

ORIGINAL

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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE ANNUAL
REVISION OF THE UNIVERSAL SERVICE
FUND SURCHARGES TO BECOME
EFFECTIVE OCTOBER 1, 2009

Case No. GNR-T-09-05
Order No. 30894

COMMENTS

On September 2, 2009, the Idaho Public Utilities Commission (the "Commission") issued Order No. 30894 in (the "Order") and its Notice To USF Recipients That Funding Levels Must Be Adjusted (the Notice") in the above-entitled case. The Notice invited comments on the Commission's proposal to increase residential rates for eight telecommunications companies currently receiving Idaho Universal Service Fund ("USF") support and further proposing to decrease USF distributions to each company in an amount equal to the revenues that would be generated by the rate increases. In response to the Order and Notice, the Idaho Telecom Alliance ("ITA") files these Comments, by and through its attorneys of record, Givens Pursley LLP, on behalf of its members, which include the telecommunications companies required to raise their local residential rates. For the reasons stated herein, the ITA respectfully requests that the Commission rescind its proposal to require the USF recipients to increase residential local exchange rates and reduce their USF draws.

COMMENTS

Idaho Code Section 62-610 provides, *inter alia*, that in order to qualify for Idaho USF distributions, an eligible telecommunications carrier's residential local exchange rate must equal or 125 percent of the weighted statewide average rate. According to the Administrator, the 2009 weighted statewide average rate increased from \$19.47 per month to \$20.61 per month. Thus, the 125 percent threshold rate eligibility requirement increased from \$20.61 to \$25.76 per month. *See* Order at 2. Since all of the recipient companies' local rates are more than 3 percent below this threshold requirement, the Administrator recommended that all eight companies be ordered to increase their residential basic local exchange rate to \$25.76 per month. *See* IDAPA 31.46.01.106.

The basic problem with the Administrator's recommendation is that it overstates the actual weighted statewide average residential rate by an unknown amount. It is ITA's understanding, based upon conversations with Commission staff, that the weighted statewide average rate was determined by simply multiplying the posted tariff or price list rates times each company's line counts, with no consideration given to promotional discounts, credits or bundled line discounts. The fact is, however, that such discounts are widely used and heavily promoted by Qwest and Verizon, who collectively account for almost 84% of the total residential lines in Idaho. Order at 2. Qwest, for instance, heads its monthly statements with a prominent assertion that customers can "save every month" when local exchange service is bundled with other telecommunications services. *See* Exhibit 1, attached.

Unfortunately, the ITA cannot quantify the precise impact of discounts on the actual weighted statewide average rate because the necessary information to make the appropriate calculations is deemed proprietary. Assuming, however, that the "save every month" claim is

factual, and further assuming that some customers in fact select one or more bundling options, it is a mathematical certainty that the Administrator's calculation, which relies solely on posted, non-discounted rates, overstates the weighted statewide average rates that customers are in fact paying.

Using these overstated rates to artificially force the USF recipients' rates higher poses a real hardship for both the companies and their customers. In the current economic climate, any increase in local exchange rates creates a significant competitive disadvantage for the affected company. As the Commission is well aware, wireline telecommunications companies are steadily losing customers to competitors, primarily wireless carriers. As the Order notes, Idaho residential local exchange lines decreased last year by nearly 11 percent, and the USF recipients are certainly not immune to these statewide trends. An unjustified rate increase can only exacerbate these trends, resulting in even more customers abandoning wireline service.

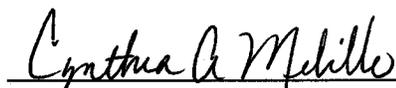
This has negative consequences not only for the companies and customers involved, but also for the State USF. Since the regulated USF recipients are entitled by law to a fair opportunity to earn their Commission determined revenue requirement, reductions in line counts and resultant revenue losses create a negative feedback loop that, all other things being equal, push both rates and USF funding and distributions higher still. There is simply no reason for the Commission to promote this result based solely on a calculation of the weighted statewide average that is known to be both inaccurate and overstated.

Fortunately, there is a statutory remedy at hand. Idaho Code Section 62-605(e) specifically states that "the residential and business basic local exchange rates in effect on July 1, 2005, shall constitute" the basis for the calculation of the weighted statewide averages unless and until the Commission determines that subsequent rates should be used. In light of the obvious

flaws in the Administrator's determination of the current statewide weighted average rates, and in consideration of the hardship rate increases would pose for both the companies and their customers, the ITA requests that the Commission continue to use the residential and business basic local exchange rates in effect on July 1, 2005 as the basis for calculating the weighted statewide average rates. The ITA further requests that the Commission rescind its Notice of September 2, 2009 and leave current residential rates and USF draws in effect.

RESPECTFULLY SUBMITTED this 20th day of October 2009.

GIVENS PURSLEY LLP



Cynthia A. Melillo

Attorneys for Idaho Telecom Alliance

CERTIFICATE OF SERVICE

I hereby certify that on the 20 day of October 2009, a true and correct copy of the foregoing was served upon the following individual(s) by the means indicated:

Original and Seven Copies Filed:

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83720-0074

- | | |
|-------------------------------------|----------------------------|
| <input type="checkbox"/> | U.S. Mail, postage prepaid |
| <input type="checkbox"/> | Express Mail |
| <input checked="" type="checkbox"/> | Hand Delivery |
| <input type="checkbox"/> | Facsimile |
| <input type="checkbox"/> | Electronic Mail |



Cynthia A. Melillo

EXHIBIT 1



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Bill Date: August 25, 2009
Customer Service: 1 800-244-1111
Repair: 1 800-573-1311
Online: qwest.com

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Summary table with columns: Previous Balance (\$37.16), Payment (\$37.16), Total New Charges (\$39.65), Total Amount Due (\$39.65). Includes due date Sep. 13, 2009 and 'Thank You!' message.

Please fold, tear here and return the portion below with your payment.

1 2 6



To change your billing address, call us at 1 800-244-1111

Account:
Payment Due Date: September 13, 2009
Total Amount Due: \$39.65

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Amount Enclosed:
See reverse of this page to enroll in automatic payment, paperless billing or a summary billing statement!



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