# BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF CITIZENS TELECOMMUNICATIONS COMPANY OF IDAHO TO REDUCE ACCESS RATES AND REBALANCE OTHER RATES FOR TELECOMMUNICATIONS SERVICES. CASE NO. CTC-T-98-3

**ORDER NO. 27789** 

On May 15, 1998, Citizens Telecommunications of Idaho filed a plan to rebalance its rates for telecommunications services in Idaho to lower access rates by removing inherent subsidies in those rates and to address the numerous petitions and requests for extended area service (EAS) from customers in communities throughout the Citizens serving area. Citizens filed tariffs that would reduce its access rates to the statewide average, simplify its toll rates and increase its local service rates to adjust for the loss in access revenues. Additionally, Citizens expanded basic local service areas and added optional local and regional calling plans. According to Citizens, the filing is revenue neutral to the company. Citizens requested that this Application be processed under Modified Procedure.

The Commission issued a Notice of Application on June 5, 1998. Permission to intervene was requested by and granted to U S WEST, MCI, AT&T, and the Idaho Telephone Association (ITA). On June 18, 1998, the Commission issued Order No. 27578 to establish Case No. CTC-T-98-3 to process this Application and consolidated three pending EAS dockets to be decided in this case: GNR-T-96-2 (Horseshoe Bend/Garden Valley/Sweet); GNR-T-96-8 (Riggins/White Bird/New Meadows); and GNR-T-97-10 (Blaine County). In addition to the parties listed above who were granted intervention, Cambridge Telephone Company was identified as a party in GNR-T-96-2 and GNR-T-96-8.

The Commission also postponed implementing the Aberdeen local calling plans that had previously been approved in GNR-T-96-7, pending the outcome of this case. The Commission determined that Citizens' Application would be processed by Modified Procedure with comments to be filed by all parties within 21 days. On July 8, 1998, the Commission extended the comment period to July 31 in order to provide parties more time to gather information regarding the costs pertinent to Citizens' Application. Order No. 27619. Hearings were held in Wilder on July 2, 1998,

and in McCall on August 4, 1998, to receive evidence of community of interest between petitioning customers and the requested calling areas.

U S WEST, MCI, AT&T, ITA and Staff filed comments. On September 22, 1998, U S WEST, ITA and Citizens filed a Stipulation withdrawing certain Citizens' optional plans in order to resolve U S WEST's and ITA's concerns. On October 6, 1998, Citizens filed a response to concerns raised by Cambridge Telephone Company and Council Telephone Company, incorporating a Letter of Agreement between Citizens and Cambridge/Council.

Based on its review of the record, the public hearings, public comments, company comments, the law, and the stipulations filed by Citizens, U S WEST, ITA, and Staff, the Commission approves Citizens' proposal to rebalance its rates and approves all Citizens' proposed EAS changes and its local calling plans, as modified by this Order. The Commission further finds that this decision resolves all the pending petitions for EAS in GNR-T-96-2 (Horseshoe Bend/Garden Valley/Sweet), GNR-T-96-8 (Riggins/White Bird/New Meadows), GNR-T-97-21 (Springfield), USW-T-97-1/CTC-T-97-1 (Marsing) and GNR-T-97-10 (Blaine County).

#### **BACKGROUND**

Access charges are the fees long-distance (toll) carriers pay local exchange companies (LECs such as Citizens) for the use of the LECs' local network facilities when customers make toll calls. Toll carriers pay originating access charges to the LEC where the toll call is originated and terminating access charges to the LEC where the toll call is terminated. For many of Idaho's LECs, revenues derived from access charges represent a significant portion of their authorized revenue requirement and clearly subsidize, in part, basic local exchange service. Conversely, the access charges paid by toll carriers represent a predominant portion of the cost of providing a toll call. Lowering Citizens' access charges (with all other factors unchanged) will lower costs to the various long-distance carriers and, presumably, lower their rates for in-state, long-distance services.

In 1997, the Legislature enacted several amendments to the Idaho Telecommunications Act codified at *Idaho Code* §§ 62-601 *et seq*. The Legislature directed the Commission to identify, quantify, and remove implicit subsidies existing in the rates of incumbent LECs. *Idaho Code* § 62-623(1) and (2). In particular, the Legislature determined that access charges, "including all of the carrier common line charge" subsidize local service rates. *Id.* The carrier common line charge is

a component of the per-minute access charge and is intended to cover a LEC's fixed costs of providing local exchange access.

# THE APPLICATION

## A. Access Charges.

In response to state and federal legislative changes requiring local exchange carriers to reduce or eliminate existing implicit rate subsidies, Citizens proposed to reduce its current effective access charges by more than fifty percent (50%), from an effective rate of about twelve cents (\$0.12) per minute to a proposed effective rate of about six cents (\$0.06) per minute. Citizens stated that its proposed effective access rates are approximately equivalent to the statewide average and in line with Citizens' interstate access rates. Citizens stated that it expects long-distance carriers will reduce the rates they charge customers in Citizens' territory to reflect Citizens' reduction of access charges. The "savings" that individual customers may receive is dependent upon their long-distance usage and whether their long-distance carriers "pass through" the rate reductions. Pursuant to *Idaho Code* § 62-604, the Commission does not regulate long-distance rates for the carriers who pay access charges to Citizens.

### B. Local Rate Rebalancing.

To offset the lower revenues caused by the reduction in access charges, Citizens proposed a local rate increase from \$9.85 to \$17.50 per month for residential lines and from \$19.75 to \$35.10 per month for business lines. Current EAS increments, which average \$2.08 for residential lines and \$5.50 for business lines, will be eliminated.

Expanded local calling areas within Citizens' serving area will be included in the basic local rates and optional local calling plans will be available for \$1.20 for residential lines and \$1.80 for business lines. In addition, optional regional local calling plans to areas outside Citizens' serving area will be offered for \$8.10 for residential customers and \$12.15 for business customers. Citizens' proposed local rates are lower than 125% of statewide average.

Citizens did not request an adjustment to its revenue requirement and claimed that the proposed rate design is revenue neutral providing Citizens with the opportunity to earn its already established revenue requirement. This is the first rate increase for residential and business basic exchange service in 13 years for Citizens' customers. In part, Citizens justified its rebalancing

request by claiming that customers will benefit from the proposed rate design because it includes significantly expanded local calling areas in many exchanges and offers customers optional local calling plans that if subscribed to provide significant savings over existing toll rates.

