TO:Myrna J. Walters, Commission Secretary

Parties of Record and Interested Parties

FROM:Donald L. Howell, II

Deputy Attorney General

DATE:April 24, 1998

SUBJECT:Commission Staff’s Statement of Reasons Supporting Extended Area Service for the Driggs Telephone Exchange

Attached please find the above mentioned document per Commission Order No. 27456 dated April 13, 1998.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Donald L. Howell, II

Deputy Attorney General

COMMISSION STAFF’S STATEMENT OF REASONS SUPPORTING EXTENDED AREA SERVICE FOR THE DRIGGS TELEPHONE EXCHANGE

Case No. GNR-T-97-8

April 24, 1998

On April 13, 1998, the Idaho Public Utilities Commission determined that an additional public hearing was necessary before deciding whether to grant Extended Area Service (EAS) for Teton Telecom’s Driggs exchange.  Many Teton customers requested EAS to other exchanges within the U S WEST Communications’ eastern Idaho local calling region.  The Commission has scheduled an additional public hearing for May 5, 1998, “to receive evidence regarding customers’ willingness to pay increased monthly local rates for EAS.”  Based upon the Commission Staff’s review of the calling traffic and public testimony at the November 1997 hearing, Staff continues to believe that EAS is warranted for the Driggs exchange.

At the public hearing in November, medical personnel testified that EAS into Idaho Falls and Rexburg is “crucial” for enhancing the quality of medical care the citizens of Driggs receive.  Although Driggs has its own hospital and medical clinics, the intensive care, cardiology units and radiology are primarily located in Rexburg and Idaho Falls.  Medical specialists testified that EAS would allow them to consult with other medical specialists, thereby providing more efficient and a higher degree of patient care.

Educators mentioned at the hearing that Driggs schools have students from the Green Canyon and Swan Valley areas, which results in toll calls for both the students and the school.  Extra curricular activities for the students of Driggs also generate toll calls for scheduling events and result in expenses to both customers and the school district.  Many students go to college in Pocatello or Rexburg, and it would be advantageous for the parents and students to be able to communicate regularly without toll charges.  Driggs also has a distance learning lab connected with Eastern Idaho Technical College.  This costs the school district a large sum of money to enhance the education for Driggs students.

Many many people supported EAS calling area into the eastern Idaho region.  They testified that their phone bills were running between $70 and $100 per month and strongly encouraged the Commission to grant EAS.  Staff believes that EAS would benefit both business

and residential customers and that the reduction in toll bills would be an asset to both types of customers.

On February 9, 1998, Teton and Staff filed a Stipulation and Settlement with the Commission.  The Stipulation proposed monthly basic rates for residential and business customers of $24.10 and $42.00 respectively.  These rates represented a significant increase, but were necessary to cover the cost of EAS while providing Driggs customers with local calling to more than 115,000 customers in eastern Idaho.  The monthly EAS rate increase for Driggs residential customers ($12.85) is larger than the recent U S WEST EAS residential increase ($5.50), because Driggs has approximately 3,000 customers from which to recover the costs while U S WEST has more than 400,000 customers.

To mitigate the proposed residential increase, Teton also proposed a measured service rate of $16.00 per month including 90 free minutes of calling plus 3 cents per minute for all local usage greater than 90 minutes.  With the proposed rate design, the Company also eliminated the monthly zone charges as advised by Staff.  The proposed rate increase will be further mitigated when changes to the Idaho Telecommunications Assistance Program (ITAP) are implemented.  ITAP will provide a credit of $10.50 per month to eligible low-income residential customers.

Staff believes that over time, the implementation of EAS will be beneficial to the majority of Teton Telecom customers.  EAS will enable customers to enjoy the convenience of one of the largest calling areas in Idaho.  Extended Area Service is being carried out in areas surrounding the Teton Valley, and the benefits associated with EAS will far exceed the costs. Costs associated with the proposed expanded calling region, will be offset with reduced toll charges and the elimination of monthly zone charges.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Carolee Hall

Telecommunications Analyst

CH\comments\gnrt978.ch