



September 27th, 2021

Rosemary Chiavetta Secretary
Pennsylvania Public Utility Commission
400 North Street, 2nd Floor
Harrisburg, PA 17120

RE: Pennsylvania Universal Service Fund 1/2020 -12/2020 Period Report
Docket No. M-00001337

Dear Ms. Chiavetta:

Enclosed for filing in Docket No. M-00001337 is a summary of the activity for the Pennsylvania Universal Service Fund (PUSF) for the 1/2020 - 12/2020 period of operations.

In accordance with the terms of the contract between GVNW Consulting, Inc. and the Pennsylvania Public Utility Commission (PPUC), this report details the financial activities of the PUSF for the period ending December 31, 2020 and includes Balance Sheets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statements of Cash Flows. Also included is a list of recommendations pertaining to the PUSF, the **proposed** assessment rate for the 2022 calendar year, and additional analysis.

Please contact me if you have any questions or comments regarding the enclosed materials.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dennis C. Smith', written over a large, faint, light-blue watermark of the VantagePoint logo.

Dennis C. Smith, Consultant
dennis.smith@vantagepnt.com

Attachments

cc: Pa Office of Consumer Advocate
Pa Office of Small Business Advocate
Chief Counsel, PPUC
Assistant Counsel, Colin W. Scott, PPUC
Director of the Bureau of Technical Utility Services, PPUC
Director of the Bureau of Audits, PPUC
PaUSF Participating Carriers

Pennsylvania Universal Service Fund

Annual Report

October 2021

Vantage Point Solutions [VPS], as Administrator of the Pennsylvania Universal Service Fund [PaUSF or Fund], hereby submits the following report to the Pennsylvania Public Utility Commission [PPUC] on the Fund Activities.

A. PaUSF Financial Activities

As shown in the attached financial statements, PaUSF Assessments during the 1/2020 – 12/2020 period were \$34.07 million and Operating Expenses were \$34.08 million. The corresponding fund balance as of 12/31/20, after taking into consideration interest earned, late payment charges and administrative expenses paid, was \$3.02 million. Interest earned on the invested fund balance, which is credited to the PaUSF, totaled \$8 thousand for the period, resulting in an average investment earnings rate of 0.17%.

B. VPS Recommendations for the Administration of PaUSF

1. Retain Annual Funding Contingency at 5%

- For the past sixteen years, the PPUC has approved an assessment factor that utilized a 5% funding contingency. This percentage contributes to the rate factor and is intended to account for uncollectible revenues and bad debt. Although actual uncollectible revenue has averaged less than \$200,000 per year over the last thirteen years, recent bankruptcies and abandonments by contributing carriers makes a 5% contingency a prudent decision.

2. Carryover Balance

- The fund balance is projected to increase due to two companies revising their annual reporting for prior years and paying additional contribution amounts, resulting in an anticipated year-end fund balance greater than \$1.5 million. VPS believes it would be prudent to utilize a conservative cash balance of \$1.5 million as of December 31, 2021 for calculation purposes, providing a further cushion for any unforeseen variances. However, due to the additional contributions, however, the fund should expect a surplus. Thus, a slight decrease in the assessment rate for 2022 is advised and is discussed more fully below.

3. Carrier Data Collection Reports of Prior Year Revenues

- During the current Fund Year, carriers are required to report annual revenues from the prior year (by March 31) that are used in calculating the next year's PaUSF assessment rate. VPS maintains a web-based portal for online reporting,

whereby carriers can fulfill this requirement with the Administrator. Carriers are given unique User IDs and Passwords to use when filing online. The online filing system is available 24x7.

4. Provide a new numbering mechanism for VoIP providers that want to voluntarily participate in the Fund.

- It has been brought to VPS attention that a VoIP provider, ViaSat Carrier Services, was granted ETC status in Pennsylvania but does not hold a certificate for a regulated service. As such, this company does not have a Utility Code assigned by the Commission. However, the ETC designation order for ViaSat Carrier Services directs ViaSat to remit state TRS, USF and similar regulatory fees. Therefore, ViaSat has requested to register with the Pennsylvania USF. Historically, a provider must be assigned a Utility Code by the Commission in order to be tracked as a PaUSF participant. VPS requests that a new numbering system be developed to allow for tracking of VoIP and/or wireless providers that voluntarily participate in the Fund and will collaborate with Staff to develop the new numbering system for non-regulated providers.

