

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE INVESTIGATION)
TO DETERMINE WHETHER IT IS) CASE NO. CTC-T-05-2
REASONABLE FOR FRONTIER)
COMMUNICATIONS OF IDAHO TO)
PROVIDE TELECOMMUNICATIONS) ORDER NO. 30056
SERVICE TO CUSTOMERS LOCATED IN)
THE TAMARACK RESORT)

The Idaho Public Utilities Commission on its own motion and pursuant to *Idaho Code* § 61-503 opened this case to investigate whether Citizens Telecommunications Company of Idaho, Inc. dba Frontier Communications of Idaho (“Frontier”) should be required to provide telecommunications service to requesting customers located in the Tamarack Resort in Valley County (“Tamarack”). Order No. 29845. Tamarack lies within the area included in Frontier’s Certificate of Public Convenience and Necessity.

BACKGROUND

In response to consumer complaints, in Order No. 29845 issued on August 11, 2005, the Commission opened this case to investigate whether Frontier should be required to provide telecommunications service to requesting customers located in the Tamarack. The Commission directed Frontier to respond to the following questions:

1. Is Frontier willing to provide telephone service to the Tamarack Resort?
 - a. If yes, under what conditions?
 - b. If no, then why does Frontier believe it is reasonable to decline the requests for service?

The Commission also directed the Staff to conduct an investigation to determine whether it is reasonable for Frontier to provide service to Tamarack, specifically to determine the investment required to enable Frontier to provide service and the effect such investment will have on the rates paid by its customers.

On August 17, 2005, Qwest Corporation filed a Petition to Intervene. The Commission granted Qwest’s Petition on September 1, 2005. On August 30, Mr. Matthew Castrigno, a Tamarack customer, filed a Petition to Intervene. The Commission granted Mr.

Castrigno's Petition on September 30, 2005. No comment or pleading was filed by Qwest or Mr. Castrigno since the grants of their respective Petitions.

STAFF INVESTIGATION

On August 22, 2005, Frontier responded to Order No. 29845 regarding its willingness, and ability, to provide telephone service to Tamarack customers. In its response, Frontier stated that it "is willing to serve customers within it's [sic] certificated areas including Tamarack Resort, to the extent that it can acquire access to the customers and be compensated for all costs to serve the area." Frontier provided two possible scenarios under which it may be able to provide telecommunications service to the Tamarack customers.

First, Frontier could provide service within the resort by overbuilding Tamarack facilities. Frontier stated this would be cost prohibitive because of the right-of-way issues within the privately owned resort and the extremely high construction costs necessary to install facilities.

Second, Frontier could serve Tamarack customers by interconnecting with the existing facilities of Tamarack. For this to occur, Tamarack would need to allow Frontier access to its network at reasonable rates. In addition, Tamarack would need to make personnel available to perform troubleshooting and be responsible for its part of the circuits on a timely basis. Frontier also explained that it would need to purchase and install network equipment "to enable Tamarack's fiber-to-the-home facilities to interface with Frontier's existing network." As with the first scenario, this would be a workable solution if Frontier were allowed to recover all its costs incurred to serve those customers who live within Tamarack.

Finally, Frontier cautioned that its costs to provide services might be prohibitive because of the lack of facilities right-of-way access and that the expense of bringing facilities to customers could be excessive. Frontier also stated it has no agreement with Tamarack to interconnect with the resort's facilities and that it has not received interest from enough customers necessary to warrant the expenditures necessary for the electronic equipment to collocate.

On August 26, 2005, Staff's First Production Request was issued to Frontier. In its request, Staff asked Frontier to provide a detailed cost analysis showing how much Frontier anticipated it would cost to provide telecommunications services to customers within Tamarack. Staff also asked Frontier to provide a detailed cost analysis for collocating and interconnecting

with Tamarack's facilities. In its response, Frontier concluded that it would be very costly and time-consuming to overbuild Tamarack's facilities, providing an analysis showing that costs could range from approximately \$465,000 to \$2,000,000, depending on the facilities needed. In addition, Frontier would also need to obtain right-of-way access within Tamarack, which could be another substantial expense. Finally, Frontier would likely incur over \$80,000 in additional interconnection expenses.