According to Citizens, the rate design will not require Citizens to draw any revenue from the state Universal Service Fund

## C. EAS and Optional Calling Plans

Citizens proposed that existing EAS plans be retained and rates for EAS included in the basic service rates, making existing mandatory flat rate EAS uniform for Citizens' exchanges that are located near each other. Optional local and regional calling plans would offer several payment options: Premium Flat Rate Options that give toll-free calling to specified exchanges; Measured Service Options with lower fixed monthly rates plus a discounted per-minute usage rate; Basic Exchange Rate Option/Long Distance Toll Service permitting the customer to pay only the monthly basic rate with long distance calls charged the normal toll rate.

More specifically, residential customers choosing one of the proposed optional regional calling plans would be offered a flat rate of \$8.10/month or measured rate of \$4.05/month plus 5¢/minute. Business customers could choose to pay a flat rate of \$12.15/month or measured rate of \$6.20/month plus 5¢/minute. Residential customers taking advantage of one of the optional local calling plans could pay either a flat rate of \$1.20/month or a measured rate of \$0.60/month plus 5¢/minute. Business customers would be offered a flat rate of \$1.80/month or a measured rate of \$0.90/month plus 5¢/minute. According to Citizens, rates for these calling plans were developed using the same methodology approved by the Commission in the Homedale-Parma-Wilder and Aberdeen cases. Application at 12. Citizens' original Application proposed more than one optional regional calling plan for some of their exchanges.

Citizens stated it can implement these services within 120 days of an order, with optional calling plans phased in during an additional period of 90 days.

#### THE COMMENTS

#### A. Commission Staff

Staff generally supported Citizens' Application and urged the Commission to approve it. Staff noted that Congress required states, as a part of the federal Telecommunications Act of

1996, to identify and reduce subsidies that were implicit in local exchange rates. Likewise, the Idaho Legislature directed the Commission to "[d]etermine a mechanism for removal of the subsidies from the rates of incumbent telephone corporations." *Idaho Code* § 62-623. The Legislature specifically identified access charges as one of those implicit subsidies. Staff agreed that Citizens' proposed rebalancing would bring its access charges closer to their embedded costs. Staff Comments at 6. Staff further confirmed that the proposed rate increases, although large, were necessitated by the reduction in access charges and that the overall proposal would be revenue neutral. Staff Comments at 21. Additionally, Staff found that revenue from the proposed flat and measured charges and usage will offset the additional expenses and lost revenue incurred to implement the proposed optional local and regional calling plans. *Id.* Therefore, Staff recommended approval of the proposed reductions in access charges and the concomitant increases in rates.

Staff also recommended approval of Citizens' EAS proposals and its optional calling plans. Staff Comments at 23-25. Staff reviewed the outstanding Petitions for EAS from Citizens' customers, as well as, those calling plans that would be offered as options by Citizens to its customers in some communities and determined that all were justified based on the criteria this Commission previously approved for evaluating petitions for EAS. Staff noted that Citizens' plans do not grant all customer requests for EAS or propose even optional calling plans in some cases. However, Staff supported Citizens' proposals.

- 1. GNR-T-96-2 -- Garden Valley, Horseshoe Bend, Sweet Petition for EAS. Staff supported expansion of the Garden Valley, Horseshoe Bend and Sweet local calling areas to allow each exchange to call the other toll free. Staff found that the calling patterns and the community of interest supported EAS among these communities. Staff Comments at 10. Staff also found that providing an optional local calling plan for Garden Valley, Horseshoe Bend and Sweet customers to call Lowman and an optional regional calling plan to the Boise, Caldwell, Emmett, Idaho City, Kuna, Melba, Meridian, Middleton, Nampa, and Star exchanges was appropriate. Staff Comments at 11. Approval of these plans would resolve all of the Petitioners' requests except for those Petitioners who wanted toll-free calling to McCall and Cascade.
- 2. GNR-T-96-7 -- Aberdeen Petition for EAS into American Falls/Blackfoot. Aberdeen citizens began petitioning for EAS to American Falls and Blackfoot in 1994. On September 24, 1997, Citizens filed a tariff advice to establish optional local service between Aberdeen and American Falls and Aberdeen and Blackfoot (Case No. CTC-T-97-4) and filed a

second tariff advice that would establish optional local calling between Aberdeen and Pocatello (Case No. CTC-T-97-5). The Commission consolidated these cases and approved Citizens' tariffs in Order No. 27412. The plans were to have been implemented on July 13, 1998. On June 19, 1998, the Commission granted Citizens' request to delay implementing these calling plans pending the Commission's decision on this Application. Order No. 27578.

Citizens does not propose to change the Aberdeen/Springfield local calling area but proposes to provide an additional optional regional calling plan that will provide customers the option of subscribing to a plan to call American Falls, Bancroft, Blackfoot, Downey, Grace, Idaho Falls, Lava Hot Springs, McCammon, Montpelier, Pocatello, Preston, Rexburg, Rigby, Ririe, Roberts, Shelley, and Soda Springs exchanges. Staff recommended approving Citizens' plan.

3. GNR-T-96-8 -- New Meadows, Riggins, White Bird Petitions for EAS into Grangeville. New Meadows, Riggins, Grangeville and White Bird customers petitioned the Commission to approve EAS between the telephone exchanges in New Meadows, Riggins, Grangeville, White Bird, McCall and Council.

Staff noted that White Bird and Riggins customers have long wanted toll free calling to Grangeville. However, the Commission conducted a thorough investigation into this possibility in 1992 and found that EAS to Grangeville was not feasible. Order No. 25857. The Commission found that the combination of LATA boundaries and difficult terrain makes EAS to Grangeville very costly. *Id.* Moreover, Riggins and White Bird customers indicated that they would be <u>unwilling</u> to pay large monthly charges (approximately \$35/month) for this option. Staff found that conditions have not changed significantly since then and noted that White Bird residents recently submitted another petition that acknowledges local service to Grangeville is not feasible. Those Petitioners now request local calling to Riggins as an alternative to Grangeville. Therefore, Staff supported Citizens' decision to not offer either EAS or an optional calling plan to Riggins and White Bird customers for calling into Grangeville. Staff Comments at 23.

