

## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

|  |   |                            |
|--|---|----------------------------|
| <b>IN THE MATTER OF THE APPLICATION OF</b> | ) | <b>CASE NO. CTC-T-98-3</b> |
| <b>CITIZENS TELECOMMUNICATIONS</b>         | ) |                            |
| <b>COMPANY OF IDAHO TO REDUCE ACCESS</b>   | ) | <b>CLARIFICATION OF</b>    |
| <b>RATES AND REBALANCE OTHER RATES FOR</b> | ) | <b>ORDER NO. 27789</b>     |
| <b>TELECOMMUNICATIONS SERVICES.</b>        | ) |                            |
|  | ) | <b>ORDER NO. 27826</b>     |

---

On May 15, 1998, Citizens Telecommunications of Idaho filed a plan to lower access rates by removing inherent subsidies in those rates, to rebalance its rates for telecommunications services in Idaho and to address the numerous petitions and requests for extended area service (EAS) from customers in communities throughout the Citizens serving area. On November 6, 1998, the Commission issued Order No. 27789 approving Citizens' proposal to rebalance its rates and approving Citizens' proposed EAS changes and its local and regional calling plans, as modified by the Order. The Commission further found that 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) were resolved by the Order.

On November 13, 1998, Citizens filed a Petition for Clarification requesting the Commission to clarify Order No. 27789 to reflect its proposed implementation schedule included in its Comments filed on July 31, 1998. No party objected to Citizens' Petition. On November 24, 1998, R. J. Tallent filed comments requesting the Commission to reconsider Order No. 27789.

Based on its review of the record, the public hearings, public comments, company comments, the law, the stipulations filed by Citizens, U S WEST Communications, Inc., Idaho Telephone Association, and Staff, and the request for reconsideration, the Commission grants Citizens' Petition and denies Mr. Tallent's request for reconsideration. Furthermore, pursuant to Rule 325, the Commission further clarifies Order No. 27789 on its own motion to prevent confusion between the approved Marsing, Springfield and Sweet EAS plans and the optional regional calling plans to be offered those customers. The Commission further clarifies its Order to make plain that

Order No. 27789 did not eliminate the EAS calling areas previously approved by the Commission in Order Nos. 27063, 24929, 20365 or 17412.<sup>1</sup>

### **BACKGROUND**

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. 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. Under its proposal, current EAS increments, which average \$2.08 for residential lines and \$5.50 for business lines, are eliminated. Expanded local calling areas within Citizens' serving area are 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 the 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.

After reviewing the Application, written comments and public testimony, the Commission found that Citizens' Application should be approved as modified in the Order. Order No. 27789. The Commission further found that the Order resolved pending petitions for toll-free

---

<sup>1</sup> The Commission granted mandatory EAS in September 1997 for U S WEST Caldwell and Nampa exchanges into Citizens' Parma, Wilder and Homedale exchanges at no cost to U S WEST customers. Order No. 27063. Likewise, the Commission granted EAS to U S WEST Blackfoot customers to the Springfield exchange in June 1993. Order No. 24929. In addition, the Commission granted EAS from the Emmett exchange (then owned by Mountain Bell Telephone Company) to the Sweet exchange (then owned by Continental Telephone Company of the West) in April 1986. Order No. 20365. Finally, the Commission granted EAS from the Caldwell exchange (then owned by Mountain Bell Telephone Company) to the Marsing exchange (then owned by Continental Telephone Company of the West) in June 1982. Order No. 17412.

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) and closed those cases.

### **CITIZENS' PETITION FOR CLARIFICATION**

On July 31, 1998, Citizens filed comments that revised its proposed implementation schedule. Citizens stated that during the planning process it became apparent that implementation of all the rate changes and calling plans at one time would be more efficient, cost effective and less confusing for its customers. Therefore, in its July 31 comments, Citizens proposed a single cut over date in all exchanges of not later than 180 days from the date of the final order to implement the new rates. It further proposed that it stagger implementation of the optional calling plans in each exchange just prior to the cut over date. No party objected to Citizens' revised implementation schedule. On November 6, 1998, the Commission ordered Citizens to implement the proposed rates within thirty (30) days of the final order. Order No. 27789. On November 12, 1998, Citizens requested the Commission clarify its Order to reflect its revised schedule as set forth in its Comments.

### **TALLENT'S REQUEST FOR RECONSIDERATION**

On November 24, 1998, Mr. R. J. Tallent, a Citizens' customer from Riggins, requested the Commission reconsider Order No. 27789. In particular, Mr. Tallent requested the Commission reconsider granting Citizens' request for rate rebalancing. He argued that rebalancing was unnecessary because he believes that it was based on a twenty-three million dollar (\$23,000,000) investment in fiber optic cable which he claims was not necessary for local service and primarily benefitted long distance service. Therefore, he asserted that access charges for long distance carriers should not be reduced.

