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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| 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  COMMENTS OF THE  COMMISSION STAFF |

COMES  NOW  the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Cheri C. Copsey, Deputy Attorney General, in response to Order Nos. 27578 and 27619 issued June 19, 1998 and July 8, 1998, respectively, submits the following comments.

INTRODUCTION

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, if approved, reduce access rates to the statewide average, simplify toll rates and increase local service rates.  Additionally the Company expanded basic 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 and granted to U S WEST, MCI, AT&T, and the Idaho Telephone Association.  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 local calling plans for Aberdeen that had 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 with more time to gather information regarding the costs pertinent to Citizens’ Application.  Order No. 27619.  Public Hearings were scheduled to be 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.

BACKGROUND

Citizens’ History in Idaho

Citizens purchased the eighteen (18) exchanges it now serves in Idaho from GTE in 1994.  The newly purchased exchanges contained approximately 15,000 access lines, of which approximately 5% were multi-party lines.  Seven of the exchanges were served by digital switches.  Citizens filed a modernization plan that addressed the installation of digital technology in the non-digital central offices; the reduction of toll access rates; the reduction or elimination of rural zone charges; the examination of universal one-party service; and the location of business and management offices in Idaho.  Case No. CTC-T-94-1, Order No. 25219.

Since its purchase, Citizens reports that it has invested more than $23 million to upgrade its network.  The improvements included:  placing 200 miles of fiber optic cable; upgrading 11 central offices from electromechanical to digital service; provisioning advanced services such as call waiting and call forwarding made possible by digital switches and fiber networks; making the network capable of providing broadband service; providing one-party service to about 4,000 customers previously served only by party lines; providing intraLATA equal access, thereby allowing customers to select a long distance carrier; and eliminating touch tone and zone charges.  Between 1994 and 1996, Citizens submitted several tariff advices, reducing its access rates by $0.024 per minute.

This proposal represents the first increase in residential and business basic exchange service rates in thirteen years.  Current rates were set in 1985 when the property was owned by Continental Telephone Company of the West.  Case No. U-1027-51, Order No. 19539.

Federal and State Legislation

As a part of the federal Telecommunications Act of 1996 (“Telecom Act”), Congress required states to identify and reduce subsidies that were implicit in local exchange rates.  Section 254 of the Telecom Act states that the availability of quality services at just, reasonable and affordable rates should be supported by “specific, predictable and sufficient” support mechanisms rather than by implicit subsidies hidden in above-cost rates for other services.  47 U.S.C. Section 254(b)(1), (b)(5).  Subsequently, the FCC opened a Notice of Proposed Rulemaking (FCC 96-488, CC Docket No. 96-262) to implement the Telecom Act.  The FCC recognized that access charge reductions are necessary in order to send the proper pricing signals that will facilitate competition in the telecommunications marketplace.  The FCC directed the states and federal government to take steps to remove the implicit subsidies that have long supported basic service:

[I]mplicit intrastate universal service support is substantial.  States have maintained low residential basic service rates through, among other things, a combination of:  geographic rate averaging, high rates for business customers, high intrastate access rates, high rates for intrastate toll service, and high rates for vertical features and services such as call waiting and call forwarding. . . . [B]y ordering that the Commission and the states together achieve universal service goals, Congress intended that states . . . must in the first instance be responsible for identifying intrastate implicit service and support.

In the Matter of Access Charge Reform, First Report and Order, FCC 97-158, CC Docket No. 96-262 (May 7, 1997) at para. 11.

In response, 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.

Pursuant to this direction, the Commission opened an investigation docket, Case No. GNR-T-97-12, and solicited comments from the public.  As a result of this investigation, the Commission issued A Report to the Governor and the Idaho Legislature, dated December 1, 1997, in which the Commission stated that it intends to address access rate reductions for regulated companies on a company-by-company basis.  The Commission observed that “[i]t is important to understand that reductions in access rates may have to be offset by increasing some other rate or increasing contributions from the state universal service fund.”  Report at 1-2.  This rate rebalancing case is consistent with the Commission report.

Subsequent Compliance

Following a Staff audit, Staff and Citizens entered into an agreement that resulted, first, in the immediate reduction of Citizens’ access rates by $0.03.  Citizens filed and the Commission approved Tariff Advice ID-98-02 to reduce its Carrier Common Line rates from $0.05576 to $0.02576 for both originating and terminating access.  Staff found that this adjustment would correct overearnings that Citizens was experiencing.  Citizens was to follow this reduction with a rate design to address outstanding EAS petitions and possible further reductions in access rates.  Citizens’ proposal was to simplify the access rate schedule by eliminating peak and off-peak access rates, and eliminating banded transport rates and line termination rates.

APPLICATION

Citizens submitted its proposal in the form of revised tariff pages to its Access Tariff and Network Access Service Tariff.  If approved, these pages will be processed as a Tariff Advice.  Citizens submits this proposal as

. . . a substantial step toward achieving the goal of removing implicit subsidies from access charges and moving basic rates closer to their true costs. . . . Given that basic service rates historically have been below cost, offsetting the access rate reductions with increases to basic rates is consistent with the policy objective of moving all rates closer to costs.

Application at 6-7.

Citizens stated it does not seek an increase to its revenue requirement or an overall rate increase.  Existing rates are proposed to be rebalanced so that the overall rate design would result in Citizens’ revenue staying the same.  The proposal would remove subsidies from rates and move all rates closer to their underlying costs.  The proposed rate design does not require Citizens to draw revenue from the Idaho Universal Service Fund.