Staff supported Citizens' proposal to expand Riggins, White Bird and New Meadows local calling areas to include Riggins, White Bird, McCall and New Meadows exchanges and its proposal to expand Cascade and Donnelly local calling areas to include New Meadows. Cascade and Donnelly already have local calling to Cascade, Donnelly and McCall. In every case, Staff found that calling patterns and the community of interest supported EAS. Finally, Staff supported expanding McCall's local calling area to include Riggins, White Bird, Cascade, Donnelly and New

Meadows. Cascade, Donnelly, McCall, New Meadows, Riggins and White Bird customers would have the option of adding Council as a local calling plan under Citizens' plan. Staff found that this would resolve the problem New Meadows customers currently have of being split into two exchanges with two separate calling areas and, therefore, supported approval of the optional plan.

- 4. GNR-T-97-10 -- Carey Petition for EAS into Hailey and Ketchum. Staff found that approximately seventy-five percent (75%) of the Carey residents work in Hailey or Ketchum and that there was a community of interest. Staff further found that Citizens' proposal to offer Carey customers the option of either subscribing to a calling plan into Bliss, Buhl, Castleford, Dietrich, Eden-Hazelton, Gooding, Hagerman, Jerome, Kimberly, Murtaugh, Shoshone, Twin Falls, Wendel, Filer, and Hollister exchanges or into Ketchum and Hailey was appropriate.
- 5. GNR-T-97-21 -- Springfield Petition for EAS into Eastern Idaho. Citizens proposed to preserve Springfield's current local calling area, which includes Aberdeen and Blackfoot, and to offer customers an optional calling plan to call American Falls, Bancroft, Blackfoot, Downey, Grace, Idaho Falls, Lava Hot Springs, McCammon, Montpelier, Pocatello, Preston, Rexburg, Rigby, Ririe, Roberts, Shelley, and Soda Springs exchanges. Based on the calling data and the community of interest, Staff recommended approving Citizens' proposal. This would address the outstanding requests.
- 6. USW-T-97-1/CTC-T-97-1 -- Petition for EAS between Marsing, Nampa and Melba exchanges and Homedale, Parma, and Wilder exchanges. Marsing and Homedale customers currently have local calling to each other and to Caldwell. Parma and Wilder customers can call each other and Wilder customers can also call Homedale. A petition for EAS between Marsing, Nampa and Melba was filed in January 1997 -- USW-T-97-1/CTC-T-97-1. Notice of the Petition was issued February 13, 1997. The Commission does not have an open case regarding Homedale/Parma/Wilder EAS.

Citizens proposed to expand the Marsing, Parma, Wilder and Homedale local calling areas to allow those customers to call each other toll-free and proposed to also offer two optional calling plans to all these customers: optional calling to Boise, Caldwell, Emmett, Idaho City, Kuna, Melba, Meridian, Middleton, Nampa, and Star exchanges and/or optional calling to New Plymouth and Payette exchanges. Staff found that both the appropriate community of interest and calling data

in each instance supported both the proposed expansions of existing local calling areas and offering optional calling plans.

- 7. Citizens' proposal to offer Fairfield customers optional calling plans. There are no pending petitions for EAS from Fairfield customers. Fairfield is in Camas County and has 401 business and 102 residential lines (total 503). Citizens' Application would offer Fairfield customers the option of regional calling to Boise, Caldwell, Emmett, Idaho City, Kuna, Melba, Meridian, Middleton, Nampa, and Star exchanges and/or to Hailey and Ketchum exchanges. Staff supported Citizens' Application.
- 8. Citizens' proposal to offer Elk City customers an optional calling plan into the Grangeville and Kooskia exchanges. Citizens did not propose to expand Elk City's local calling area or to provide an optional regional local calling plan. It did, however, propose to offer an optional local calling plan that would give Elk City residents calling to Grangeville and Kooskia. These are U S WEST North exchanges. In 1992, Elk City customers previously requested calling to Grangeville, the nearest community, so they could call the hospital, the nursing home, doctors, dentists, the veterinarian, banks, churches, employment offices, the county seat, schools and providers of necessary goods and services. In Order No. 24859, Case No. GNR-T-92-5, the Commission denied this Petition based on the low volume of calls the customers made to Grangeville. There are no other pending petitions from Elk City customers. Staff recommended approval of this optional plan.

#### B. AT&T Comments

AT&T supported Citizens' Application, noting that the Idaho Legislature specifically instructed the Commission to remove implicit subsidies from rates, including access charges. AT&T Comments at 2-4. AT&T argues that Citizens' current access rates are excessive on their face, approximately twice the level of the Idaho statewide average and among the highest in the nation. *Id.* Moreover, AT&T pointed out that Citizens' access rates generated nearly half of its total intrastate revenue and, therefore, "unquestionably, Citizens' local service is greatly subsidized by access services." *Id.* It also noted that Citizens' proposed rates for local service are in line with rates paid by customers statewide and the present rates have not been raised in over 12 years. AT&T

Comments at 5. Finally, AT&T stated it had reduced its night/weekend rate for basic schedule customers in Idaho in response to Citizens' initial access rate reduction and further stated:

If access charges are reduced as proposed in the Application, AT&T will continue to share the reductions with customers.

AT&T Comments at 6.

#### C. MCI Comments

MCI generally supported the proposed reduction in access rates and suggested this was only a first step. MCI Comments at 1-2. Like AT&T, MCI pointed out that the Idaho Legislature specifically instructed the Commission to remove implicit subsidies from rates, including access charges. MCI Comments at 2. MCI also suggested such reductions should not be "revenue neutral." *Id.* 

#### D. ITA Comments

ITA generally supported the Application. ITA Comments at 1. However, it expressed serious reservations about some of the proposed optional local calling plans between Citizens' exchanges and some of the independent telephone company exchanges. *Id.* It had three concerns: the proposals for optional plans are one-way and ITA members support two-way EAS; compensation for the affected ITA member companies is not addressed in the Application; and the schedule for implementation must be coordinated. *Id.* 