Staff contacted Tamarack's IT Director and informally requested cost estimates to determine what Tamarack would charge Frontier for the use of its network. Tamarack stated it had "invested almost \$500,000 in infrastructure" to provide its services to the homes within the resort, and estimated that it would charge Frontier approximately \$100 per month per home to enable Frontier to interconnect with its equipment.

On November 4, 2005, Staff issued a second set of production requests to Frontier to follow up on the course of discussions between Frontier and Tamarack. On December 1, 2005, Frontier responded by explaining that it had held preliminary discussions with Tamarack regarding interconnecting the two companies' facilities. From those discussions, Frontier determined that the cost that Tamarack would charge Frontier per home, along with better-understood interconnection expenses that Frontier would incur, resulted in expenses considerably higher than originally estimated. These costs led Frontier to determine that it could not provide affordably priced service to Tamarack's residents. Frontier also explained to Staff that further discussions with Tamarack would likely not change this determination, so no further discussions regarding interconnection were scheduled to take place. To cover interconnection costs, Frontier would apply its line extension allowance of \$2,560 and then "all non-recurring facilities charges in excess of this allowance would be due from the connecting customers within the resort."

The Staff filed a written report of its investigation. In a decision memorandum filed May 22, 2006, Staff recommended the Commission close this case, because after a thorough investigation, it is clear that Frontier simply cannot provide service to Tamarack in a cost-effective manner.

COMMISSION FINDINGS AND CONCLUSIONS OF LAW

As noted in the Commission's Order granting a Certificate of Public Convenience and Necessity to Tamarack, this Commission has no ratemaking authority over the services provided by Tamarack. *See* Order No. 29808. *See* also Telecommunications Act of 1996, § 251.

In addition, we find that the costs associated with the provision of such services by Frontier would be excessive and that it would be imprudent for Frontier to incur those costs in order to provide service to a very small number of customers within Tamarack.

Tamarack was responsive to customers who did not wish to subscribe to Tamarack's basic combo package by offering an alternative telephone package at a considerably reduced rate. In addition, Staff received information from Tamarack that cellular telephone service in the area has greatly improved, providing another form of telecommunications service available to Tamarack residents.

The Commission is satisfied that the companies have been cooperative and have diligently attempted to explore alternative services for Tamarack customers. However, it is neither reasonable nor prudent for Frontier to provide service to Tamarack. The investment required to enable Frontier to provide the service would be substantial and would result in excessive rates to either the individual Tamarack customers or all of Frontier's customers.


We find that this Commission does not have jurisdiction over Tamarack regarding the prices it may charge its customers or other providers. *See* Order No. 29808. *See also* Telecommunications Act of 1996, § 251. Staff conducted a thorough investigation into the issue of whether it would be reasonable for Frontier to provide telecommunications services to requesting customers located in the Tamarack Resort in Valley County. Based upon our review of Frontier's responses to Staff requests and the Staff's analysis, we find that due to the costs that would be incurred, it is not reasonable or prudent for Frontier to provide services to the Tamarack Resort. Therefore, we find that this case should be closed.

ORDER

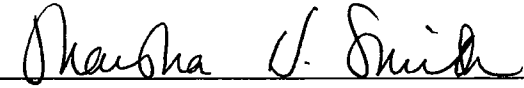
IT IS HEREBY ORDERED that Case No. CTC-T-05-2 is closed.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) in this Case No. CTC-T-05-2 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30th
day of May 2006.



PAUL KJELLANDER, PRESIDENT

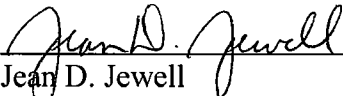


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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