

**NOTICE OF PROPOSED AMENDMENTS TO THE ARIZONA UNIVERSAL
SERVICE FUND & PROPOSED SURCHARGE INCREASE
DOCKET NO. RT-00000H-97-0137**

On January 13, 2017, the Arizona Corporation Commission ("Commission") issued Decision No. 75919 to begin the process of amending the Arizona Universal Service Fund ("AUSF") rules to facilitate the construction of broadband infrastructure in largely rural areas in Arizona. The Commission and the Arizona Department of Education are partnering to take advantage of a recent and limited Federal Communications Commission's ("FCC") E-rate program that would allow Arizona to obtain federal matching funds to bridge the broadband "connectivity gap" for Arizona's rural schools and libraries that do not have adequate internet capabilities. In 2015, 37 percent of Arizona school districts lacked internet capabilities consistent with the FCC's standard of 100 kilobits per second (0.1 Mbps) per student. Over 63 percent of these districts were located in rural Arizona.

Under the FCC's E-rate Modernization Orders, states are able to obtain, on a limited basis, additional benefits from the federal universal service E-rate program for schools and libraries if state matching funds for special construction broadband projects are provided. This program is of limited duration, and the Commission needs to take expedited action in order for schools and libraries in rural Arizona to start obtaining the benefits of this new program.

It is anticipated that this new program under the AUSF will provide a one-time distribution to qualifying Arizona schools and libraries of approximately \$8 million in the aggregate. Currently, Arizona customers contribute to the AUSF through a monthly surcharge included in the telephone bills received from the customers' service providers. The adoption of this new program would likely increase the AUSF surcharge on each customer's monthly bill. It is currently estimated that each customer would see an increase of approximately \$0.15 per month per line for approximately one year, if the additional surcharge is collected over a one-year time frame. The actual amount of the surcharge increase could be higher or lower than this estimate.

If you have any questions concerning how amending the AUSF rules may affect your bill or have other questions about the AUSF rulemaking, you may contact your service provider at: Valley TeleCom Group, 752 East Maley Street, Willcox, Arizona, or call 1-800-421-5711 during regular business hours. You may also call the Commission's Consumer Services Section, during regular business hours, at 602-542-4251 or 1-800-222-7000.

Copies of all documents filed regarding the AUSF rulemaking are available during regular business hours from the Commission's Docket Control Center at 1200 West Washington Street, Phoenix, Arizona, and at any time on the Commission's website (www.azcc.gov) using the e-Docket function and **Docket No. RT-00000H-97-0137**.

Written public comments regarding the AUSF rulemaking may be submitted at any time by mailing a letter referencing **Docket No. RT-00000H-97-0137** to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington Street, Phoenix, AZ 85007, or by submitting comments on the Commission's website (www.azcc.gov) using the "Submit a Public Comment for a Utility" function. Interested persons may also provide oral comment when the Commission considers this matter at an upcoming Open Meeting. The Commission's Open Meeting dates, schedules, and agendas are available on its website. If you require assistance, you may contact the Consumer Services Section during regular business hours at the numbers listed above.