(text box: 1)BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF TELECOMMUNICA­TIONS SYSTEM PLANNING AND DESIGN CRITERIA AND PROCEDURES BEFORE THE UNITED STATES DEPARTMENT OF AGRI­CULTURE, THE RURAL UTILITY SERVICE. | )))))) | CASE NO. GNR-T-96-1ORDER NO.  26327 |

    The  Rural Electrification Loan Restructuring Act of 1993 requires the federal Rural Utility Service (RUS)(footnote: 1) to promulgate regulations pertaining to its administration of electrical and telephone loan programs.  More specifically, the Act commands that RUS issue telecommunication modernization standards as a requirement before distributing loans to telecommunications borrower. The RUS subsequently issued modernization guidelines and invited each state to develop state telecommunication modernization plans (STMP; modernization plans). 7 CFR Part 1751 (1995).   The RUS requires that before any company can qualify for a loan, the state must have an approved modernization plan.  The STMP must be submitted to the RUS by February 13, 1996.

On January 25, 1996, the Commission issued a Notice of Modified Procedure seeking comments on a proposed modernization plan developed by the Commission Staff.  This plan would provide for the improvement of the State’s telecommunications network and be applicable to RUS borrowers located in Idaho. Comments were filed by the Staff and U S WEST Communications.  Based upon our review of the plan and the comments, we approve the STMP and forward it to the RUS.

MODERNIZATION PLAN

 The RUS requires that a state must have a modernization plan in place before RUS borrowers in that state can qualify for future loans. The plan must establish guidelines for the systematic improvement of the borrowers’ telecommunication networks.  A RUS borrower is any organization that has completed a RUS loan application or has an outstanding telephone loan made or guaranteed by RUS or the Rural Telephone Bank.  All of the small independent local exchange companies (LECs) that the Commission regulates in Idaho are RUS borrowers.

The goals and requirements of the telecommunication modernization plan for loan borrowers are outlined in 7 CFR Part 1751.   These requirements are broken down into short- and medium-term requirements and long-term goals. The STMP must follow the guidelines set forth by the RUS.  The guidelines are summarized as follows:

Short-term requirements: (starts one year after RUS approves the STMP)

1)All new facilities providing wire line service must be constructed so that every subscriber can receive one-party service, and so that the transmission and reception of data can be provided at a rate of at least 1 Mb/sec;

2)Switching equipment installed after the start date must be capable of providing customer calling features and E911 service when requested by the government responsible for this service.

Medium-term requirements: (starts six years after RUS approves the STMP)

1)All new facilities providing wire line service must be capable of transmitting video to a subscriber.  The plan developer can determine the frame rate resolution and other details;

2)All switching equipment must be capable of providing E911 service when requested by the government responsible for this service;

 3)One-party service must be provided upon demand to any subscriber no later than five years after the starting date of the medium-term requirements (11 years after the RUS approves the STMP).

Long-term goals: (the RUS suggests but does not require that the STMP accom­plish these goals; there is no starting date).

1)Elimination of party-line service;

2)Universal availability of the following services for subscribers that desire them: digital voice and data service (56 - 164 kb/sec), transmission and reception of high- bit rate data (no less than 1 Mb/sec), and reception of video.

COMMENTS

On February 8, 1996, the Commission Staff filed comments recommending that the Commission approve the proposed modernization plan.  In its comments, Staff stated that it has developed a plan to comply with the RUS requirements outlined in 7 CFR 1751.  Staff’s plan is an adaption of a plan submitted by the New York State Telephone Association.  In examining various plans available, Staff determined that the New York plan provided the best example for Idaho.  The New York plan accomplishes the goal of complying with the RUS wishes and does so with the least interference in how the Commission and the borrowers accomplish the goal of a modern network.  Draft versions of both New York’s plan and Idaho’s plan have been reviewed by the RUS and received tentative approval.  Staff stated that submitting a plan at this time will allow RUS borrowers to retain their loan eligibility.  Staff asserted that the proposed plan complies with the RUS requirements while allowing Idaho LECs latitude in how to achieve these goals.

The only LEC to file comments was U S WEST.  The Company stated in a short letter that although it was not a RUS borrower, it did not oppose the plan.

 DISCUSSION

After reviewing the RUS regulations, the proposed modernization plan, and the comments submitted by Staff and U S WEST, we find it is appropriate to adopt the modernization plan attached to this Order.  This proposed plan continues Idaho’s commitment to a state-of-the-art telecommunications system for all Idaho subscribers.  Because of utility and Commission actions since 1981, virtually all rural telephone customers have one-party service with touch tone as their basic service, are served by digital central offices, and have access to custom calling as well as other advanced features.  Consequently, most of the RUS borrowers in Idaho have already meet some of the STMP requirements.

  We find the modernization plan meets the spirit and intent of the RUS goals and requirements.  We, therefore, submit the State Telecommunication Modernization Plan to the RUS for  its review and approval.

O R D E R

IT IS HEREBY ORDERED that the State Telecommunications Modernization Plan is hereby adopted.

IT IS FURTHER ORDERED that this Plan be submitted to the United States Department of Agriculture, Rural Utility Service for approval.

THIS IS A FINAL ORDER.  Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order issued in Case No. GNR-T-96-1.  Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration.  See Idaho Code § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this                  day of February 1996.

                                                                                                                                     RALPH NELSON, PRESIDENT

                                                                                          MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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**FOOTNOTES**

1:

The RUS was formally known as the Rural Electrification Administration (REA).

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

February 13, 1996