Access Rates

Citizens’ proposed access reductions are shown in the following table:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | OLD RATES | EFFECTIVE  3/1/98 | PROPOSED  NEW RATES | OVERALL  CHANGE |
| Carrier Common Line Access Service |  |  |  |  |
|  | Originating | $0.05576 | $0.02576 | $0.01100 | ($0.04476) |
|  | IntraLATA Equal Access Recovery | 0.00137 |  | 0.00137 | 0.00000 |
|  | Terminating | 0.05575 | 0.02576 | 0.01100 | (0.04475) |
| Local Transport - Peak |  |  |  |  |
|  | 0 to 25 miles | $0.05830 |  | $0.16500 | $0.10670 |
|  | Over 25 to 50 | 0.08850 |  | 0.16500 | 0.07650 |
|  | Over 50 to 100 | 0.22460 |  | 0.16500 | (0.05960) |
|  | Over 100 miles | 0.39180 |  | 0.16500 | (0.22680) |
| Local Transport - Off Peak |  |  |  |  |
|  | 0 to 25 miles | $0.03498 |  | $0.16500 | $0.13002 |
|  | Over 25 to 50 | 0.05310 |  | 0.16500 | 0.11190 |
|  | Over 50 to 100 | 0.13476 |  | 0.16500 | 0.03024 |
|  | Over 100 miles | 0.23508 |  | 0.16500 | (0.07008) |
| Switched Access - Peak |  |  |  |  |
|  | Local Switching | $0.03300 |  | $0.01980 | ($0.01320) |
|  | Line Termination | 0.01180 |  | 0.00000 | (0.01180) |
| Switched Access - Off Peak |  |  |  |  |
|  | Local Switching | $0.01980 |  | $0.01980 | $0.00000 |
|  | Line Termination | 0.00708 |  | 0.00000 | (0.00708) |

Specifically, Carrier Common Line rates, which were reduced $0.03 per minute in March, 1998, are to be reduced an additional $0.01476 per minute to the proposed new rate of $0.011 per minute.  Local Transport rates were proposed that would eliminate the 40% discount for off-peak minutes.  The structure of Local Transport rates would be changed from a per-minute charge to a “standard arrangement” charge of $0.165.  The revenue from this charge is prorated between Citizens and the carrier that picks up the calls at a meet point.  According to Citizens, it receives a weighted average of about $0.02948 from this charge.  This rate is essentially unchanged in Citizens’ proposal.  Local Switching rates would be reduced by $0.013 to $0.0198 and the Termination Charges and all discounts for Off Peak minutes would be eliminated.  Cost studies submitted by Citizens indicates that these rates are above the Company’s embedded costs.

In summary, switched access rates per minute for a call would be reduced from more than $0.12 to just over $0.06:

   Before

March 1998Proposed

CCL$   0.05576 $ 0.01100

Switching    0.04014    0.01980

Transport    0.02948    0.02948

$  0.12538 $ 0.06028

The statewide average rate reported by the Universal Service Fund Administrator for the period ending June 30, 1998 is $0.063 per minute.

Toll Rates

Citizens proposes to reduce the first minute rates for day, evening and night calls for MTS and increase the additional minute rates to result in an approximate 1.8% overall decrease.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Day Rates | Evening Rates | Night Rates |
| Mileage | Initial One   $/Minute | Additional  $/Minute | Initial One $/Minute | Additional  $/Minute | Initial One $/Minute | Additional  $/Minute |
| 1-10 | .0966 .1633 | .0966 .0717 | .0581 .1072 | .0581 .0476 | .0475 .0831 | .0475 .0373 |
| 11-16 | .1370 .2206 | .1370 .1060 | .0816 .1444 | .0861 .0700 | .0667 .1118 | .0667 .0545 |
| 17-22 | .1928 .2779 | .1928 .1633 | .1179 .1817 | .1179 .1072 | .0939 .1404 | .0939 .0831 |
| 23-30 | .2782 .3352 | .2782 .2664 | .1768 .2189 | .1768 .1742 | .1381 .1691 | .1381 .1347 |
| 31-55 | .3305 .4039 | .3305 .3123 | .2090 .2636 | .2090 .2040 | .1644 .2034 | .1644 .1576 |
| 56-124 | .3920 .4612 | .3920 .3810 | .2505 .3008 | .2505 .2487 | .1949 .2321 | .1949 .1920 |
| 125 & Over | .4558 .5185 | .4558 .4154 | .3172 .3380 | .3172 .2710 | .2105 .2607 | .2105 .2092 |

Citizens acknowledges that the proposed changes are minor modifications designed to simplify the rate structure.

Basic Local Service Rates

To offset the revenue loss from these access and toll reductions, Citizens proposes to increase basic local service rates by more than 77% across the board.  Citizens proposes to mitigate this increase in several ways.  First, Citizens proposes to eliminate the additional monthly fees for existing mandatory EAS regions and include the EAS regions in the basic local service rates without any additional charges.  Attachment 1 shows the current rates, the mandatory EAS rates which will be eliminated, the proposed rates and the effective change in rates.  Citizens will continue to provide its customers with the mandatory EAS calling they currently have, and in 13 of the 18 exchanges, Citizens will increase the local calling areas for no additional charge.  Attachment 2 is a reproduction of a Citizens handout that lists each of these current and proposed calling areas and Attachment 3 is a map showing these proposed calling areas.  The overall average rate increase with these adjustments averages about 50%.

The decreases in Citizens MTS toll (described above) will also bring some relief to some customers.  Citizens further suggests that its customers will receive the benefits of reduced toll provided to them by long distance companies who will pass through the savings they will realize from reduced access rates.

OPTIONAL LOCAL AND REGIONAL CALLING PLANS

In the second part of Citizens’ proposal, Citizens presents optional Local and Regional Calling Plans designed to resolve pending requests from Citizens’ customers for EAS.  All of Citizens’ optional calling plans give customers the options of flat rate calling, measured rate calling or no subscription to the available plans.

