VIA FACSIMILE

February 2, 1998

Mary S. Hobson

Stoel Rives LLP

101 S. Capital Boulevard, Suite 1900

Boise, ID 83702-5958

RE:Settlement Conference in Case Nos. GNR-T-96-6/97-3/97-8

    Case Nos. GNR-T-96-5/97-7

    Case No. ROK-T-97-1

Dear Mary,

Following the EAS hearings in eastern Idaho in the above referenced cases, Silver Star Telephone, Teton Telecom, Direct Communications Rockland/Lakeside and the Staff have expressed an interest in determining whether the parties could reach a settlement in these cases prior to the issuance of Commission orders.  Pursuant to Procedural Rule 272, the Staff hereby gives notice of its intent to engage in settlement discussions with the companies mentioned above.  The settlement conferences scheduled for 1:30  p.m., Wednesday, February 4, 1998 in the Commission’s Conference Room.  The parties intend to discuss the following issues:

1.Stimulation Factor.  At the hearings, the Companies argued that the appropriate stimulation factor when calculating traffic if EAS were granted should be at a “four times” rate.  Conversely, the Staff argued that the appropriate stimulation factor was “two times.”

2.Rate Design.  At the hearings, the four companies offered three rate proposals, the first two of which were identical.  The Companies first proposed uniform rates for residential and business service at $17.51 per month.  See Exhibits 2A Revised and 4A.  Under the companies’ second rate proposal, the residential rate would be $17.51 per month and the business rate would be $36.57 per month.  See Exhibits 2B Revised and 4B.  In Teton’s third rate proposal, monthly residential rates would be set at $20.38 and monthly business rates would be set at $26.48.  See Revised Exhibit 2C.  Silver Star’s third proposal was to set monthly residential rates at $17.51 and business rates at $26.27 .  Exhibit 4C.  Lakeside’s third proposal was to set monthly residential and business rates of $18.66 and $27.08, respectively.  Rockland’s third proposal was to set monthly residential and business rates at $17.51 and $26.75, respectively.

Staff proposed that the $6.00 be added to the monthly rate for Teton residential and business services resulting in monthly rates of $17.25 and $32.48, respectively.  Staff offered two Silver Star rate proposals: (1) used Silver Star’s second option; or (2) increase residential rates for Irwin by $6.00 per month and $7.00 per month for Wayan customers.  For Rockland, Staff proposed monthly residential rates of $17.51 and business rates of $36.57.  If EAS were approved for Lakeside, Staff suggested an EAS surcharge of $4.38 per month per customer.

3.“Growth Potential”.  The Companies argued that they should be entitled to a revenue stream of approximately 7% which represents the “loss of growth potential” for three years following their purchase of exchanges from U S WEST.  The Staff argued it was inappropriate to include any “calculation” for loss growth potential.

4.Measured Service.  The parties did not address the need for measured service.

5.Access Charges.  If the parties are able to reach agreement on the major issues above, then Staff would propose that additional rate rebalancing may be appropriate to obtain a reduction in intrastate access charges.

If you have any questions concerning the issues set out above, please contact me at 334-0312.

Sincerely yours,

Donald L. Howell, II

Deputy Attorney General

cc:Parties of Record

Myrna J. Walters

Brad Purdy

bls/L:hobson.dh4