Mr. Tallent also objected to expanding the current EAS calling area for the Riggins exchange to include New Meadows and McCall because he does not call these areas and objects to "subsidizing" those customers who do.

Finally, Mr. Tallent requested the Commission reconsider again denying Riggins customers EAS to Grangeville. Mr. Tallent suggested that the cost study prepared in conjunction

with the Commission's consideration of EAS to Grangeville in Case No. GNR-T-92-5 was not current. In addition, he also asserted that while this Commission found that the combination of LATA boundaries and difficult terrain made EAS to Grangeville very costly to Riggins and White Bird customers, the Commission erroneously assumed two things: that EAS to Grangeville would require new facilities be constructed and that the Commission did not have jurisdiction over LATA (Local Access and Transport Area) waivers.

### COMMISSION FINDINGS

***Motion for Reconsideration.*** In Order No. 27789, the Commission found that Citizens' rate rebalancing request was revenue neutral and, thus, Mr. Tallent's concern regarding Citizens' twenty-three million dollar (\$23,000,000) investment is unjustified because that investment is not the basis for the rate increases. The Commission finds that the underlying rate increases are directly related to Citizens' reduction in access charges for long distance carriers, as required by state and federal law. They are not directly related to the twenty-three million dollar (\$23,000,000) investment.

Mr. Tallent also objects to rate rebalancing on principle. In Order No. 27789, the Commission found that *Idaho Code* § 62-623 requires incumbent telephone corporations, such as Citizens, to remove implicit subsidies from their rates and further found that the Legislature specifically identified the carrier common line component of access charges as an implicit subsidy that must be reduced and/or made explicit. Because access rates have, in essence, subsidized local service rates and because Citizens is a fully rate-regulated company, Citizens is entitled to have the opportunity to meet its revenue requirement. The Commission, therefore, concluded that rebalancing Citizens' local service rates was necessary in order to allow Citizens to have the opportunity to earn its rate of return. The Commission further found that the proposed local service rates are fair and just and are revenue neutral. Mr. Tallent presented no evidence that would support reconsideration of that finding and reconsideration is denied.

Mr. Tallent also objected to extending EAS for Riggins customers to White Bird, New Meadows, McCall, Donnelly and Cascade. The reason for reconsideration urged by Mr. Tallent appears to be no more than a disagreement with the Commission regarding the decision reached. The Commission as a fact finding body has a responsibility to consider the evidence presented and

base its findings on substantial, competent evidence. *Boise Water Corp. v. IPUC*, 97 Idaho 832, 555 P.2d 163 (1976); *See also Rosebud Enterprises v. IPUC*, 128 Idaho 609, 618, 917 P.2d 766, 775 (1996) (the Supreme Court will not displace the Commission's choice between two fairly conflicting views). Accordingly, it is not grounds for reconsideration that Mr. Tallent disagrees with the Commission's decision.

Moreover, the Commission finds that nearly seven hundred (700) people, most from Riggins, filed petitions requesting these particular toll-free calling areas. GNR-T-96-8. In addition, nearly 160 White Bird residents requested EAS to Riggins. The Commission further finds that the evidence supported its decision to extend EAS to Riggins, White Bird, New Meadows, McCall, Donnelly and Cascade customers and Mr. Tallent presented no evidence challenging the Commission's decision. Accordingly, reconsideration on this issue is denied.

Finally, the Commission finds that the primary barriers to extending EAS for Riggins and White Bird customers to Grangeville -- LATA boundaries, interference caused by White Bird Mountain and lack of facilities to connect White Bird to Grangeville -- still exist. While Mr. Tallent identifies the "public network" as available to Citizens and U S WEST for EAS from Riggins to Grangeville, the Commission finds this network is owned by long distance carriers and is not available to carry Citizens' Riggins and White Bird calls to Grangeville. Therefore, the Commission finds that new facilities must be built to accommodate EAS to Grangeville. Moreover, the Commission finds that while it would like the authority to grant a waiver of LATA boundaries to intrastate regional Bell operating companies, like U S WEST, the Commission does not have that legal authority. The Federal Communications Commission has that authority under federal law. Therefore, the Commission finds that it simply cannot grant the waiver and that this is another major road block to extending EAS to Grangeville. Therefore, the Commission finds that Mr. R. J. Tallent has not presented any new information that changes the Commission findings made in Order No. 27789 regarding granting EAS to Grangeville and reconsideration on this issue is denied.

***Citizens' Petition for Clarification.*** The Commission finds that it is in the public interest to grant Citizens' Petition for Clarification and that no party objected to Citizens' revised implementation schedule. The Commission further finds that it is more efficient, cost effective and less confusing for Citizens' customers to use a single cut over date in all exchanges of not later than 180 days from the date of the final order to implement the new rates. The Commission also finds

that Citizens' proposal to stagger implementation of the optional calling plans in each exchange implementing each calling plan just prior to the cut over date is reasonable.

