BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE IMPROVING OR REPLACING U S WEST COMMUNICATION’S REVENUE SHARING PLAN FOR SOUTHERN IDAHO. | ))))))) | CASE NO. USW-S-95-4NOTICE OF APPLICATION |

The Commission originally initiated a review of U S WEST Communication’s Revenue Sharing Plan for southern Idaho in Order No. 25147.  As explained in greater detail in Order No. 25826, the Sharing Plan was adopted as a method of allocating costs between the fully regulated (Title 61) and partially regulated (Title 62) services provided by U S WEST Communications in its southern Idaho operations.(footnote: 1)  After reviewing the first five years of operation of the Revenue Sharing Plan, the Commission concluded in Order No. 25826 that improvements to the Revenue Sharing Plan were warranted.  Following reconsideration, the Commission issued Order No. 25923 directing the Commission Staff and U S WEST, either jointly or individually, to file a report outlining improvements to the Revenue Sharing Plan or an appropriate replacement.  The parties were ordered to file their report(s) no later than June 12, 1995.

The Staff and U S WEST filed timely individual reports.  The parties generally agreed that the Revenue Sharing Plan should be replaced with a new regulatory mechanism.  The Commission directed that the parties continue negotiating improvements to the Revenue Sharing Plan.

Following extensive negotiations, U S WEST and the Staff have devised a new regulatory scheme to replace revenue sharing.  The parties filed their proposed Plan on October 5, 1995.  This Plan proposes to implement service quality standards for U S WEST and addresses the Company’s desire to rebalance rates.

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that the Commission Staff and U S WEST have proposed a new regulatory mechanism to replace the existing Revenue Sharing Plan.  The new “Alternative Regulatory Plan” contains several components.  Key elements of the Plan include elimination of existing monthly zone charges and establishment of service quality standards for U S WEST.  The Plan also provides incentives if U S WEST meets the proposed service quality standards.  Finally, the Plan implements a “service guarantee program” that provides customers directly affected by unsatisfactory or untimely service with monetary compensation.

YOU ARE FURTHER NOTIFIED that under the proposed Plan, U S WEST Communications agrees to eliminate all rural zone charges for approximately 56,000 customers in southern Idaho upon implementation of the Plan.  Elimination of the rural zone charge (currently $3.19) will reduce the Company’s annual revenues by approximately $2.6 million.

YOU ARE FURTHER NOTIFIED that the Plan identifies ten specific service standards in the general areas of provisioning, repair, and access to the Company that will be measured monthly.  Each standard has been assigned a measurement of expected achievement as set out in greater detail in Attachment A to the Plan.

YOU ARE HEREBY NOTIFIED that the parties propose to measure the Company’s performance on each of the ten quality of service standards and add them to reach an overall score.  If U S WEST’s 12-month rolling average score meets or exceeds the annual service quality target, a proposed residential rate increase is to take effect.  The reporting mechanisms proposed for use in calculating the Company’s quality of service on the ten basic service standards are contained in Attachment B to the Plan.  This attachment indicates the frequency of reporting, the level of reporting, and the method of calculating the service result and the source document.

  YOU ARE FURTHER NOTIFIED that the proposed quality of service thresholds necessary for rate increases are shown in Attachment A.  To become eligible for the first proposed rate increase, U S WEST must achieve a 12-month average score of 83 or higher.  To obtain the second and third proposed rate increases, the Company must obtain scores of 87 and 90, respectively.  The Company will use its most recent 12-month period beginning after the Plan’s approval to obtain a threshold level.  Rate increases are proposed to become effective as soon as possible following Staff verification of the service results and customer notification by the Company.

YOU ARE FURTHER NOTIFIED that if U S WEST meets or exceeds the increasing service standards, the Company may increase its residential rates.  The Plan proposes three adjustments to residential local exchange rates over the five-year life of the Plan.  At each step, residential rates may increase by a weighted average of approximately $1.00.  Residential increases will occur no more frequently than once in a 12-month period.

YOU ARE FURTHER NOTIFIED that if U S WEST increases its residential rates, the Company agrees as part of the Plan to concurrently reduce its long-distance revenues by an equal amount, approximately $3.5 million per adjustment.  The Company’s agreement to reduce its intrastate, intraLATA long-distance revenues applies only to the extent that its local residential exchange revenues have been increased as a result of achieving a service quality threshold.  In the Plan, the parties agree that U S WEST may elect to implement toll reductions directly through message telecommunication service price decreases, through the introduction of a universally available toll discount Plan, or a combination of both.  The Company will submit calculations to the Commission showing the impact of such reductions.