Citizens’ optional Local Calling Plans offer toll-free or discounted toll to certain exchanges of other independent local exchange companies.  The optional Regional Local Calling Plans provide options for calling from certain Citizens’ exchanges into U S WEST exchanges or into U S WEST’s EAS regions that were established in Case No. USW-S-96-4.  Rates for these plans were developed using the same rate design Citizens used in the Homedale/Parma/Wilder and Aberdeen cases which were approved by the Commission.

|  |
| --- |
| Rates and Scope of Optional Calling Plans |
| Optional Local Calling Plans |
| New Area | Available to | Residential Rates | Business Rates |
| Council | Cascade, Donnelly, McCall, New Meadows, Riggins, White Bird | Flat Rate:  $1.20/month  or  Measured Rate:  $0.60/month plus  5¢ per minute | Flat Rate:  $1.80/month  or  Measured Rate:  $0.90/month plus  5¢ per minute |
| Lowman | Garden Valley, Horseshoe Bend, Sweet |
| Elk City | Grangeville, Kooskia |
| Optional Regional Calling Plans |
| New Area | Available to | Residential Rates | Business Rates |
| Region 1 - USW eastern Idaho EAS region | Aberdeen, Springfield, | Flat Rate:  $8.10/month  or  Measured Rate:  $4.06/month plus  5¢ per minute | Flat Rate:  $12.15/month  or  Measured Rate:  $6.20/month plus  5¢ per minute |
| Region 2 - USW Magic Valley EAS region | Carey, Fairfield |
| Region 3 - USW Treasure Valley EAS region | Homedale, Marsing, Wilder, Parma, Horseshoe Bend, Garden Valley, Sweet |
| Region 4 - Hailey, Ketchum | Carey, Fairfield |
| Region 5 - New Plymouth, Payette | Homedale, Marsing, Wilder, Parma |

If the proposal is approved, Citizens could implement the rebalancing of access, local exchange and toll rates in 120 days and could implement the local and regional calling plans 90 days later.

REQUESTS FOR TOLL-FREE CALLING AND COMMUNITIES OF INTEREST

In Order No. 27578, the Commission consolidated its consideration of outstanding petitions for EAS in dockets GNR-T-96-2, GNR-T-96-8, and GNR-T-97-10, and resolution of the decision issued in docket GNR-T-96-7.  Staff also addresses the outstanding petitions for EAS being considered in GNR-T-97-21 (Springfield) and USW-T-97-1/CTC-T-97-1 (Marsing).  These petitions have not been consolidated into this case but may be resolved by this Application.  Staff also addresses a recent Petition from White Bird residents that has not received a case number, and a Petition from Elk City residents whose Petition was denied in Case No. GNR-T-92-5.  Attachment 4 summarizes the Petitions submitted.  Additionally, Staff includes a brief discussion of the Homedale/Parma/Wilder area and the Fairfield area, which would gain increased local calling areas and/or optional calling if Citizens’ Application is approved.  Staff requests the Commission to take official notice of previously closed EAS petition cases and the findings made by the Commission regarding community of interest.

GNR-T-96-2 - Garden Valley, Horseshoe Bend, Sweet

Garden Valley, Horseshoe Bend and Sweet residents submitted six sets of petitions with a total of about 1,036 signatures requesting expanded local calling areas.  The Commission issued a Notice of Petition on April 19, 1996, assigned a case number and ordered that the facts be examined to determine whether establishing EAS routes within Boise County and to Boise and Emmett is reasonable.  Garden Valley and the Horseshoe Bend customers are currently limited to toll-free calling only within their respective exchanges.  The Sweet exchange currently has mandatory extended area service to Emmett, which is a U S WEST exchange.

The Horseshoe Bend School District No. 73 and the Horseshoe Bend Library District wrote stressing the need to call service providers and vendors, doctors, optometrists and other health care providers.  According to the Horseshoe Bend School District and the Library District, these providers are often reluctant to return calls because of the toll charges involved.  Most of these calls would occur during peak toll times.  According to the School District, 10% of the student body and 50% of the faculty live outside Horseshoe Bend and one third of the parents work in the Boise Valley, making it difficult to handle illnesses and emergencies involving their children.  The Library District emphasized the need for Internet access in order to provide services comparable to those of other area libraries.  Many people cited health, Internet access, friends, family, difficulty in navigating geographical barriers such as rivers, mountain passes and dirt roads, and county offices as reasons why calling into the Boise Valley is essential.

Children in the Horseshoe Bend, Garden Valley and Sweet exchanges generally attend elementary school in their own or adjacent exchanges and they may attend high school in Horseshoe Bend, Garden Valley, Idaho City or Emmett.  Medical facilities are limited to part-time clinics that can attend to daily and emergency needs when they are open.  However, extensive and specialized medical care must be obtained in the Treasure Valley.  These exchanges are in Boise County and the county seat is located at Idaho City.

The Garden Valley petitioners expressed a significant desire for calling to Boise, Horseshoe Bend, Lowman, and Idaho City.  Some petitioners indicated they wanted to call toll-free into Caldwell, Cascade, Emmett, Kuna, McCall, Meridian, and Nampa and/or all of Ada County.  Horseshoe Bend petitioners who had forms designed to specify desired calling areas indicated strong preferences to call Boise, Horseshoe Bend/Banks, Lowman, and Idaho City, with a significant desire to call Emmett and Garden Valley, and some desire to call all of Treasure Valley, Cascade, Sweet, Nampa and Caldwell.  In those petitions that requested petitioners to indicate how much they would be willing to pay, most indicated that they would pay about $5/month additional for extended calling.  A few indicated they would pay as much as $50 to $100 a month.  There is little correlation between the areas they want to call and the amount they are willing to pay.

Traffic pattern studies show that Garden Valley customers average more than seven calls per month to Boise, more than one call per month to Lowman and less than one call per month to any other exchange.  Horseshoe Bend customers average nearly 18 calls per month to Boise, between one and ten calls per month to each of the communities of New Plymouth and Star, and less than one call per month to all other intraLATA Idaho locations.  The average Sweet customer calls Boise nearly 10 times a month and calls Star, Council and New Plymouth more than one time per month each.  Sweet customers make fewer than one call on the average to any other intraLATA Idaho community.(footnote: 1)

Citizens proposes to expand the Garden Valley, Horseshoe Bend and Sweet local calling areas so that each of these communities can call the others toll free.

