



Matthew G. Bevin
Governor

Charles G. Snavely
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

James W. Gardner
Chairman

Daniel E. Logsdon Jr.
Vice Chairman

J. Roger Thomas
Commissioner

NEWS RELEASE

Contact:
Andrew Melnykovich
502-782-2564 or 502-564-3940
502-330-5981 (cell)
Andrew.Melnykovich@ky.gov

PSC Stabilizes Phone Program for Low-income Customers *Comments overwhelmingly support 0.13 percent interim surcharge increase that keeps state Lifeline program solvent as PSC examines long-term options*

FRANKFORT, Ky. (March 10, 2016) – The Kentucky Public Service Commission (PSC) has acted to preserve the solvency of the Kentucky Universal Service Fund (KUSF) which provides support for telephone service for low-income consumers in the state.

Responding to comments that overwhelmingly supported an interim surcharge increase, the PSC today issued an order increasing the monthly surcharge assessed on all phone lines in the state – landline and wireless – from 8 cents to 14 cents.

This interim increase, which takes effect immediately, represents only about 0.13 percent of the average single-line wireless phone bill in Kentucky. Even with the increase, the total KUSF surcharge of 14 cents represents only about 0.3 percent of the average single-line wireless phone bill in Kentucky.

That is lower than many nearby states, which impose USF surcharges ranging from 0.54 percent in Indiana to 2.9 percent in Georgia, the PSC noted in its order.

The higher surcharge will keep the KUSF solvent while the PSC examines the long-term future of the fund. Without the increase, or a reduction in the Lifeline support for low-income customers, the KUSF was forecast to run out of money sometime in April.

In imposing the increase, the PSC noted that the other short-term option under consideration – cutting the monthly Lifeline program support from \$3.50 to \$2 – would have had a greater impact on the low-income customers who benefit from the program.

All but one of the telephone providers who submitted comments either supported raising the surcharge or were neutral. The remaining response was in support of cutting the support.

-more-

PSC Stabilizes Phone Program for Low-income Customers – Page 2

The PSC opened an investigation into the future of the KUSF on Feb. 1. The action was prompted by the rapid depletion of the fund.

Universal Service Funds (USF) were created by the Federal Telecommunications Act of 1996, with the goal of making telephone service available to everyone. The KUSF was established by the PSC in 1998.

Both a federal USF and the KUSF provide support to authorized landline and wireless telephone companies for eligible low-income customers served through the Lifeline program. Lifeline customers are required to provide proof of their low-income qualifying status to the phone company on an annual basis.

Initially, the KUSF received matching funds through the federal USF. The Federal Communication Commission in 2012 ended the matching support, and instead set the federal support at \$9.25 per month per Lifeline customer.

The KUSF support is \$3.50 per month, for a total support of \$12.75 per month per Lifeline customer for companies authorized to participate in both the state and federal programs.

Funding for the KUSF comes through a monthly surcharge assessed on every landline and wireless access line in the state. It has ranged from 3 cents to 8 cents per month per line, and has been at 8 cents since June 2004.

Money collected via the surcharge goes to the Kentucky Finance and Administration Cabinet and is disbursed to telephone providers – both landline and wireless – who have been certified as eligible by the PSC. In May 2011, the KUSF balance peaked at about \$11 million. It has since declined steadily, reaching just over \$400,000 in October 2015.

Before April 2012, the KUSF paid out about \$215,000 every month. Since then, the monthly disbursement has averaged about \$582,000. Last year, monthly payments out of the fund exceeded revenue by an average of about \$118,000.

With the KUSF stabilized, the PSC will examine whether to continue the KUSF, how and to what extent it should be funded if it is continued, the past and projected distributions from the KUSF that led to the fund's depletion, and how such distributions should be made in the future.

Today's order and related documents in the case are available on the PSC website, psc.ky.gov. The case number is 2016-00059.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 85 employees.