#### E. US WEST Comments

U S WEST comments at 2. U S WEST also supported expanding its own EAS "regions" to include adjacent Citizens exchanges if the Commission determines there are appropriate communities of interest. *Id.* It contended, however, that any expansion of EAS should include the entire U S WEST EAS region rather than specific exchanges, as Citizens proposed, and "therefore supports the general approach that Citizens is taking in providing access to U S WEST regions as an option for customers in some of its exchanges." *Id.* U S WEST also made clear its position that whenever this Commission approved an optional calling plan for Citizens' customers to call toll-free into a U S WEST exchange, U S WEST planned to impose mandatory EAS on U S WEST customers. *Id.* 

U S WEST also recommended that an additional stipulation with Staff should be negotiated to address U S WEST costs to implement the proposed optional calling plans into its regions. While U S WEST stated that the Commission had already approved the general method for

determining those costs in Order No. 27633, Case No. USW-T-98-3, both Staff and U S WEST had always recognized that the number of minutes to be converted to non-toll under an optional calling plan could not be assumed to be all the existing toll minutes. Moreover, U S WEST also recognized that in areas having "1+" dialing, dial around minutes would be less than those calculated in Case No. USW-T-98-3. Therefore, it recommended that Staff and U S WEST enter into negotiations for a stipulation.

U S WEST expressed a great deal of concern about some of Citizens' proposed "EAS" plans. The majority of its concerns arise from its position that if the Commission approves an independent telephone company request to offer its customers an optional calling plan into one of U S WEST's exchanges or into one of U S WEST's EAS regions, U S WEST will automatically extend mandatory EAS into the independent company's exchange for U S WEST customers.

1. Carey Exchange. U S WEST opposed Citizens' plan to offer Carey customers the choice of two optional calling plans: one into Bliss, Buhl, Castleford, Dietrich, Eden-Hazelton, Gooding, Hagerman, Jerome, Kimberly, Murtaugh, Shoshone, Twin Falls, Wendel, Filer, and Hollister exchanges and/or another into Hailey and Ketchum exchanges. U S WEST Comments at 5-6. U S WEST stated it did not intend to include its Hailey, Ketchum, and Sun Valley exchanges in its Twin Falls EAS Region. However, if Citizens' were allowed to offer both Citizens' Region 2 and Citizens' Region 4 to Citizens' Carey customers, U S WEST would be forced to include its Hailey, Ketchum, and Sun Valley exchanges in its Twin Falls EAS Region or face "arbitrage" or "bridging." See Idaho Local Exchange Companies v. Upper Valley Communications, Inc., Case No. GNR-T-94-1, Order No. 25885. U S WEST claimed that given the considerable toll volume between Hailey, Ketchum, and Sun Valley exchanges and the U S WEST Twin Falls EAS Region, converting to non-toll would require spreading a relatively large amount of EAS related costs to its

<sup>&</sup>lt;sup>1</sup> While U S WEST labels Citizens' plans as EAS, those plans are not mandatory EAS. Citizens proposes optional calling plans.

For example, in the *Upper Valley* case, an Upper Valley customer in Boise who wanted to call Nampa dialed an Upper Valley number in Meridian. Dialing the local Meridian number connected the customer to Upper Valley's computer system. After connecting to the system, the customer was asked to enter a personal identification number (PIN). Once the computer verified the PIN, customers then dialed the seven-digit local number in the Nampa exchange they wished to reach. The computer then released the outgoing call through the U S WEST provided Centron lines connected to the local network. When the Nampa number was reached, Upper Valley's computer "dropped off," leaving the Boise caller connected to the Nampa party without paying access to U S WEST or toll. *Upper Valley* at 3.

customer base. Moreover, it stated that it was not aware of any requests from its customers for EAS into the Twin Falls EAS Region. U S WEST Comments at 5-6. U S WEST, therefore, recommended that Citizens' withdraw its optional calling plan to the U S WEST Twin Falls EAS Region and only offer Citizens' Region 4 to its Carey customers. *Id*.

- 2. Fairfield Exchange. Similarly, U S WEST raised the same arguments with regard to Fairfield. U S WEST recommended that Citizens' withdraw its optional calling plan to the Hailey and Ketchum exchanges and only offer optional calling to the Bliss, Buhl, Castleford, Dietrich, Eden-Hazelton, Gooding, Hagerman, Jerome, Kimberly, Murtaugh, Shoshone, Twin Falls, Wendel, Filer, and Hollister exchanges to Citizens' Fairfield customers. *Id*.
- 3. New Plymouth and Payette Exchanges. Citizens' plan would offer its Wilder, Parma, Marsing, and Homedale customers two optional plans: optional calling into Boise, Caldwell, Emmett, Idaho City, Kuna, Melba, Meridian, Middleton, Nampa, and Star exchanges and/or optional calling into New Plymouth and Payette exchanges. Because the Commission is considering petitions from U S WEST customers for EAS from Mountain Home and Glenns Ferry (USW-T-97-6) and U S WEST customers in Payette, New Plymouth and Weiser (USW-T-96-6) into the U S WEST Treasure Valley Region, U S WEST recommended that the Commission decide these pending cases before it rules on Citizens' Application and add those exchanges into the optional plans offered by Citizens to its Wilder, Parma, Marsing, and Homedale customers. U S WEST Comments at 6-7.
- 4. Elk City Exchange Optional Calling to Grangeville and Kooskia. U S WEST recommended that the Commission limit Citizens' plan to offer optional calling for Elk City customers to Grangeville only. U S WEST Comments at 7. U S WEST points out that there are no pending Elk City customer petitions to have toll free calling to either Grangeville or Kooskia. U S WEST is concerned that optional calling to Kooskia would encourage U S WEST customers to request EAS. Id.