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| --- |
| Proposed Local Calling Area |
| Exchange | Res | Bus | Total |
| Garden Valley | 879 | 182 | 1,061 |
| Horseshoe Bend | 477 | 141 | 618 |
| Sweet | 296 | 52 | 348 |
|  | 1,652 | 375 | 2,027 |

Sweet would retain toll-free calling with Emmett.

|  |
| --- |
| Proposed Local Calling Area |
| Exchange | Res | Bus | Total |
| Sweet | 296 | 52 | 348 |
| Emmett | 5,026 | 861 | 5,887 |
| Garden Valley | 879 | 182 | 1,061 |
| Horseshoe Bend | 477 | 141 | 618 |
|  | 6,678 | 1,236 | 7,914 |

Citizens further proposes an optional Local Calling Plan to Lowman for Garden Valley, Horseshoe Bend and Sweet exchanges.  Lowman is served by Cambridge Telephone Company.  Additionally, Citizens proposes to provide an optional Regional Calling Plan for these customers that would allow them to call the U S WEST Treasure Valley EAS region.  These plans resolve all of the petitioners’ requests except a few who wanted toll-free calling to McCall and Cascade.

GNR-T-96-7 - Aberdeen

Aberdeen citizens began petitioning for EAS to American Falls and Blackfoot in 1994 when GTE was the service provider in the Aberdeen exchange.  The Commission deferred action until the Citizens Telephone Company purchase of the exchange was completed.  Citizens now owns the Aberdeen exchange and the American Falls and Blackfoot exchanges are owned by U S WEST.

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 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 into GNR-T-96-7 for general EAS for Aberdeen.  Aberdeen witnesses testified in a public hearing on November 5, 1997 in support of either Citizens’ local calling plans and/or the implementation to toll-free calling to the U S WEST eastern Idaho EAS region.  The plans were endorsed by Citizens, U S WEST and Staff as an interim solution until an EAS between Aberdeen and the U S WEST eastern Idaho calling area could be examined, although U S WEST encouraged a two-way EAS to be established.  The Commission approved Citizens’ tariffs in Order No. 27412, recognizing that some of Aberdeen customers prefer a toll-free calling area beyond that included in the two local calling plans, but that the proposed plans would offer reasonable and adequate relief for the interim.  The plans were to have been implemented on July 13, 1998.  On June 19, 1998, the Commission ordered implementation of the approved calling plans to be delayed pending the Commission’s decision on this Application.  Order No. 27578.

Aberdeen is a farming community in Bingham County about 15 miles north of American Falls with only a few of the basic services.  As the public witnesses and Staff demonstrated in Case No. GNR-T-96-7, the community relies heavily on American Falls for its farming equipment, supplies and marketing needs, medical and school facilities.  Residents testified that they also rely heavily on Pocatello and somewhat on Blackfoot for various goods and services, and Pocatello has the nearest Internet access provider.  Aberdeen’s business district contains a grocery store and drug store, banking and health providers, but primary stores are for farm equipment sales and repair.  It also has elementary, junior high and high school facilities and a library.  Aberdeen has fire and police departments.  Ambulance and 911 service are provided from Blackfoot.  Dozens of listings in the phone book, placed by businesses in American Falls, Blackfoot, Pocatello, Burley and Rupert, demonstrate a community of interest among these communities.

Aberdeen currently has toll-free calling to Springfield.  Aberdeen callers make nearly 21 calls to American Falls per month and about one call per month to Pocatello.  Customers calling to all other intraLATA exchanges average less than one call per month.(footnote: 2)

|  |
| --- |
| Proposed Local Calling Area |
| Exchange | Res | Bus | Total |
| Aberdeen | 897 | 265 | 1,162 |
| Springfield | 218 | 27 | 245 |
|  | 1,115 | 292 | 1,407 |

Citizens does not propose to change the Aberdeen/Springfield local calling area, but proposes to provide an optional Regional Calling Plan which will provide calling to U S WEST’s eastern Idaho EAS.  Using the rates of the previously approved tariffs, a residential customer might pay $8.89 for flat-rated EAS to both American Falls and Pocatello.  Using Citizens’ new proposal, a residential customer would pay $8.10 for EAS to all of eastern Idaho.

GNR-T-96-8 - New Meadows, Riggins, White Bird

In February 1994 and spring 1995, the Commission received Petitions containing a combined total of more than 500 signatures requesting toll-free calling between the telephone exchanges in New Meadows, Riggins, Grangeville and White Bird, in Idaho County, as well as to McCall and Council.  All of these areas are in the Citizens’ serving area except Grangeville, which is in the U S WEST’s northern LATA, and Council and parts of New Meadows, which are in Cambridge Telephone Company’s serving area.  On August 27, 1996, the Commission issued a Notice of Petition and assigned a case number to consider these petitions.

The petitions described two problems to be resolved by providing toll-free calling among these areas.  The first, which is similar to other petitions this Commission has considered, involves limited access to those goods and services that are important, and at times essential to the petitioners’ day-to-day existence.  The second problem stems from the fact that portions of the New Meadows calling area are served by Citizens while other portions are served by Cambridge.  As a result, many customers in the New Meadows exchange must make toll calls to reach neighbors in their own community.  Petitioners request that their prefixes be changed so they can all call each other.

Riggins, which is in the center of this proposed area and the largest community involved in this Petition, has no toll-free calling to any other exchange.  Riggins is approximately equidistant (about 35 miles) from Grangeville to the north and from McCall to the south.  Residents must go to one of these two communities for most necessary services, including medical needs, public services, business services, senior citizens support and most other goods and services.  According to the Salmon River Community Church pastor, Riggins has become a retirement community, economically supported by summer tourists who come to Riggins for river activities and hunting.  There are few jobs in Riggins and many residents cannot afford a significant increase in rates.  Riggins correspondents indicate a significant preference for toll-free calling to Grangeville over toll-free calling to McCall, because Grangeville is the county seat where many county and state health, agricultural, conservation and emergency facilities are located.  Grangeville, for a time, was the only place where Internet services were available.  Now that Internet services can be obtained in McCall, Staff suggests that it is possible that McCall will be a viable alternative for Riggins residents.  This should be explored at the public hearing.

