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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION FROM)
THE RESIDENTS OF THE SHOUP AREA) **CASE NO. GNR-T-01-3**
REQUESTING EXTENDED AREA SERVICE)
INTO SALMON, IDAHO.)
)
) **COMMENTS OF THE**
) **COMMISSION STAFF**
)

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Lisa D. Nordstrom, Deputy Attorney General, and submits the following comments in response to the Notice of Modified Procedure and Notice of Comment Deadline, Order No. 29613, issued on October 13, 2004.

BACKGROUND

On February 21, 2001, the Idaho Public Utilities Commission received a Petition from approximately 26 residents of the Shoup, Idaho area requesting toll-free extended area service (EAS) into Salmon, Idaho. On April 3, 2001, the Commission issued a Notice of Petition and Intervention Deadline. Order No. 28694.

The Shoup exchange is located in northern Lemhi County and is served by Rural Telephone Company. Although the exchange has approximately 40 residential and 10 business telephone customers, there is presently no toll-free calling to any other exchange.

Salmon is the county seat of Lemhi County and is served by CenturyTel of Idaho. CenturyTel operates three adjoining exchanges in Lemhi County: Salmon, Leadore and North Fork with approximately 4,200 total customers combined. The petitioners have requested local calling into the North Fork and Salmon exchanges.

STAFF ANALYSIS

In 1990, Rural Telephone was granted authority to expand its certificated area and provide telephone service in the Shoup area in Case No. RUR-T-89-1. Prior to that, residents of the Shoup area received telephone service from a single magneto-powered line which connected to the facilities of Centurytel of Idaho at North Fork. The nature of this line required that Centurytel have operators available to manually connect calls to and from the Shoup area. Rural Telephone's Shoup exchange is adjacent to Centurytel's North Fork exchange and follows the Salmon river for approximately 25 miles to the west.

Shoup is a community with many seasonal cabins and recreational businesses related to fishing and floating the adjacent Salmon River. Shoup has a small café which includes a post office and gasoline sales. There are two other small convenience stores in the area located several miles apart from each other. For services such as health care, government agencies, schools, churches, businesses and almost all shopping, Shoup residents must travel approximately 35 miles to Salmon. Staff is not aware of a school in the Shoup area. However, the county does maintain the road into Shoup throughout the year. Unlike Shoup, Salmon has at least one Internet Service Provider.

The most recent Shoup calling data collected in July 2004 indicates that most business customers and many residential customers call into Salmon frequently. For example, 86% of Shoup's business customers made at least one phone call to Salmon during the month while over 60% of residential customers made at least one phone call to Salmon. During the study month, twenty-one out of sixty-one Shoup customers averaged three calls to Salmon while eighteen Shoup customers averaged over forty calls to Salmon. Calling data from May 2001 indicated similar calling volumes and distribution. In summary, it appears that one-third of Shoup customers make no calls to Salmon, another third make a few calls to Salmon, and the last third of Shoup customers make many calls into Salmon in a given month.

Staff has received responses to production requests from both Rural Telephone Company and CenturyTel of Idaho regarding the costs associated with the proposed EAS. Rural Telephone has determined approximately \$7,000 in annual costs and CenturyTel has determined approximately

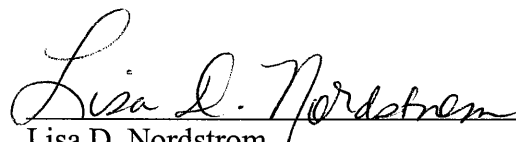
\$4,500 in annual costs if EAS is implemented. If EAS is approved, there are options for recovering the related costs. For example, Rural Telephone's EAS-related costs could be recovered entirely from an increase in its Idaho USF draw or entirely from business and residential customers in Shoup or some combination of the two.

STAFF RECOMMENDATION

Having concluded its investigation, Staff recommends approval of the Petition for EAS between the Shoup exchange and the exchanges of North Fork and Salmon. Staff believes many Shoup customers would benefit from the ability to call government, medical, community and Internet services without incurring toll charges and also believes EAS can be implemented economically.

Because Shoup customers would benefit from EAS, Staff believes it is reasonable to increase rates in Shoup to the same level that other Idaho customers pay where EAS has been implemented (\$24.10 residential and \$42.00 business). Remaining EAS costs can be off-set by increasing Rural's annual USF draw by approximately \$5,400. Therefore, Staff recommends that Rural Telephone's rates for Shoup customers be increased from \$21.63 per month for residential service to \$24.10 and from \$40.68 to \$42.00 for business service. In addition, Rural Telephone would increase its Idaho USF draw by approximately \$5,400 (1.7%) annually to cover its remaining EAS costs. CenturyTel customers in Salmon and North Fork would also benefit from EAS to Shoup. Because CenturyTel is not an Idaho USF recipient, Staff recommends that CenturyTel's EAS costs be off-set by increasing the rates for customers in Salmon and North Fork from \$21.75 per month to \$21.84 for residential service and from \$39.77 per month to \$39.86 for business service. Staff and the companies are in agreement regarding the submitted costs of EAS and the proposed rate increases.

Respectfully submitted this 3rd day of November 2004.


Lisa D. Nordstrom
Deputy Attorney General

Technical Staff: Doug Cooley

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 3RD DAY OF NOVEMBER 2004, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. GNR-T-01-3, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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