BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE INCREASE IN CAMBRIDGE TELEPHONE COMPANY’S RESIDENTIAL LINE RATE TO MEET UNIVERSAL SERVICE FUND REQUIRE­MENTS. | ))))))))) | CASE NO. CAM-T-95-1           AMENDEDNOTICE OF MODIFIED          PROCEDURENOTICE OF RATE INCREASE        ORDER NO.  26182 |

O R D E R

On July 14, 1995, the Commission received the annual report of the Idaho Universal Service Fund (USF) for the period from July 1, 1994 through June 30, 1995.  After reviewing the report and legal requirements for a local exchange company to participate in fund distributions, we determined that Cambridge Telephone Company must increase its billed residential rates to meet the statutory threshold requirement to qualify for continued USF funding.  See Order No. 26148 issued in Case No. GNR-T-95-3.

The USF is funded by surcharges on residential and business lines, and toll surcharges on message telecommunications service (MTS) and wide area telecommunications service (WATS).  The fund is distributed to qualifying high-cost local exchange telephone companies to reduce the amount of the companies’ revenue requirements that must be obtained from rates and charges to their customers.  Fund distributions thus offset a certain amount of revenues that otherwise would come from customers in the absence of the fund.  Idaho Code § 62-610 establishes the eligibility requirements for local exchange companies to receive payments from the USF and currently requires that a participating company’s local business and residential rates be at least 125% of the statewide average.  The Commission’s Universal Service Fund Rule 106 requires participating companies to revise their rates if the difference in the company’s rates and the statewide threshold rate is more than 3%, and the difference in the amount of revenue collected under the company’s rates and the threshold rate is greater than $6,000.

Cambridge Telephone Company was authorized to receive USF funds in September 1988.  Local rates for both residential and business services had increased significantly just prior to that time so no billed rate increase was required by the Commission for USF eligibility.  Cambridge has received the benefit of USF distributions since 1988, and billed residential rates have remained unchanged.

The Commission has reviewed the eligibility requirements for USF participation and finds that the billed residential telephone rates of Cambridge’s customers must be increased to meet the criteria established in the law and our rules.  To implement the entire amount at one time may impair our goal of universal service and constitute an undue hardship for some customers.  We therefore find that the following increases should be implemented:

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|  | Current Rate | Nov 1, 1995rate | Oct 1, 1996rate | Oct 1, 1997rate |
| Indian ValleyCambridgeCuprumLowman | $12.50 12.50 10.50 11.50 | $13.45 13.45 11.30 12.35 | $14.40 14.40 12.10 13.20 | $15.35 15.35 12.90 14.05 |

While we regret the necessity of requiring these increases, they are essential to enable Cambridge to remain eligible for USF distributions.  Even though these increases will be implemented, rates will remain lower than they would have to be without the USF.

We also find that the public interest may not require a formal hearing in this matter and that it is appropriate to proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission’s Rules of Procedure, IDAPA 31.01.01.201 through  204.

IT IS THEREFORE ORDERED that Cambridge Telephone Company must increase its billed residential rates to meet the statutory threshold requirements in order to be eligible for continued payments from the USF.

IT IS FURTHER ORDERED that this matter will proceed by Modified Procedure pursuant to the Commission’s Rules of Procedure.  Upon its own motion pursuant to IDAPA 31.46.01.106, the Commission issues this Order and Notice of Modified Procedure for Cambridge Telephone Company to increase its billed residential telephone rates.

NOTICE OF MODIFIED PROCEDURE

YOU ARE HEREBY NOTIFIED that Cambridge Telephone Company’s average billed telephone rate is below the threshold requirements to receive USF funds.  For Cambridge’s three exchanges, the average current billed residential rate of $12.16 per month is different than the statewide average threshold rate by an amount greater than 3%.  Additionally, the difference in the annual revenue associated with Cambridge’s average current billed rate and the revenue associated with the statewide average threshold rate is greater than $6,000.  Accordingly, pursuant to Rule 106 and Idaho Code § 62-610, Cambridge must revise its residential rates to meet the threshold funding eligibility standards.

YOU ARE FURTHER NOTIFIED that the current USF threshold rate for residential lines is $14.86 per month.  The Commission Staff filed comments proposing to increase Cambridge’s residential billed rates by an average of $2.59 per line per month, resulting in a weighted average of $14.73 for Cambridge’s residential rates.  Staff proposes that the increase be implemented in three installments.

YOU ARE FURTHER NOTIFIED that Cambridge’s Telephone Company must increase its residential rates to meet the statutory threshold requirement to qualify for continued USF funding.  The proposed effective date for the first increase in billed residential rates is November 1, 1995.

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission’s Rules of Procedure, IDAPA 31.01.01.201 through -.204.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position in this case may file a written comment in support or opposition with the Commission within twenty-one (21) days from the date of this Notice.  The comment must contain a statement of reasons supporting the comment.  Persons desiring a hearing must specifically request a hearing in their written comments.  Written comments concerning this Notice shall be mailed to the Commission at the addresses reflected below:

COMMISSION SECRETARY

IDAHO PUBLIC UTILITIES COMMISSION

PO BOX 83720

BOISE, IDAHO 83720-0074

Street Address for Express Mail:

472 W WASHINGTON ST

BOISE, IDAHO 83702-5983

These comments should contain the case caption and case number shown on the first page of this document.

YOU ARE FURTHER NOTIFIED that if no written comments are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing.  If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this                  day of  September 1995.

                                                             RALPH NELSON, PRESIDENT

                  MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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