White Bird is about 28 miles north of Riggins and does not have toll-free calling to any other exchange.  Most of the residents farm the outlying areas.  Between 100 and 150 people live in “downtown” White Bird, and there are virtually no food or clothing stores or pharmacies, let alone appliance, auto and farm equipment stores.

White Bird residents attempted, beginning in 1991, to get toll-free calling to Grangeville.  Staff investigated possibilities that included laying cable over White Bird Mountain, establishing microwave service, making arrangements with an interexchange company to carry calls which would be provided toll-free to White Bird residents, and moving the LATA boundary or securing FCC permission to permit U S WEST to provide traffic across the LATA boundary.  None of the options were found to be feasible.  After Citizens bought the exchange from GTE, Citizens also studied the problem, and the result revealed that the annual revenue requirement for Citizens and U S WEST for an EAS between White Bird and Grangeville would be about $415 per year or $35 per month for each White Bird customer, which was significantly more than the toll the average White Bird customer was paying.  The Commission denied the Petition and stated:

Even though we are denying this Petition for EAS, we continue to believe that the petitioners and Staff have shown a need for toll relief.  We hope that in time, new technology and/or changes in federal regulation of telephony will make this EAS route feasible.

Order No. 25857.  Staff was directed to reexamine this EAS proposal when Staff believes the situation warrants it.

This Petition, which would add calls from Riggins and perhaps other communities to the volume of calls to Grangeville, would also increase the costs.  Staff finds that the added volume still would not be enough to make EAS to Grangeville affordable.  Riggins customers make nearly three calls a month to Boise and more than calls a month to Council.  They call all other intraLATA communities fewer than one time a month, on the average.  White Bird customers make more than two calls a month to Boise and nearly one call a month to Council and Riggins.  They call all other intraLATA communities fewer than one time a month.  Data regarding calls to Grangeville and other interLATA exchanges were not available.(footnote: 3)

White Bird residents have recently submitted another Petition signed by 160 customers wherein they say that while they understand that they probably cannot get local service to Grangeville, perhaps they can at least get local calling to Riggins where they can access the high school, medical facilities and Internet access.  One hundred fifteen of the petitioners indicated a willingness to pay $1 to $3 more for this service.  Other correspondents requested toll-free calling to the InterLATA U S WEST exchanges of Kooskia and Cottonwood and to Boise.

The President of the Salmon River Rural Fire Department described problems with emergency service in the area.  He said callers must dial an 800 number to report emergencies to the Idaho County Sheriff’s department.  A 911 number would be much better and EAS could be instrumental in making a 911 facility available.  Staff notes that Idaho County is now very close to making 911 service available, and it may be in place by the time this case is decided.

Citizens’ proposal for these areas is to include Riggins, White Bird and New Meadows and McCall into one local calling area that would be available at no additional cost to the proposed basic local service rate.

|  |
| --- |
| Proposed Local Calling Area |
| Exchange | Res | Bus | Total |
| Riggins | 641 | 211 | 852 |
| White Bird | 258 | 66 | 324 |
| New Meadows | 523 | 151 | 674 |
| McCall | 3,583 | 1,285 | 4,868 |
|  | 5,005 | 1,713 | 6,718 |

Cascade and Donnelly currently have mandatory EAS to each other and to McCall.  Cascade customers make over six calls per month to Boise, but make fewer than one call per customer per month to any other community.  Donnelly customers make more than five calls to Boise, but fewer than one call per customer per month to any other community.(footnote: 4)  Citizens proposes to add New Meadows as a toll-free calling area to be included in the basic rates for these communities.

|  |
| --- |
| Proposed Local Calling Area |
| Exchange | Res | Bus | Total |
| Cascade | 1,320 | 352 | 1,672 |
| Donnelly | 715 | 99 | 814 |
| New Meadows | 523 | 151 | 674 |
| McCall | 3,583 | 1,285 | 4,868 |
|  | 6,141 | 1,887 | 8,028 |

New Meadows currently has toll-free calling to McCall.  McCall has toll free calling to Cascade and Donnelly as well as New Meadows.  Citizens would combine these calling areas and add Riggins and White Bird as part of the basic local service.  New Meadows customers currently call Council nearly six times a month and Boise more than two times per month, but make fewer than one customer call per month to any other community.  McCall customers call Boise more than 4 times a month.  They make fewer than one customer call per month to any other community.(footnote: 5)

|  |
| --- |
| Proposed Local Calling Area |
| Exchange | Res | Bus | Total |
| McCall | 3,583 | 1,285 | 4,868 |
| Cascade | 1,320 | 352 | 1,672 |
| Donnelly | 715 | 99 | 814 |
| New Meadows | 523 | 151 | 674 |
| Riggins | 641 | 211 | 852 |
| White Bird | 258 | 66 | 324 |
|  | 7,040 | 2,164 | 9,204 |

Cascade, Donnelly, McCall, New Meadows, Riggins and White Bird would have the option of adding Council as a Local Calling Plan, which, for a small monthly charge, would resolve the problem New Meadows customers currently have of being split into two exchanges with two separate calling areas.  The option of toll-free access to any of U S WEST’s exchanges or EAS regions is not offered.

Citizens’ proposal would provide toll-free access for Riggins and White Bird customers to all of the goods and services available in McCall, which is arguably comparable to those that could be obtained in Grangeville.  This does not resolve the issue of enabling these customers to reach county offices, but perhaps the telephone companies or Idaho County could arrange for one or more toll-free numbers to help alleviate the cost of accessing county offices.  Requests for toll-free calling to Kooskia, Cottonwood and Boise were not predominant and were not addressed in Citizens’ proposal.

