

**ADMINISTRATIVE PROCEDURES ACT
FISCAL NOTE
Prepared by Submitting Agency**

BFM 50.11
#06059

RECEIVED

MAY 08 2006

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

	CODE	NAME
DEPARTMENT	10	LABOR
DIVISION	109	Public Utilities Commission
PROGRAM		

PROPOSED RULE: 20:10:32:(42,43,43.01,43.02,43.03,43.04,43.05,43.06,43.07,44,45,46,47,48,49,51,52,53,54,55).

Hearing Date: May 24, 2006

FISCAL IMPACT STATEMENT:

Brief description of fiscal impact; (Example: Pursuant to 1-26-402, these rules have minimal impact to all entities. No additional staffing or resources are needed.)

FISCAL NOTE SUMMARY:

List state agencies of local governmental subdivisions affected.

COST INCREASES (DECREASES)

State Agencies:	First-Year Impact	Continuous-Yearly Impact
	0	0
TOTAL	0	0
Local Subdivisions:		
	0	0
TOTAL	0	0
Small Business Increases (Decreases)		
	Indeterminable	Indeterminable
TOTAL	Indeterminable	Indeterminable

REVENUE INCREASES (DECREASES)

Revenue Increases (Decreases) State, Local & Small Business :		
State or Local	0	0
Small Business	Indeterminable	Indeterminable
TOTAL		

APPROVED

Signature Department Secretary or Board or Commission Chairman

DATE: May 8, 2006

ATTACH: Copy of proposed rules; separate sections for: 1) explanation of rules effect, i.e. what procedures, schedules, activities, etc. will change with its adoption 2) statistics used, and their source, 3) assumptions that were made to arrive at fiscal impact, 4) computations that were made, 5) small business impact statement



**DEPARTMENT OF EXECUTIVE MANAGEMENT
BUREAU OF FINANCE AND MANAGEMENT**

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May 8, 2006

The Bureau of Finance and Management has reviewed the attached proposed rules from the Department of Labor, Public Utilities Commission and concurs with the assumptions and fiscal impact calculations within the attached package.

TD/jsd

EXPLANATION OF RULES EFFECT

The proposed rules do not effect state or local governmental entities. As explained below, the proposed rules may increase the costs of becoming an eligible telecommunications carrier (ETC) and the costs of annual certification for carriers already designated as ETCs. However, the revenues that an ETC receives will more than likely greatly exceed the costs of becoming an ETC or receiving annual certification.

The proposed rules set forth the requirements for telecommunications companies to become eligible telecommunications carriers. The costs to file an application and obtain ETC status are highly variable. If there are intervenors in the case who oppose the application, the costs will be higher because the applicant may need to prove its eligibility through a contested case proceeding. If the application is uncontested, the costs would be much less. It is important to note that if a carrier is designated as an ETC, it is then eligible to receive federal universal service funding. The amount of such funding is dependent upon how many customers the ETC has, if the customer lives in a high cost area, and the costs of the incumbent carrier to serve those customers. Based on those factors, a competitive ETC may receive a certain amount of money for each customer it serves. Current ETCs receive anywhere from thousands of dollars to millions of dollars annually from the federal universal service fund. Thus the monetary benefits of becoming an ETC would far outweigh any costs incurred to apply for ETC status.

The proposed rules also set forth the requirements to receive annual certification. Annual certification is a federal requirement and allows the already designated ETC to continue to receive high cost funds. The proposed rules essentially require that ETCs demonstrate that they are continuing to provide the supported services and are using their high cost funds to improve service in the areas that most need the improvements. The proposed rules require more information and reports than what was required by the Commission in the past to become certified. The proposed rules are modeled after FCC rules and the FCC is highly encouraging states to adopt these rules. The costs of becoming certified are also difficult to quantify. The costs will necessarily increase if an ETC's application for certification is contested by intervenors. Some carriers hire consultants to complete the certification process; others will use their existing employees. As with becoming an ETC, the benefits of being certified greatly outweigh the costs to become certified since certification enables an ETC to continue to receive federal high-cost funds.