#### **STIPULATIONS**

#### A. US WEST, Citizens and ITA Stipulation

On September 22, 1998, Citizens, U S WEST and ITA submitted a Stipulation designed to resolve all their individual concerns. In particular, the parties agreed as follows:

- 1. Citizens agreed to withdraw Citizens Region 5<sup>3</sup> as a regional calling plan option for its Homedale, Parma, Marsing and Wilder customers and not seek further Commission action on its Region 5 proposal until Case No. USW-T-96-6 is decided.
- 2. Citizens agreed to withdraw Citizens Region 4<sup>4</sup> as an option for its Fairfield customers. The parties agreed that Citizens Region 2<sup>5</sup> will remain an optional calling plan for Fairfield customers. Fairfield customers would continue to have access to Hailey and Ketchum/Sun Valley U S WEST exchanges on a toll basis only.
- 3. Citizens agreed to withdraw Citizens Region 2 as an optional calling plan for its Carey customers. Citizens Region 4 would still be offered as a toll free calling plan to Hailey, Ketchum/Sun Valley U S WEST exchanges. Carey customers would continue to have access to the U S WEST exchanges in the U S WEST Twin Falls Region on a toll basis only.
- 4. Citizens agreed to modify the optional local calling plan for its Elk City customers and withdraw Kooskia as part of the optional local calling plan. Grangeville would remain a local calling plan option for Elk City customers but Elk City customers would continue to have access to the Kooskia exchange on a toll basis only.
- 5. The parties further agreed that the economic impact of Citizens's proposal on Cambridge Telephone Company, Council Telephone Company, and possibly other independent companies, could not be determined until the Commission specifies the affected routes and the parties conclude revised interconnection agreements. The parties agreed the stipulation would not prejudice the rights of any ITA member company to seek ratemaking compensation for any revenue loss that may occur as the result of implementation of Citizens's proposal.

Settlement and Stipulation of U S WEST Communications, Inc., Citizens Telecommunications Company of Idaho and Idaho Telephone Association, at 4-5. U S WEST, ITA and Citizens stated this Stipulation resolves all issues among them and represents a reasonable resolution of the disputed issues.

<sup>&</sup>lt;sup>3</sup> New Plymouth and Payette exchanges.

<sup>&</sup>lt;sup>4</sup> Hailey and Ketchum exchanges.

<sup>&</sup>lt;sup>5</sup> Bliss, Buhl, Castleford, Dietrich, Eden-Hazelton, Gooding, Hagerman, Jerome, Kimberly, Murtaugh, Shoshone, Twin Falls, Wendel, Filer, and Hollister exchanges.

# B. U S WEST and Staff Stipulation Regarding U S WEST Costs for Optional Calling Plans into U S WEST Exchanges

On July 17, 1998, the Commission issued an Order in Case No. USW-T-98-3 approving a settlement between U S WEST and Staff adopting a general methodology for determining U S WEST's costs for providing EAS in future cases. Order No. 27633. At the hearing to consider approval of that Stipulation, both the Staff witness and U S WEST witness testified that the stipulated methodology would form the basis for determining U S WEST's costs in this case. However, both also testified that because Citizens was proposing several optional plans, the method would be modified to accommodate those optional plans and to accommodate the reduced dial around caused by Citizens use of "1+" dialing.

A settlement conference was held with all parties on September 10, 1998, pursuant to Procedural Rule 272. On September 24, 1998, U S WEST and Staff filed a Stipulation and Settlement reflecting the costs for accommodating Citizens' optional calling plans into U S WEST exchanges. More specifically, the parties stipulated in relevant parts as follows:

- 1. U S WEST and the Staff agreed that U S WEST's costs for accommodating the proposed optional calling plans from Citizens' exchanges to the U S WEST exchanges as proposed in this case, CTC-T-98-2, are \$0.0818 per toll minute of use adjusted to reflect dial around at an agreed rate of five percent (5%), [i.e., toll minutes of use x 1.05 x \$0.0818].
- 2. U S WEST and the Staff agreed that in determining the number of toll minutes of use to be used in the formula described in paragraph 1 of this Stipulation, the total actual toll minutes will be reduced by twenty percent (20%) on all optional calling plan routes to reflect the fact that it is expected that some customers will not subscribe to Citizens' optional calling plans. If the Commission does not approve all the optional plans proposed by Citizens, these costs will be recalculated to reflect the lower number of toll minutes of use.
- 3. U S WEST and Staff agreed that the Stipulation did not affect previous Commission decisions ordering that U S WEST's reasonable and prudent capital investments for network facilities or improvements specifically needed to provide EAS or to accommodate the optional calling plans, as established by competent evidence, be recovered from remaining Revenue Sharing Funds.
- 4. U S WEST and Staff agreed that this Stipulation does not affect the Stipulation approved by the Commission in Case No. USW-T-98-3, Order No. 27633, and that U S WEST's costs for providing mandatory EAS from U S WEST exchanges to Citizens' exchanges will be calculated as set forth in that

Stipulation. U S WEST and Staff further agreed that if the Commission approves both the optional calling plans proposed by Citizens, as modified by the Stipulation among Citizens, U S WEST and the Idaho Telephone Association companies, and mandatory EAS from U S WEST exchanges to Citizens' exchanges, then, using the Stipulation approved by the Commission in Case No. USW-T-98-3, Order No. 27633, U S WEST's costs for implementing all plans, would be calculated as approximately \$1,356,650. If the Commission does not approve all the optional plans proposed by Citizens, these costs will be recalculated to reflect the lower number of toll minutes of use.

6. U S WEST and Staff agreed that the number of toll minutes of use may be adjusted after one year of experience to reflect actual conversion levels, thereby adjusting the calculation of U S WEST's costs for accommodating the Citizens' optional plans.

Stipulation and Settlement of U S WEST Communications, Inc. and Commission Staff, at 2-3.

# C. Citizens Response to ITA's Comments and Letter of Agreement

On October 6, 1998, Citizens filed a response to ITA's comments and included the Letter of Agreement it reached with Council Telephone Company Exchange and Cambridge Telephone Company on September 24, 1998. Citizens stated that the issues raised by ITA on behalf of Council and Cambridge had been resolved. More specifically, Citizens stated it would be offering the following optional toll free local calling plans to its customers into both Council's and Cambridge's exchanges as follows:

<u>Citizens' Exchanges</u>	Council Exchange		
Cascade	Council		
Donnelly	Council		
McCall	Council		
New Meadows	Council		
White Bird	Council		

<u>Citizens' Exchanges</u>	Cambridge Exchanges	
Garden Valley	Lowman	
Horseshoe Bend	Lowman	
Sweet	Lowman	

Cambridge and Council agreed to develop a local calling plan that will allow their Lowman and Council exchange customers to call the Citizens exchanges, resulting in a two way local calling plan for Cambridge and Council customers. They further agreed to coordinate the implementation of the calling plans. They also agreed that they will use a "bill-and-keep" method

for compensating each other for the interchange of traffic caused by implementing the local calling plans.

