October 6, 1997

Eileen Benner

Government Affairs

Asst. Vice President Idaho

6120 Castle Dr.

Boise, ID  83703

Dear Eileen:

I thought I would provide an update of the status of the discussions in the Commission’s review of the emergency petition filed by MCI and AT&T regarding payphone subsidies (Case No. GNR-T-97-5).  There has been a considerable amount of data exchanged and a number of conversations between myself and each of the parties, but as most of this has been informal, I thought it best to summarize my understanding of the current status of the discussions.

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Eileen Benner

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Sincerely,

Wayne Hart

Telecommunications Analyst

WH:gdk:i:wpfiles/utelcomm/payslow.ltr

October 6, 1997

Greg Harwood

Davis, Wright, Tremaine

999 Main St.

Suite 911

Boise, ID  83702

Dear Greg:

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Wayne Hart

Telecommunications Analyst

WH:gdk:i:wpfiles/utelcomm/payslow.ltr

October 6, 1997

Dean J. Miller, P.A.

Attorney at Law

P.O. Box 2564

Boise, ID  83701-2564

Dear Joe:

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Wayne Hart

Telecommunications Analyst

WH:gdk:i:wpfiles/utelcomm/payslow.ltr

October 6, 1997

Tim Gates

MCI

Western Public Policy

707 17th Street

Suite 3600

Denver, CO  80202

Dear Mr. Gates:

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Wayne Hart

Telecommunications Analyst

WH:gdk:i:wpfiles/utelcomm/payslow.ltr

October 6, 1997

John Souba

U S WEST Communications, Inc.

P.O. Box 7888

Boise, ID  83723

Dear John:

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Wayne Hart

Telecommunications Analyst

WH:gdk:i:wpfiles/utelcomm/payslow.ltr

October 6, 1997

Mary S. Hobson

Stoel, Rives LLP

Suite 1900

101 S. Capitol Blvd.

Boise, ID  83702-5958

Dear Mary:

I thought I would provide an update of the status of the discussions in the Commission’s review of the emergency petition filed by MCI and AT&T regarding payphone subsidies (Case No. GNR-T-97-5).  There has been a considerable amount of data exchanged and a number of conversations between myself and each of the parties, but as most of this has been informal, I thought it best to summarize my understanding of the current status of the discussions.

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Wayne Hart

Telecommunications Analyst

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October 6, 1997

Fred Logan

State Mgr-Regulatory/Govt. Affairs

GTE Northwest, Inc.

P.O. Box 1100

Beaverton, OR  97006

Dear Fred:

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October 6, 1997

David Hackett

NW Payphone Assn.

Miller/Nash

4400 Two Union Square

601 Union St.

Seattle, WA  98101-2352

Dear Mr. Hackett:

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October 6, 1997

Conley Ward

Givens, Pursley & Huntley

P.O. Box 2720

Boise, ID  83701-2720

Dear Conley:

I thought I would provide an update of the status of the discussions in the Commission’s review of the emergency petition filed by MCI and AT&T regarding payphone subsidies (Case No. GNR-T-97-5).  There has been a considerable amount of data exchanged and a number of conversations between myself and each of the parties, but as most of this has been informal, I thought it best to summarize my understanding of the current status of the discussions.

In response to the data requests of Staff, MCI, AT&T, U S WEST, GTE and most other utilities provided those parties that had signed the necessary agreements with proprietary information.  My analysis of that information indicated the payphone operations of all Idaho LECs were either self supporting, or any deficit that was present was so small that changes to access charges were not appropriate at this time.  I informally told MCI and AT&T of my findings and they asked me to look at a model developed by MCI, which they claimed provided a more thorough analysis than I had conducted.

I was provided a copy of the model in August, and based upon the analysis for                U S WEST included with the model, again concluded no subsidy existed.  In early September, I provided U S WEST, MCI and AT&T a copy of  a draft report which included my conclusion that no changes to access charges were appropriate at this time.  MCI promptly responded with a revised version of the model, which included significantly greater detail.  This model did identify a subsidy for U S WEST.

The basic calculations included in the model did not vary considerably from that of my own analysis, but this model used data from ARMIS reports as inputs, rather than the data provided directly by U S WEST.  The ARMIS data differed significantly from the U S WEST data in a number of key elements, which is the primary reason for the different conclusion.

Conley Ward

October 6, 1997

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With MCI’s permission I provided U S WEST with a copy of the analysis, including the ARMIS input data, and requested a response as to why the data was different between the two sources and whether the conclusion was accurate.  One of the more significant discrepancies was the number of company-owned payphones.  U S WEST informally indicated a possible explanation may be the ARMIS data included semi-public pay phones, while the data provided by U S WEST did not.  U S WEST requested an opportunity to look into it more thoroughly and indicated they would get back to me.

A few days later, U S WEST indicated discussions/negotiations were being conducted between AT&T/MCI and U S WEST on a corporate-wide level (14 states), and that U S WEST was in the process of preparing forward-looking cost studies for those discussions.  They preferred to wait until those numbers were available before responding to my request so that the numbers provided to Idaho could be consistent with those provided to the 14-state discussions.  These numbers were expected to be available by mid-October.  U S WEST indicated these discussions might result in a corporate-wide settlement of this issue.

In light of these discussions, I indicated a willingness to wait for the corporate-wide numbers.  I also indicated that if the parties were trying to resolve this dispute among themselves, I wanted to give those discussions an opportunity to succeed.  I suggested it may be appropriate to put the Idaho proceedings on the back burner until the corporate-wide discussions are concluded, one way or the other.

As the Commission’s orders approving the April 15 payphone deregulation tariffs left open the possibility of a refund of any overpayments since April 15, should the Commission ultimately find that further rate adjustments were appropriate, I believe the risk of jeopardizing the corporate-wide negotiations exceeds the risk of a delay in this matter.  Therefore, unless I am presented with reasons for proceeding otherwise, I intend to defer any further action on this matter for 45 to 60 days, or until I hear the negotiations have concluded.

I hope this update is useful.  Please let me know if my understanding of any of the actions in this case needs to be revised.

Sincerely,

Wayne Hart

Telecommunications Analyst

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