GNR-T-97-10 - Carey

A Petition requesting the Commission to investigate toll-free calling between Carey and Wood River Valley was signed by 208 customers and submitted to the Commission.  Petitioners stated that the nearest hospital, dental service, Sheriff’s office, banking facilities and county courthouse are in Hailey, 35 miles from Carey.  Petitioners also indicated that 75% of Carey residents work in the Wood River Valley.  Some Carey children attend schools in Bellevue and Hailey.  Petitioners indicated a willingness to pay about $5 per month for this additional calling.

Blaine County Commissioners advised that the Blaine County/Carey area is separated by about 35 miles from the County Seat in Hailey.  The neighboring towns of Picabo and Gannett, which are only a few miles from Carey, have toll-free calling to the Hailey calling area.  The County Commissioners did not request EAS; rather, they requested the Commission to investigate the possibilities so that the Carey area residents could make an informed decision.  The Commission established this case number to examine the costs for providing a county-wide EAS for Blaine County and the costs for including Blaine County in the Treasure Valley EAS region, but no notice was issued.

Carey has 251 residential and 61 business lines, for a total of 312 lines.  They currently do not have EAS to any community.  The remainder of Blaine County, which includes Hailey (the county seat), Sun Valley, Ketchum, Bellevue, Gannett and Picabo, is served by U S WEST.  Average Carey customers make three calls per month to Jerome, more than two per month to Pocatello and nearly two per month to Boise.  No customers called other communities one time per month, on the average.(footnote: 6)

Citizens did not propose extended area service or  local calling plans for Carey customers, but proposed the option of access to one or two of U S WEST’s EAS regions.  One region would include U S WEST’s Magic Valley EAS region; the other would include Hailey and Ketchum.

GNR-T-97-21 - Springfield

Seventy one Springfield/Sterling area customers petitioned for toll-free access to the U S WEST eastern Idaho EAS region.  More than 70% of the petitioners indicated they were willing to pay $3 to $5 extra per month.  Many Springfield residents had actively pursued an Aberdeen calling plan and apparently they believed they would have the same opportunities to call American Falls and Pocatello.  They currently have toll-free calling to Blackfoot which is in the U S WEST calling area.  However, petitioners stated that since the U S WEST EAS regions were implemented, many businesses have discontinued their toll-free numbers, making calls to Pocatello and American Falls businesses toll calls.  Springfield callers want the same toll-free options that all of the surrounding communities have.  The Commissioners approved Staff’s recommendation to assign a case number for this Petition but Notice was not issued.  Springfield customers make more than ten calls per month on the average to American Falls and more than three calls per month to Pocatello.  Average calls to all any other community average less than one per month.(footnote: 7)

Citizens proposes to preserve Springfield’s current local calling area, which includes Aberdeen and Blackfoot and to provide the optional Regional Calling Plan that includes U S WEST’s eastern Idaho EAS region.

|  |
| --- |
| Proposed Local Calling Area |
| Exchange | Res | Bus | Total |
| Springfield | 218 | 27 | 245 |
| Aberdeen | 897 | 265 | 1,162 |
| Blackfoot | 6,083 | 1,971 | 8,054 |
|  | 7,198 | 2,263 | 9,461 |

USW-T-97-1/CTC-T-97-1 - Marsing

A Petition for EAS between Marsing, Nampa and Melba was filed in January 1997.  No action has been taken.  Marsing petitioners cited Internet access as their primary need, so that their children and all residents would not be deprived of the advantages of Internet services.  Internet access is available in Nampa.  Additionally, the petitioners requested access to Melba so they could call their county offices in Murphy in the Melba exchange.  Currently they must call a Homedale number to be patched through to the courthouse and this ties up the Sheriff’s line while more urgent needs may exist.

Marsing customers make an average of nearly 13 calls to Boise, more than five calls to Nampa and between one and two calls to each of the communities of Star and New Plymouth.  Average customer calling to other locations is less than one call per month(footnote: 8).  Citizens proposes to add Marsing to the proposed Parma/Wilder/Homedale calling area.  The EAS plan to Caldwell would be retained and two optional Regional Calling Plans would be available: U S WEST’s Treasure Valley EAS region and/or New Plymouth and Payette.

|  |
| --- |
| Proposed Local Calling Area |
| Exchange | Res | Bus | Total |
| Marsing | 810 | 156 | 966 |
| Caldwell | 14,001 | 3,936 | 17,937 |
| Parma | 1,428 | 312 | 1,740 |
| Wilder | 842 | 171 | 1,013 |
| Homedale | 1,560 | 332 | 1,892 |
|  | 18,641 | 4,907 | 23,548 |

Homedale, Parma, Wilder

The Commission does not have an open case regarding Homedale/Parma/Wilder EAS.  In 1994, the Commission approved mandatory EAS between the communities of Parma and Wilder as the fulfillment of one of the conditions pursuant to Citizens’ purchase of the former GTE exchanges.  (CTC-T-94-1, Order No. 25808).  Order No. 27063 established optional Local Calling Plans between the Citizens exchanges and Caldwell and also established optional Local Calling Plans between the Citizens exchanges and Nampa.  (Case Nos. CTC-T-97-3, GNR-T-93-7, and GNR-T-93-11).