**Commission Clarification.** The Commission also finds that Order No. 27789 should be clarified to clearly indicate that the Order did not eliminate previously approved existing mandatory EAS calling areas for U S WEST customers in the Caldwell, Nampa, Emmett, or Blackfoot exchanges. In Order No. 27789, the Commission found that there was no evidence to support imposing mandatory EAS on all U S WEST customers in the U S WEST Boise Region, the U S WEST Eastern Idaho Region or the U S WEST Magic Valley Region into certain Citizens' exchanges. However, the Commission finds that in refusing to impose mandatory EAS on all U S WEST customers in these regions, it was not eliminating existing mandatory U S WEST EAS calling areas. The following existing EAS calling areas were not changed by Order No. 27789.

The Commission finds that in September 1997, the Commission granted mandatory EAS for U S WEST Caldwell and Nampa exchanges into Citizens' Parma, Wilder and Homedale exchanges in Case No. CTC-T-97-3/ GNR-T-93-7/GNR-T-93-11. Likewise, the Commission finds that in June 1993, the Commission granted mandatory EAS to U S WEST Blackfoot customers into the Springfield exchange in Case No. GNR-T-92-09. Order No. 24929. In addition, the Commission finds that in April 1986, the Commission ordered mandatory EAS from the Emmett exchange (then owned by Mountain Bell Telephone Company) to the Sweet exchange (then owned by Continental Telephone Company of the West) in Case No. U-1037-52. Order No. 20365. Finally, the Commission finds that in June 1982, the Commission ordered mandatory EAS from the Caldwell exchange (then owned by Mountain Bell Telephone Company) to the Marsing exchange (then owned by Continental Telephone Company of the West) in Case No. U-1037-43. Order No. 17412. The Commission finds that it did not intend to eliminate the EAS calling areas established by those orders.

Likewise, in reviewing Citizens' Application it came to the Commission's attention that Citizens' description of its proposed EAS and its optional calling plans for Springfield, Marsing and Sweet exchanges is confusing. For example, the Commission finds that according to its Application, Springfield customers will have EAS to Aberdeen, Springfield and Blackfoot. However, according to the same Application, Springfield customers will also be offered an optional regional calling plan that includes "Blackfoot." Likewise, Marsing customers will have EAS that includes Caldwell.

According to its Application, Marsing customers will be offered an optional regional calling plan that includes Caldwell. Sweet customers will have EAS to Emmett and, according to its Application, also be offered an optional regional calling plan that includes Emmett. The Commission finds that these apparent inconsistencies may cause customer confusion and, therefore, finds that further clarification is necessary. Therefore, on its own motion, the Commission will clarify its Order to avoid confusion for Citizens' customers.

### **CLARIFICATION OF EAS, LOCAL AND REGIONAL CALLING PLANS**

Based on the Commission findings set forth in Order No. 27789 and the above clarification, below is a revised chart reflecting the local calling areas (EAS), optional local calling plans, and optional regional calling plans ordered by the Commission, as clarified in this Order. The Citizens' regions are modified as follows to reflect this clarification:

|           |  |
|-----------|--|
| 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 1A | American Falls, Bancroft, 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, and Wendell exchanges   |
| Region 3  | Boise, Caldwell, Emmett, Idaho City, Kuna, Melba, Meridian, Middleton, Nampa, and Star exchanges   |
| Region 3A | Boise, Caldwell, 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   |
| Region 5A | Boise, Emmett, Idaho City, Kuna, Melba, Meridian, Middleton, Nampa, Star, New Plymouth, Weiser and Payette exchanges   |

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



## ORDER

IT IS HEREBY ORDERED that Citizens' Petition for Clarification is granted.

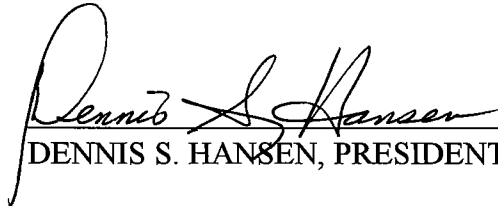
IT IS FURTHER ORDERED that Citizens implement the proposed rates included in its Application no later than one-hundred eighty (180) days from the service date of Order No. 27789.

IT IS FURTHER ORDERED that Order No. 27789 is hereby clarified as set forth more specifically above.

IT IS FURTHER ORDERED that the Petition for Reconsideration filed by R. J. Tallent is denied.

THIS IS A FINAL ORDER ON RECONSIDERATION. Any party aggrieved by this Order or other final or interlocutory Orders previously issued in 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 appeal to the Supreme Court of Idaho pursuant to the Public Utilities Law and the Idaho Appellate Rules. See *Idaho Code* § 61-627.


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *18th* day of December 1998.

  
DENNIS S. HANSEN, PRESIDENT

  
RALPH NELSON, COMMISSIONER

  
MARSHA H. SMITH, COMMISSIONER

ATTEST:

  
Myrna J. Walters  
Commission Secretary

O:ctct983.cc2