#### **PUBLIC TESTIMONY**

On July 2, 1998, the public hearing in Wilder was attended by fewer than thirty persons of which seven (7) individuals testified. Only one person testified against the proposal. The Mayor of Wilder testified in favor of the plan. Tr. at 13-14. Most testified that they had significant long distance charges associated with calls to the Boise area and would benefit from the optional plans. More than thirty persons from Wilder and Homedale sent in written comments and nearly all were in favor of the plans. The Commission takes official notice of an earlier hearing held in Wilder in conjunction with Case Nos. CTC-T-97-3, GNR-T-93-7 and GNR-T-93-11 in which Wilder and Homedale residents testified in favor of some sort of EAS or optional calling plans to the Treasure Valley.

On April 29, 1997, the Commission convened a public hearing in these cases in Wilder, Idaho. Numerous customers appeared and expressed their desire for EAS calling to the Caldwell and Nampa exchanges as soon as possible.

Order No. 27063 at 2.

On August 4, 1998, a second public hearing was held in McCall and it was attended by approximately forty persons of which seven (7) individuals testified. Only one person, Garth Baldwin, testified in favor of the Application and filed petitions with over two hundred (200) signatures supporting the Citizens' plan for rate rebalancing and for optional calling from Horseshoe Bend, Garden Valley and Sweet into Boise. Tr. at 64-69. In addition, Mr. Baldwin asked whether the Commission would grant two way toll free calling from Boise into Horseshoe Bend, Garden Valley and Sweet. Tr. at 65. Aloa Stevens on behalf of Citizens stated that this was Citizens' plan. Tr. at 65.

The other witnesses were strongly opposed to the plans. These individuals were from Riggins and the McCall area and were most concerned about the rate rebalancing. Moreover, these individuals noted the Riggins and McCall residents were not offered optional calling to the Boise area. The Commission also received a significant number of letters opposing the plans to rebalance the rates from the Riggins Chamber of Commerce, Salmon River Chamber of Commerce, various Riggins and White Bird local government agencies, as well as, individual Riggins, McCall and

White Bird residents. The vast majority of these correspondents opposed the rate increases resulting from the rebalancing plans.

#### **COMMISSION FINDINGS**

After reviewing the Application, written comments and public testimony, the Commission finds that Citizens' Application should be approved as modified below. The Commission further finds that this decision resolves the pending petitions for toll free calling in GNR-T-96-2 (Horseshoe Bend/Garden Valley/Sweet), GNR-T-96-8 (Riggins/White Bird/New Meadows), GNR-T-97-10 (Blaine County), and USW-T-97-1/CTC-T-97-1 (Marsing).

### A. Citizens' Rate Rebalancing and Access Rate Reductions

As the telephone carriers and Commission Staff noted, *Idaho Code* § 62-623 requires that implicit subsidies be removed from the rates of incumbent telephone corporations such as Citizens. More specifically, the Legislature has identified the carrier common line component of access charges as an implicit subsidy that must be reduced and/or made explicit. Reducing Citizens' access charges represents a decrease of more than 50% from the Citizens' composite access charge rate.

As Citizens and the Staff noted, long-distance carriers have suggested that they will pass on the "savings" to customers. Indeed, AT&T stated in its Comments that it will "share" the reduction with its customers. The Commission has no authority to establish the rates for long-distance carriers; the most the Commission can do is hope that the toll carriers will pass through the rate reductions to their customers. AT&T stated it has already begun to pass on those savings. To determine whether toll carriers pass through the access charge reductions, the Commission directs that the commenters in this case, AT&T and MCI, advise the Commission no later than December 1, 1998, of the actual amount of access charge reductions that they implemented by lowering long-distance rates.

Because access rates have, in essence, subsidized local service rates and because Citizens is a fully rate regulated company, it is entitled to have the opportunity to meet its revenue requirement. The Commission, therefore, concludes that rebalancing Citizens' local service rates is necessary in order to allow Citizens to have the opportunity to earn its rate of return. The Commission further finds that the proposed local service rates are fair and just and are revenue neutral. The rebalanced rates will allow Citizens to recover its authorized revenue requirement.

Although the Commission recognizes that most residential customers will receive rate increases, the Commission finds these increases are required by the amendments to the Idaho Telecommunications Act. *Idaho Code* § 62-623. The Commission further finds that recent changes to the ITSAP can mitigate these residential rate increases for eligible low-income customers. ITSAP now provides a monthly credit for eligible residential customers of \$10.50. The Commission encourages those customers who may be eligible for this monthly credit to take advantage of the program.

## B. Citizens' Proposal to Enlarge Existing Local Calling Areas (EAS)

The Commission finds that Citizens' proposal to enlarge certain local calling areas (EAS) meets the threshold standards for granting EAS as set out in Order No. 26311. Staff Comments establish that the minimum calling data and a community of interest for enlarging the existing local calling areas for each of the communities identified in Citizens' Application exist. The U S WEST, Citizens, and ITA Stipulation does not change any of the proposed EAS enlargements. Therefore, the Commission finds that Citizens' proposal to enlarge certain local calling areas (EAS) is reasonable, fair and in the public interest.

# C. Citizens' Proposed Optional Calling Plans

The Commission finds that optional calling plans are not the same as mandatory EAS and that the criteria for approving proposals to offer optional calling plans to customers are different. The Commission finds that optional calling plans allow customers choices in calling options and does not force them to participate in mandatory EAS. Moreover, implicit in any optional plan is the fact that the costs for providing the expanded calling are fully met by the plan and its participants—the costs are not borne by the other rate payers. Both Citizens and Staff indicated that these optional plans pay for themselves and are not the reason for the local service rate increases. The Commission has already found that those rate increases are associated with the rate rebalancing necessitated by access rate reductions. The Commission finds, therefore, that the proposed rates for subscribing to the proposed optional local calling plans are fair, reasonable and in the public interest.

Although in the case before the Commission there are sufficient calling data and community of interest factors to justify consideration of mandatory EAS even in these instances, because the plans are optional, the Commission is not required to balance those considerations against the costs and rate impacts for providing toll free calling. Only those customers who desire the option of toll free calling will subscribe. In addition, the Commission finds that these plans

generally resolve most of the requests for toll free calling already before the Commission. The Commission encourages telephone companies to offer optional calling plans to their customers. This would allow their customers choices and avoid unfairly imposing costs on customers who do not regularly incur toll charges.