Currently Parma can call Wilder toll-free and Wilder and Homedale can call each other and Parma.  Parma customers make, on the average, more than nine calls to Boise, more than two calls to New Plymouth, Nampa and Homedale, and more than one call to Pocatello.  The average number of calls to all other intraLATA exchanges is less than one call per month.  Wilder customers call Boise an average of more than 13 times per month, Nampa more than three times a month, and New Plymouth, and Pocatello, Caldwell and Star between one and five times a month.  Calls from Wilder to all other areas average fewer than one time per month.  Homedale residents call Boise more than 12 times a month, average, Nampa nearly four times a month, and Caldwell and Pocatello more than one time a month.  The average call per customer to all other areas is fewer than one call per month.(footnote: 9)

Citizens proposes to create a local calling area that includes Parma, Wilder, Homedale and Marsing.  The existing Local Calling Plans to Nampa and Caldwell would be eliminated, but two optional Regional Calling Plans would be available: U S WEST’s Treasure Valley EAS region and/or New Plymouth and Payette.

|  |
| --- |
| Proposed Local Calling Area |
| Exchange | Res | Bus | Total |
| Parma | 1,428 | 312 | 1,740 |
| Wilder | 842 | 171 | 1,013 |
| Homedale | 1,560 | 332 | 1,892 |
| Marsing | 810 | 156 | 966 |
|  | 4,640 | 971 | 5,611 |

A public hearing was held in Wilder, Idaho, on July 2, 1998.  Seven residents testified.  Six of those were in favor of the proposals.

Fairfield

Fairfield is in Camas County and has 401 business and 102 residential lines (total 503).  Under the Citizens’ plan its citizens would have the same options Carey customers would have —  the option of regional calling to the U S WEST Treasure Valley EAS region and/or to Hailey and Ketchum.

Fairfield customers make an average of more than eight calls a month to Boise, more than four calls a month to Jerome and more than one call a month to Pocatello.  On average, customers make fewer than one call a month to other communities.(footnote: 10)

Elk City

Elk City is the only Citizens’ exchange located in the U S WEST northern LATA.  The exchange is contiguous to the Grangeville exchange and Elk City is about 55 miles east of Grangeville.  Elk City has 256 residential lines and 85 business lines for a total of 341 lines.  It has no other exchange in its toll-free calling area.  Businesses in the area include a convenience store, gas station, hotel, recreational vehicle park, a restaurant and a school for kindergarten through eighth grade.  High school students are quartered in Grangeville during the school year due to weather considerations.  Residents are generally employed in mining, lumber or ranching.

In 1992, Petitioners 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.  Calling data regarding Elk City’s calls in the northern LATA were not available for this proceeding.  Staff estimated, based on 1992 data grown at the rate of 4% per year, that Elk City customers call Grangeville an average of more than five times per month.  The average Elk City customer made fewer than one call to any area in the southern LATA.(footnote: 11)

Citizens does not propose to expand Elk City’s local calling area or to provide an optional Regional Local Calling Plan.  It does, however, propose to offer an optional Local Calling Plan which would give Elk City residents calling to Grangeville and Kooskia, which are U S WEST - North exchanges.

DISCUSSION

Revenue Neutrality

Based on the data Citizens submitted, each of its proposals — one for rebalancing of access and local service rates and one for optional calling areas — is revenue neutral.  That is, the revenue from increased local service rates is sufficient to offset the reduction in revenue from lowering access and toll rates.  Additionally, the revenue from flat and measured charges and usage will offset the additional expenses and lost revenue incurred to implement the regional calling plans.  A summary of the proposed rate increases and decreases has been prepared as Proprietary Attachment 5 using the data Citizens has provided to Staff.  The information in this summary is proprietary, and the document will be provided only to the Commissioners and pertinent Staff.  Staff will continue to monitor the companies’ earnings.

Participating Companies

Cambridge Telephone Company

Cambridge Telephone Company acknowledges that the nature of optional calling plans is complicated issue.  Cambridge is aware of Citizens’ proposal and the likelihood that Cambridge will want to consider a similar plan to equalize the calling between these exchanges.  Cambridge wants its customers to have what Citizens’ customers have; however, Cambridge has not yet looked at the numbers.

U S WEST

Staff believes the nature of the optional calling plans, while problematic, have largely been resolved in a settlement between U S WEST and the Commission Staff in Case No. USW-T-98-3.  Staff anticipates that U S WEST will provide EAS for its customers into the respective Citizens exchanges and will be compensated for the one-way rate agreed to in the settlement.  For EAS traffic originating from Citizens into the EAS regions, U S WEST will also be compensated at the one-way rate agreed to in the settlement.  For toll traffic originating from Citizens’ exchanges, U S WEST will charge Citizens for terminating access charges.  While the determination of lost toll minutes originating from Citizens exchanges has yet to be agreed to, Staff remains confident that this issue can be resolved and does not need to be addressed in this docket.

Effect on USF/TRS

Staff estimates that the total number of toll minutes that would be “lost” by U S WEST, Citizens and Cambridge as a result of the implementation of all of Citizens’ EAS and calling plans would be nearly 11 million minutes.  At the current rates, this would result in a reduction of about $19,800 in revenue to the Idaho Universal Service Fund and about $7,700 reduction to the Telecommunications Relay Service fund.

Quality of Service

Some commentors indicated problems with slow answers to calls to the business offices, slow response to trouble calls, busy circuits in the Parma/Homedale area, and the lack of availability of services such as high-speed data and calling features.  However, the trouble reports received by the Commission do not indicate significant service problems.

There has recently been some confusion over 911 services and billings.  Staff is advised that Idaho County does intend to implement a 911 service.  The service will be offered at least partially over the public network, presumably because the cost of providing dedicated facilities for E-911 is very high.  Staff understands that Idaho County has authorized Citizens to collect the 911 surcharge on the telephone bills.  It was not clear when this charge was to have begun and Citizens may have been premature in the implementation of this billing.  The County Commissioners are deliberating over what should be done with the money collected.  Either Citizens will give its customers a credit or the County will put it in the 911 fund.  Staff has no indication of when 911 service will become available.

Some customers have advised the Commission that they do not seem to be “recognized” by directory assistance operators.  This appears to be primarily because some customers live on the outskirts of one community and receive their phone service from a different exchange.  Citizens has agreed to look into the possibility of pooling the database they provide to operator services to ensure that customers’ names will appear no matter which community the caller identifies.