YOU ARE FURTHER NOTIFIED that under the Plan, the Company agrees to implement a service guarantee program.  Under the service guarantee program, the Company will offer a number of alternatives to any customer whose request for a primary service line is held for more than five days.  In those instances, U S WEST will offer the affected customer:  (1) a telephone number; (2) a telephone directory listing; (3) the choice of either voice messaging service or remote call forwarding with no installation of recurring charge for the duration of the period that the customer’s order is held; (4) a toll calling card; and (5) a waiver of the installation charge for the primary line.

YOU ARE FURTHER NOTIFIED that if an order is held more than 30 days, the affected customer would in addition to the above, be offered the choice of:  (1) a credit of the recurring charge for basic service for each month or partial months thereafter held; or (2) an emergency cellular mobile radio voucher (to be used at the cellular or mobile radio provider of the customer’s choice in the amount of $105 for the first month and $75.00 per month or partial month thereafter for the duration that the customer’s order is held.

YOU ARE FURTHER NOTIFIED that U S WEST as part of the service guarantee program, will automatically give customers billing credits in the amount of $10.00 for residential customers and $40.00 for business customers if the installation date for primary service is not met.  For those customers who call U S WEST about a missed repair of equipment or a repeated report of the same problem, the Company will automatically give the customer a billing credit in the amount of $10.00 for residential service and $40.00 for business service.  In accordance with the Commission’s Quality of Service Rule 503, U S WEST will continue to provide customers with a credit equal to the monthly charge for basic local exchange services if their service outage is not restored within 24 hours.

YOU ARE FURTHER NOTIFIED that under the Plan U S WEST will book an amount equal to the 1994 Title 61 sharing amount (approximately $6.2 million, including interest) less the amount used to fund the elimination of rural zone charges (approximately $2.6 million) to the Company’s depreciation reserve.  This net amount, approximately $3.6 million will be booked annually during the term of this Plan.

YOU ARE FURTHER NOTIFIED that the net present value of the revenue stream associated with portion of Tech II investment allocated to the interstate jurisdiction that is currently flowing into the Revenue Sharing Plan will be included in the 1995 sharing funds for disposition in 1996.

YOU ARE FURTHER NOTIFIED that it is currently expected that 1993 revenue sharing funds being used to provide rural mileage credits will be exhausted after November 1995. Under the joint proposal of USWC and Staff, rural mileage credits would continue until adoption of the Plan and any shortfall in funding would be subtracted from 1995 sharing funds considered for disposition in 1996.

YOU ARE FURTHER NOTIFIED that the Commission Staff and U S WEST have proposed a schedule for processing this matter.  The parties suggest that the Commission convene a November 6, 1995 prehearing conference in Boise.  The parties also recognize that the Commission will, in all likelihood, hold public hearings in this matter.  Accordingly, U S WEST and the Commission Staff recommend that they prefile direct testimonies on December 1, 1995; that intervenors prefile testimony on January 3, 1996; and rebuttal testimony will be filed on January 31, 1996.  In their motion accompanying the Plan, the parties recommend that the Commission set this matter for hearing on February 13, 1996.

YOU ARE FURTHER NOTIFIED that the Alternative Regulation Plan, has been filed with the Commission and is available for public inspection during regular business hours at the Commission offices.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 and Title 62 of the Idaho Code and specifically Idaho Code § 61-622A.  The Commission may enter any final order consistent with its authority.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 et seq.

DATED at Boise, Idaho this day of October 1995.

Myrna J. Walters

Commission Secretary

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**FOOTNOTES**

1:

The Commission’s traditional regulatory authority is found in Title 61 of the Idaho Code.  The Idaho Telecommunications Act of 1988 added a new chapter to Title 62 of the Code and created a modified form of regulation for telephone companies providing other than basic local exchange services in Idaho.  Basic local exchange service for residential and small business customers with five or fewer lines remains under the Commission’s Title 61 ratesetting authority.  In March 1989, U S WEST elected to remove its non-basic local services from the Commission’s Title 61 ratesetting authority.  These non-basic services provided in southern Idaho are now subject to the Commission’s Title 62 jurisdiction.