probably all agree on the fact there is a high degree of uncertainty with respect to several of those assumptions, such as caseload growth and the continued participation of carriers such as TelWest and Vilaire. In light of that uncertainty, and because we continue to believe that every effort must be taken to minimize the burden placed on low income customers, we believe that at the most, the Commission should consider a WTAP client co-payment rate of \$7.50 per month, effective August 1, 2003.

Our analysis in these comments is focused within the framework of the DSHS petition. Even if DSHS opts not to consider the additional funds available through the statutorily available excise tax, we believe that at most, based on the information provided to date, an increase in the WTAP rate to only \$7.50 is justified at this time, versus the \$9 WTAP rate requested by DSHS and the \$8 rate recommended by Commission Staff.

Some of the projected expenditures in the DSHS petition are overstated

Public Counsel recommends the following adjustments outlined below to the analysis conducted by DSHS, as reflected in their June 25, 2003 petition, and to the Commission Staff analysis, as reflected in the July 22, 2003 Staff memo. Our analysis is summarized in Attachment A to these comments.

- *Connection fee reimbursement expenses.* One of the areas in which Public Counsel sought clarification from DSHS relates to assumptions regarding estimated expenses for connection fee reimbursements (SC200) for State Fiscal Year (SFY) 2004. Table A of the DSHS petition includes total estimated payments for connection fees at \$978,264, including estimated payments of \$403,200 to Vilaire and \$120,000 to TelWest. If reimbursement is assumed to be \$22 per client (the maximum amount allowed under the new emergency rule), this seems to suggest that Table A of the DSHS petition assumes that Vilaire will have approximately 18,327 new WTAP customers and TelWest will have 5,454 new WTAP customers in SFY 2004.

Public Counsel recommends that a reasonable estimate for connection fee reimbursement expenses can be determined using actual reimbursement levels by carrier during FY 2003. We have conducted this calculation, using data provided by DSHS, and determined that an appropriate estimate for connection fee reimbursement is \$819,092, instead of the \$978,264 estimate included in the DSHS petition. In the case of Vilaire, which previously received approximately \$30 in connection fee reimbursement from the WTAP fund, Public Counsel's calculation includes an adjustment to account for the new DSHS emergency rule, which caps connection fee reimbursement at \$22.

- *Telephone company administrative costs.* Table A of the DSHS petition includes an estimate that total telephone company administration costs will be \$225,024 during SFY 2004, which represents a 96% increase from the \$114,915 in telephone company administration costs during SFY 2002. Public Counsel recommends that an appropriate estimate for these costs can be determined using actual reimbursement levels by carrier during FY 2003. We have conducted this calculation, using data provided by DSHS, and determined that an appropriate estimate for these administrative costs is \$173,529.
- *Community voice mail.* Commission Staff recommend that anticipated costs associated with the addition of community voice mail (CVM) be removed from the present analysis, because DSHS and the Department of Community, Trade and Economic Development have not yet reached agreement on a funding level. We recognize that these state agencies are in the midst of determining the mechanics as to how CVM will be incorporated into WTAP. However, in light of the fact that the Legislature has recently authorized that up to 8% of WTAP revenues be spent on CVM, we recommend that the present analysis include

\$200,000 in CVM expenses, versus the \$400,000 recommended by DSHS and zero recommended by Commission staff.

Our analysis in Attachment A presents two scenarios at the \$7.50 WTAP rate, both of which incorporate the DSHS caseload projections as well as the adjustments outlined above. The first analysis uses DSHS' revenue projection of \$5 million, which is based on an access line count of approximately 3.2 million lines. As discussed in the Staff memo however, the Department of Revenue (DOR) collects the E-911 excise tax on more than 3.5 million access lines. Staff memo at p. 5. Accordingly, the second scenario presented in Attachment A reflects the amount of projected WTAP revenue, using DOR's 3.5 million access line count. In this second scenario, at the \$7.50 level recommended by Public Counsel, there would be a small contribution of \$5,011 to the WTAP reserve, in addition to the estimated \$809,289 WTAP fund balance as of June 30, 2003.

Conclusion

For the foregoing reasons, Public Counsel respectfully requests that the Commission consider that at the most, based upon the information provided to date, an increase in the WTAP rate to only \$7.50 is justified at this time.

Mary Kimball of our office plans to attend the Commission's July 24, 2003 open meeting should you have any questions regarding these comments.

Sincerely,

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MMK:cjw

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