The Commission notes that Citizens, U S WEST, and ITA filed a Stipulation and Settlement that modifies several of the proposed optional calling plans originally proposed by Citizens in its Application into certain U S WEST exchanges and into certain ITA member exchanges. The Commission further notes that the affected ITA members, Cambridge and Council, signed a Letter of Agreement that effectively addresses many of the ITA concerns. In addition, U S WEST suggests that wherever the Commission approves a Citizens' optional calling plan into a U S WEST exchange that U S WEST will implement mandatory EAS for U S WEST customers into the particular Citizens' exchange. However, U S WEST wrongly assumes that wherever the Commission approves a Citizens' optional calling plan into a U S WEST exchange that the Commission is approving mandatory EAS for U S WEST customers. EAS should stand on its own. Where customers are not requesting EAS and no evidence is presented supporting the basic criteria for granting EAS, the Commission will not generally approve it.

The Commission begins its examination of the Stipulation and Settlement entered into by Citizens, U S WEST and ITA by observing that the Commission is not bound by the parties' settlement. However, after reviewing the terms of the settlement, the issues resolved, Staff Comments, the petitions and the public testimony in general, the Commission finds the settlement of the issues, with a few modifications as discussed below, to be fair and reasonable and in the public interest. IDAPA 31.01.01.276. Based on these general findings, the Commission will address each Citizens exchange and the proposed optional calling plan more specifically below.

1. Aberdeen and Springfield Exchanges. The Commission finds that Citizens' proposed optional calling plan from the Aberdeen and Springfield exchanges to U S WEST's American Falls, Bancroft, Blackfoot, Downey, Grace, Idaho Falls, Lava Hot Springs, McCammon, Montpelier, Pocatello, Preston, Rexburg, Rigby, Ririe, Roberts, Shelley and Soda Springs exchanges is fair, reasonable, and in the public interest, and, therefore, approves it. The Commission further finds that there is no basis for granting mandatory EAS for U S WEST customers into Aberdeen and Springfield exchanges.

- 2. Carey. The Commission finds that Citizens' proposed optional calling plan from the Carey exchange to U S WEST's Hailey and Ketchum/Sun Valley exchanges is fair, reasonable, and in the public interest, and, therefore, approves it. The Commission further finds that the Stipulation to withdraw Citizens' optional calling plan into U S WEST's Bliss, Buhl, Castleford, Dietrich, Eden-Hazelton, Gooding, Hagerman, Jerome, Kimberly, Murtaugh, Shoshone, Twin Falls, Wendel, Filer, and Hollister exchanges is fair and reasonable and in the public interest. The Commission finds that Carey customers had not requested EAS or toll free calling into Bliss, Buhl, Castleford, Dietrich, Eden-Hazelton, Gooding, Hagerman, Jerome, Kimberly, Murtaugh, Shoshone, Twin Falls, Wendel, Filer, and Hollister exchanges. The Commission further finds that there is no basis for granting mandatory EAS for U S WEST customers into Carey.
- 3. Cascade, Donnelly, McCall, New Meadows, Riggins, and White Bird Exchanges. The Commission finds that Citizens' proposed optional calling plans from the Cascade, Donnelly, McCall, New Meadows, Riggins, and White Bird exchanges into Council are fair, reasonable, and in the public interest, and, therefore, approves them. The Commission will not order two way toll free calling at this time. Pursuant to the Letter of Agreement filed by Citizens, Council indicated it intended to file its own Application with the Commission requesting approval to implement a similar calling plan to these exchanges.
- 4. Elk City. The Commission finds that Citizens' proposed optional calling plan from the Elk City exchange to U S WEST's Grangeville exchange is fair, reasonable, and in the public interest, and, therefore, approves it. The Commission further finds that the Stipulation to withdraw Citizens' optional calling plan into U S WEST's Kooskia exchange is fair and reasonable and in the public interest. The Commission finds that Elk City customers had not requested toll free calling into Kooskia. The Commission further finds that there is no basis for granting mandatory EAS for U S WEST Grangeville customers into Elk City.
- 5. Fairfield. The Commission finds that Citizens' proposed optional calling plan from the Fairfield exchange to U S WEST's Bliss, Buhl, Castleford, Dietrich, Eden-Hazelton, Gooding, Hagerman, Jerome, Kimberly, Murtaugh, Shoshone, Twin Falls, Wendel, Filer, and Hollister exchanges is fair, reasonable, and in the public interest, and, therefore, approves it. The Commission further finds that the Stipulation to withdraw Citizens' optional calling plan into U S WEST's Hailey and Ketchum/Sun Valley exchanges is fair and reasonable and in the public interest. The

Commission further finds that Fairfield customers had not requested EAS or toll free calling into U S WEST's Hailey and Ketchum/Sun Valley exchanges and the calling data did not support toll free calling. The Commission further finds that there is no basis for granting mandatory EAS for U S WEST customers into Fairfield.

- 6. Garden Valley, Horseshoe Bend, and Sweet Exchanges. The Commission finds that Citizens' proposed optional calling plans from the Garden Valley, Horseshoe Bend, and Sweet exchanges to Cambridge's Lowman exchange are fair, reasonable, and in the public interest, and, therefore, approves them. The Commission further finds that Citizens' proposed optional calling plan from the Garden Valley, Horseshoe Bend, and Sweet exchanges into U S WEST's Boise, Caldwell, Emmett, Idaho City, Kuna, Melba, Meridian, Middleton, Nampa, and Star exchanges are fair and reasonable and in the public interest. The Commission further finds that there are outstanding Petitions requesting two way toll free calling between Garden Valley, Horseshoe Bend, and Sweet customers and U S WEST Treasure Valley Region. The Commission, therefore, finds that there is a basis for granting mandatory EAS for U S WEST customers into the Garden Valley, Horseshoe Bend, and Sweet exchanges and that it is in the public interest and, therefore, grants it. The Commission will not order two way toll free calling for Cambridge customers in Lowman at this time. Pursuant to the Letter of Agreement filed by Citizens, Cambridge indicated it intended to file its own Application with the Commission requesting approval to implement a similar calling plan to these exchanges.
- 7. Homedale, Marsing, Parma, and Wilder Exchanges. The Commission finds that the agreement to withdraw Citizens' optional calling plans for Homedale, Marsing, Parma, and Wilder customers into U S WEST's New Plymouth and Payette exchanges in the Stipulation is no longer necessary. The Commission issued Order No. 27774, November 4, 1998, in USW-T-96-6 approving extending EAS for U S WEST customers in the U S WEST Treasure Valley Region to New Plymouth, Payette and Weiser. Therefore, the Commission finds that one optional calling plan should be offered to the Homedale, Marsing, Parma, and Wilder customers for calling to U S WEST's Boise, Caldwell, Emmett, Idaho City, Kuna, Melba, Meridian, Middleton, Nampa, Star, New Plymouth, Payette and Weiser exchanges is fair, reasonable, and in the public interest, and, therefore, approves them. The Commission further finds that there is no basis for granting mandatory EAS for U S WEST customers into Homedale, Marsing, Parma, and Wilder.

