

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL
WORKING FILE**

FROM: WAYNE HART

DATE: MARCH 7, 2005

**RE: REVISION TO INTRASTATE PIC CHARGES TO MATCH NEW
INTERSTATE CHARGES**

On February 17, 2005, the Federal Communications Commission released a Report and Order (FCC 05-32) in its review of the charges imposed by local exchange carriers on end use customers who change their presubscribed inter-exchange carrier (PIC) for interstate long distance calls. These charges, which are known as PIC change charges, have remained at the level established by the FCC in 1984 when such charges were first imposed. At that time, the FCC established a safe harbor of \$5.00 for a PIC change fee. Under the safe harbor, companies could tariff a charge of up to \$5.00 without providing cost studies. If a carrier desired to tariff a higher charge, they had to provide cost support to justify the higher amount.

In 2002, the FCC initiated a study of to determine whether the \$5.00 amount was still reasonable. In its recent Order, the FCC established a two tiered safe harbor, with the amount of the safe harbor increasing to \$5.50 for manually processed PIC changes, and a separate safe harbor of \$1.25 for electronically processed PIC changes.

The FCC's new safe harbor applies only to PIC changes for interstate long distance. IntraLATA PIC (LPIC) change charges are tariffed at the state level, and not subject to the FCC's Order. However, the costs a carrier incurs for changing an LPIC are essentially the same as for changing a PIC. The FCC's analysis indicated that when both PIC and LPIC are changed at the same time, there was essentially no increase in cost. The FCC's Order indicates that the safe harbor rate for a PIC change requested in conjunction with an LPIC change would be 50%

of the rate for a PIC change requested separately. The FCC expected the ILEC to recover the remaining costs from the state tariffed LPIC charge.

Although the Idaho Commission has not formally established a safe harbor rate for LPIC change charges, it has established a precedent of approving a rate that is within the FCC's safe harbor of \$5.00 without requiring the company to submit detailed cost support.

STAFF ANALYSIS

When the new rates for interstate PIC change charges become effective there will be a lack of consistency between the charges for changing PICs and LPICs. If LPIC change charges remain unchanged, based upon the FCC's analysis, local exchange carriers would be over-compensated for electronically processed LPIC changes, and under-compensated for manually processed LPIC changes.

The consumer impact of any changes are difficult to identify without information on the extent to which Idaho's ILECs can process such change orders electronically. Staff recommends the Commission request information from Idaho ILECs on their capabilities and actual usage levels of electronic processing for PIC changes.

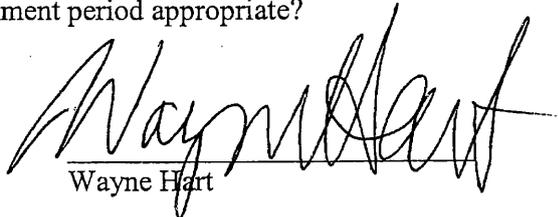
STAFF RECOMMENDATION

Staff recommends that the Commission open a docket to examine LPIC change charges, specifically investigating whether the IPUC should adopt a safe harbor rate for such charges and whether the FCC's new rates are appropriate. Staff recommends that this be processed under modified procedure, and recommends a comment period of 21 days.

COMMISSION DECISION

Does the Commission wish to open a docket to consider LPIC change charges?

If so, is modified procedure with a 21-day comment period appropriate?


Wayne Hart

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