Staff’s Position

Staff appreciates the comprehensiveness of Citizens’ plan.  The plan reflects the intent of federal and state legislation and responds to the complex requests made by EAS petitioners.  The plan, admittedly, does not give all customers exactly what they may want.  However, it does provide nearly every customer with some advantages.

As expected with any rate increase, there are customers who oppose the proposal.  Some customers believe that the rate increases are linked to the calling plans offered by Citizens.  Even without adopting the local calling plans, Citizens has few options available to it if it reduces access rates as required by current legislation.  It is the reduction of access rates in this case that results in large increases in local rates.  According to Citizens’ calculations, the Local and Regional Calling Plans would pay for themselves through the rates that would be charged for these plans.

White Bird customers have wanted calling to Grangeville for many years.  In addition, it appears that many Riggins customers only want free calling into Grangeville.  However, the Commission conducted a thorough investigation into this possibility in 1992 and found that EAS to Grangeville was not feasible.  The combination of LATA boundaries and difficult terrain makes an EAS to Grangeville very costly, and Riggins and White Bird customers have both indicated that they would be unwilling to pay large monthly charges (approximately $35/month) for this option.  Conditions have not changed significantly since then.  Toll-free calling to McCall may be a reasonable, if not preferred, option, especially since it will not cost the customers more than the increase that results from the rebalancing.  The variety and types of goods and services available from McCall are comparable to those from Grangeville except for access to county and government offices, and Internet access is available in McCall.  Both communities are approximately 35 miles from Riggins.  Staff has requested Citizens to look into the possibility of establishing some toll-free service to these offices and perhaps to the high school in Grangeville.

McCall, Donnelly and Cascade also appear, at first blush, to be required to pay a large increase with no meaningful improvements to their service.  However, the elimination of mandatory EAS charges will make the effective rate increases to these customers among the lowest of all of Citizens’ serving area.  (See Attachment 1.)

Judging from other comments received since this case was opened, most commentors from the Parma/Wilder/Homedale/Marsing area and those from the Garden Valley/Horseshoe Bend/Sweet area seem to support the proposal.  Those who do not support the proposal generally suggest that the increased calling areas are not worth the rate increases.

Perhaps the biggest problem is the “rate shock” experienced by these customers.  As the FCC implied and Citizens admits, local service rates have been underpriced and have been receiving support from the excess revenue derived from access rates for many years.  In effect, as the legislature noted in Idaho Code § 62-623, access rates provide an implicit subsidy for local exchange services.  It is inevitable that the proposed reductions from access rates be recovered from basic services.

Still, the customers have not had a rate increase in more than 13 years, and it is difficult to absorb the entire increase at one time.  Staff considered the possibility of phasing the increase in over a period of time, but a phase-in does not seem plausible, given the federal and state mandates, and would probably not be received any better.  It is significant to note that the proposed rates ($17.50 for residential and $35.10 for business) are nearly equal to those paid by U S WEST customers (although U S WEST has large mandatory EAS calling regions), and less than the mandatory $24.10 (residential) and $42 (business) rates that are to be applied to Rockland, Teton, Fremont and Silver Star customers (and probably others in the future).  With an optional Regional Calling Plan, a Citizens customer’s rates would be higher than these ($25.60 and $47.25), but the very fact that such a plan is optional makes it preferable, in Staff’s view, to a mandatory rate.  The new statewide weighted average rate for residential customers is $15.37 and for business customers is $30.55.  Those companies requesting disbursements from the Idaho Universal Service Fund would be required to pay $19.21 (residential) and $38.19 (business) to qualify for the funds.  Citizens’ proposed rates are comparable to these overall statewide rates.

Recommendation

Staff concludes that this proposal does what it was intended to do.  It reduces access rates by about 50%, removing some of the implicit subsidies that have historically been used to supplement local rates.  It addresses all of the outstanding Petitions and requests for EAS with optional plans that allow high users to subscribe without requiring low users to pay for them.  Citizens’ proposal has met all of these requirements without requiring supplemental funds from the Idaho Universal Service Fund.

The Petitions submitted by Citizens’ customers demonstrate their needs and the existence of communities of interest.  The Petitions describe the needs to reach school districts, libraries, medical facilities, county/state offices, Internet services and the daily needs of individual customers.  The requests are, for the most part, for calling to contiguous exchanges.  There are sometimes geographical barriers that separate a petitioning community from its requested calling area, but in most cases, the requested calling area is still the only place where essential goods and services are available.  The barriers become reasons for EAS rather than reasons not to have it.  Citizens’ proposal makes these calling plans optional.  Where interest or need is not significant, customers do not need to subscribe to the extended calling areas, but where there is obviously a community of interest, customers will subscribe and will likely feel that the rates are reasonable.

The rate increases are large, but given the mandates of federal and state lawmakers, they are necessary.  Staff’s only additional recommendation is that Citizens and U S WEST pursue the possibility of establishing toll-free lines to some of the county and state offices in Grangeville.  With this exception, Staff recommends approval.

Respectfully submitted this                day of July 1998.

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Cheri C. Copsey

Deputy Attorney General

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Birdelle Brown

Telecommunications Analyst

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**FOOTNOTES**

1:

 Traffic studies were submitted to Staff by Citizens and represent traffic for January, 1998.  A complete traffic data report is marked proprietary and will be provided only to Commissioners and Staff.  These numbers do not include data for calls carried by other carriers.  In particular, data on interLATA traffic is virtually unobtainable.

2:

 See Note 1 page 10.

3:

 See Note 1, page 10.

4:

 See Note 1, page 10.  These numbers may be understated since they were taken from a January traffic study and do not include summer seasonal traffic.

5:

 See Note 4.

6:

 See Note 1, page 10.

7:

 See Note 1, page 10.

8:

 See Note 1, page 10.

9:

 See Note 1, page 10.

10:

 See Note 1, page 10.

11:

 See Note 1, page 10.