# D. US WEST Costs for Accomodating Regional Optional Calling Plans.

U S WEST and Staff filed a Stipulation addressing the method for determining U S WEST costs for accommodating Citizens' optional calling plans into U S WEST exchanges. The Commission is not bound by the parties' settlement. However, after reviewing the terms of the settlement, the issues resolved and the Commission's Order in USW-T-98-3, Order No. 27633, the Commission finds the settlement of the issues to be fair, reasonable and in the public interest. IDAPA 31.01.01.276. Therefore, the Commission approves the Stipulation and Settlement.

# CITIZENS' EAS AND OPTIONAL CALLING PLANS ORDERED BY THE COMMISSION

Based on the Commission findings, below is a chart reflecting the local calling areas (EAS), optional local calling plans, and optional regional calling plans ordered by the Commission. The Citizens' regions are as follows:

- Region 1 American Falls, Bancroft, Blackfoot, Downey, Grace, Idaho Falls, Lava Hot Springs, McCammon, Montpelier, Pocatello, Preston, Rexburg, Rigby, Ririe, Roberts, Shelley, and Soda Springs exchanges
- Region 2 Bliss, Buhl, Castleford, Dietrich, Eden-Hazelton, Gooding, Hagerman, Jerome, Kimberly, Murtaugh, Shoshone, Twin Falls, Wendel, Filer, and Hollister exchanges
- Region 3 Boise, Caldwell, Emmett, Idaho City, Kuna, Melba, Meridian, Middleton, Nampa, and Star exchanges
- Region 4 Hailey and Ketchum exchanges
- Region 5 Boise, Caldwell, Emmett, Idaho City, Kuna, Melba, Meridian, Middleton, Nampa, Star, New Plymouth, Weiser and Payette exchanges

Exchange	Local Calling Area (EAS)	Optional Local Calling Plans	Optional Regional Calling Plans
Aberdeen	Aberdeen and Springfield		Region 1
Carey	Carey	*********	Region 4
Cascade	McCall, Cascade, Donnelly and New Meadows	Council	
Donnelly	McCall, Cascade, Donnelly and New Meadows	Council	
Elk City	Elk City	Grangeville	
Fairfield	Fairfield		Region 2
Garden Valley	Horsehoe Bend, Emmett, Garden Valley and Sweet	Lowman	Region 3
Homedale	Homedale, Marsing, Parma and Wilder		Region 5
Horseshoe Bend	Horsehoe Bend, Emmett, Garden Valley and Sweet	Lowman	Region 3
Marsing	Marsing, Homedale, Parma and Wilder		Region 5
McCall	McCall, Cascade, Donnelly, Riggins, White Bird and New Meadows	Council	
New Meadows	McCall, Cascade, Donnelly, Riggins, White Bird and New Meadows	Council	
Parma	Parma, Homedale, Marsing and Wilder		Region 5
Riggins	McCall, Riggins, White Bird and New Meadows	Council	
Springfield	Aberdeen and Springfield		Region 1
Sweet	Horsehoe Bend, Emmett, Garden Valley and Sweet	Lowman	Region 3
White Bird	McCall, Riggins, White Bird and New Meadows	Council	
Wilder	Parma, Homedale, Marsing and Wilder		Region 5

#### ORDER

IT IS HEREBY ORDERED that Citizens' Application to reduce its access charges and to rebalance its local service rates is approved. The Commission directs Citizens to issue notices to media outlets advising customers of their opportunity to review and/or change their current level of local service and the availability of ITSAP assistance to eligible low-income customers.

IT IS FURTHER ORDERED that AT&T and MCI file reports no later than January 15, 1999, indicating the amounts they have reduced toll rates in response to this and other Orders reducing access charges in Idaho.

IT IS FURTHER ORDERED that Citizens implement the proposed rates included in its Application no later than thirty (30) days from the service date of this Order.

IT IS HEREBY ORDERED that the various petitions requesting EAS in Case Nos. GNR-T-96-2 (Horseshoe Bend/Garden Valley/Sweet), GNR-T-96-8 (Riggins/White Bird/New Meadows), and GNR-T-97-10 (Blaine County) and USW-T-97-1/CTC-T-97-1 (Marsing) are hereby resolved and those cases ordered closed.

IT IS FURTHER ORDERED that the Settlement Stipulation filed by the Commission Staff and U S WEST on September 24, 1998 is hereby adopted and relevant costs will be calculated as set forth therein.

IT IS FURTHER ORDERED that Citizens take the necessary actions to implement EAS as authorized by this Order and those optional calling plans, as described above, and advise the Commission within 14 days of the date of this Order of the proposed cut-over dates.

IT IS FURTHER ORDERED that Citizens file local service tariffs in conformance with the rates set out in this Order.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case Nos. CTC-T-98-3, GNR-T-96-2 (Horseshoe Bend/Garden Valley/Sweet), GNR-T-96-8 (Riggins/White Bird/New Meadows), and GNR-T-97-10 (Blaine County) and USW-T-97-1/CTC-T-97-1 (Marsing) 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 or in interlocutory Orders previously issued in CTC-T-98-3, GNR-T-96-2 (Horseshoe Bend/Garden Valley/Sweet), GNR-T-96-8 (Riggins/White Bird/New Meadows), and GNR-T-97-10 (Blaine County) and USW-T-97-1/CTC-T-97-1 (Marsing). 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 & & day of November 1998.

DENNIS S. HANSEN, PRESIDENT

RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters
Commission Secretary

O:ctct983.cc