C. VPS Recommendations for Ensuring Carrier Compliance

VPS has had the opportunity to evaluate the operations of the Fund and, as a result, offers one recommendation for the future operations of the Fund:

1. VPS recommends that the Commission continue to authorize a certain number of Carrier Compliance Reviews each year to ensure that the Carrier filings are compliant with the PPUC regulations.

- The first year of Carrier Compliance Reviews were conducted in 2021. The results will be included in the Final Review Report presented/filed to the Commission.

D. Proposed Assessment Rate for Calendar Year 2022

In accordance with the PPUC’s rules for calculating the annual assessment factor, the PaUSF assessment rate for 2022 has been calculated at 2.1255092% (0.021255092) of 2020 average monthly intrastate end-user retail telecommunications revenue. The assessment calculation is based on data submitted by carriers during the annual data collection process as well as projections of the fund carryover balance and administrative auditing fees:

1. For Support Recipients, reported 2019/2020 annual access line growth rate = (-13.41%)
2. Projected PaUSF fund balance as of 12/31/2021 = \$2,318,055.04
3. Projected 2022 annual support due to recipient carriers = \$33,828,568.72
4. Projected 2022 annual administration and audit fees = \$187,100.00
5. Projected 2022 5% allowance for uncollectibles = \$1,575,525.68
6. Projected 2022 total annual fund size = \$33,273,139.36 [(Line 3 + Line 4 + Line 5 – Line 2)]
7. Reported 2020 intrastate retail revenues (contributing carriers) = \$1,565,419,656.99
8. Recommended 2022 Assessment Rate = \$33,273,139.36 / \$1,565,419,656.99 = **0.021255092**

E. Comparative Analysis

Here is a comparative analysis between various data points used to calculate the **proposed** 2022 Assessment Rate and the approved 2021 Assessment Rate.

| Items Compared | 2021 Rate Calculation | 2022 Rate Calculation | Percent Difference |
|-------------------------------------------|------------------------------|------------------------------|---------------------------|
| Monthly Support Amount | \$2,819,047.39 | \$2,819,047.39 | 0.00% |
| # of Contributors | 205 | 205 | 0.00% |
| # of Carriers with <\$120 assessment/year | 107 | 97 | -9.36% |
| Assessment Rate | 0.021673586 | 0.021255092 | -1.93% |

| Items Compared | 2019 | 2020 | Percent Difference |
|---------------------------------------------------------|--------------------|--------------------|---------------------------|
| Net (Total) Intrastate Operating Revenue (all carriers) | \$1,571,814,279.72 | \$1,565,499,810.80 | -0.40% |
| Support Carriers Annual Intrastate Revenue | \$157,929,945.20 | \$140,493,944.22 | -11.04% |
| Support Carriers Access Lines | 408,612 | 353,827 | -13.41% |

| Assessment Rate Growth | | |
|-------------------------------|------|---------|
| 2004 | 2005 | +6.14% |
| 2005 | 2006 | +3.30% |
| 2006 | 2007 | +3.48% |
| 2007 | 2008 | +1.97% |
| 2008 | 2009 | +2.71% |
| 2009 | 2010 | +5.02% |
| 2010 | 2011 | +7.55% |
| 2011 | 2012 | +0.32% |
| 2012 | 2013 | +19.88% |
| 2013 | 2014 | +2.67% |
| 2014 | 2015 | +7.35% |
| 2015 | 2016 | +4.48% |
| 2016 | 2017 | +5.23% |
| 2017 | 2018 | +7.17% |
| 2018 | 2019 | +8.23% |
| 2019 | 2020 | -1.61% |
| 2020 | 2021 | +4.01% |
| 2021 | 2022 | -1.93% |