March 10, 1999

Judy Heda

HC 87, Box 470

Featherville, ID 83647

Re:Case Nos. GNR-T-97-9 and GNR-T-98-18

EAS between Tipanuk, Boise River, Mountain Home and Treasure Valley Exchanges

Dear Ms. Heda:

The Commissioners requested that I respond to your letter dated February 23, 1999, regarding the public hearing that was held in Mountain Home on February 16, 1999.  Your concern about the failure to introduce the Commission Staff’s summary into the record is understandable and well-taken.  Normally the Staff summary is available to hand out to the hearing audience and such a statement is normally included in the record.  Unfortunately, the Staff summary had inadvertently been left in Boise and Commissioner Smith was unaware that the Staff’s summary was not available.  Because she was not aware that the summary had been left in Boise, she did not realize how important it was that Staff read its summary into the record and simply overlooked its inclusion.  Most of the Staff’s findings had been discussed during the question and answer period held prior to the hearing.

Moreover, Staff’s findings will clearly change.  Staff, Rural and U S WEST recently requested the technical hearing originally scheduled to begin on March 2, 1999, be rescheduled to allow the parties to further assess and analyze the costs and technical problems that would be created by granting extended area service (EAS) to either Boise or Mountain Home.  At the hearing several people testified they were encountering significant “busy signal” problems when trying to call long distance into Boise or Mountain Home.  This suggests that there may be capacity problems already existing in the system.  When Staff analyzed the costs discussed in Mr. Hart’s testimony (summarized in the document you received) it made several important assumptions regarding what facilities would be required to accommodate the different EAS proposals.  Rural disagrees with many of those assumptions and the associated costs.  Furthermore, the public testimony seems to support Rural’s assertion that Staff’s assumptions need to be changed.  If the costs are as Rural describes them, Staff’s findings regarding costs may be too low.  This means that the increases for residential and business rates quoted in the Staff summary you received may actually need to be much higher.  Correctly calculating the costs for providing EAS is critical to whether the requested EAS will be granted.  The Commission has previously denied EAS requests where the increased rates necessary to cover the costs outweigh the customer costs for simply continuing to use long distance.

Complicating the issue is that Rural is a very small telephone company with approximately 450 customers, including a significant number of vacation home owners.  If EAS is granted, all the costs for providing EAS, including the costs for upgraded facilities, are shared by Rural customers alone -- whether the individual customer makes long distance calls or not.  If rates become too high, vacation home customers may cancel phone service.  This will increase the costs to those who live in the exchanges year round.  If the costs are prohibitive to the majority of the customers, Staff will not recommend EAS be granted.  Staff recommendations are just that -- recommendations.  The Commission is not bound by those recommendations and has rejected those recommendations in the past.  The Commission weighs all the evidence, including public input, in making its decision.

Therefore, as you can see, accurately determining the costs for upgrades and for providing EAS is important to you.  In response to both the public testimony and Rural’s assertions, Staff engineers and analysts are carefully reviewing Rural’s claims.  When that analysis is completed, supplemental testimony will be filed and made available to the public and a technical hearing will be held.  As a party of interest, you will receive a summary of that new testimony.  You can file additional testimony in response to the supplement.  Written testimony from the public is still being received and the Commission will consider that testimony in any decision it makes.  The Commission may also decide to hold an additional public hearing or public meeting to accept more public input.

You also indicated that there was no sign-in sheet.  Actually, three sign-in sheets were circulated.  Since most of the attendees had already arrived and were seated some time before the hearing was to begin, the sheets were circulated rather than requiring people to get up and sign-in later.  A copy of those sheets is included.  Only those attendees who want to testify are asked to sign the sheets.

I hope that this answers some of your questions.  Once the Staff’s investigation is completed and supplemental testimony filed, you will receive a copy of the Staff summary and are invited to file additional comments in response.

Sincerely,

Cheri C. Copsey

Deputy Attorney General

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