CHERI C. COPSEY

DEPUTY ATTORNEY GENERAL

IDAHO PUBLIC UTILITIES COMMISSION

PO BOX 83720

BOISE,  IDAHO  83720-0074

TELE:  (208) 334-0314

FAX:    (208) 334-3762

Street Address for Express Mail:

472 W WASHINGTON

BOISE ID  83702-5983

Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OF CTC TELECOM, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO PROVIDE LOCAL EXCHANGE SERVICE AS A COMPETITIVE LOCAL CARRIERAND FOR DESIGNATION AS AN ELIGIBLE TELECOMMUNICATIONS CARRIER                                                                                      | )))))))) | CASE NO. GNR-T-98-4STAFF’S SECOND MOTION FOR EXTENSION OF TIME |

COMES  NOW  the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Cheri C. Copsey, Deputy Attorney General, in response to Order No. 27548, the Notice of Application and Notice of Modified Procedure, issued June 3, 1998, and Order No. 27601, issued June 26, 1998, granting a fourteen (14) day extension for filing comments and moves for an additional extension of time within which to file its comments.  Staff requests that the Commission grant it an extension for thirty (30) days from the date Staff receives the complete information it has requested from CTC regarding its financial responsibility within which to file its comments and make a recommendation.

BACKGROUND

On April 21, 1998, the Commission received an Application from CTC Telecom, Inc.for a Certificate of Public Convenience and Necessity to provide facilities-based local exchange service and toll access telephone service as a competitive local exchange carrier to a new development called Hidden Springs to be located in Ada County near Boise, Idaho, off Dry Creek Road.  The incumbent local exchange carrier is U S WEST Communications, Inc.  CTC also requested it be designated as an eligible telecommunications carrier (“ETC”) pursuant to Section 214(e)(2) of the federal Telecommunications Act of 1996 and claimed it was a rural telephone company as defined under state and federal law. It also requested that its service area be limited to the geographic boundaries of the development.

On May 26, 1998, CTC filed its price list with the Commission for information purposes pursuant to Idaho Code § 62-606. No interconnection agreements in Idaho have been negotiated. CTC anticipates providing basic local exchange service, as well as, additional Title 62 services.

CTC was issued a certificate of incorporation on February 17, 1998, and is a wholly-owned subsidiary of Cambridge Telephone Company.  Cambridge is a fully regulated rural telephone company providing Title 61 services and receiving substantial Universal Service Funds.  CTC stated that its parent company, Cambridge, will provide the initial capital required by CTC.   It apparently has no assets or capital of its own.  No documentary information concerning how this transaction is to be treated by Cambridge or its effect on Cambridge’s revenue requirement was provided.  No documentary information concerning any underlying security between the companies was provided.  No documentary information concerning how this will be treated by Cambridge on its ledgers was received.  Staff has requested this information.

A copy of the contract between CTC and Hidden Springs was received by the Staff on  June 25, 1998.  CTC entered into the agreement on April 7, 1998.  It did not apply for a Certificate of Public Convenience and Necessity until April 21, 1998.  According to the contract, CTC was to have dial tone service to each residential lot by October 1, 1998, with interim phone service by May 15, 1998, a little over three weeks after its Application was filed with the Commission.

Hidden Springs is a new planned development of approximately 900 residences and light commercial businesses to be located north of Boise near Idaho State Highway 55.  CTC has a contract to provide the telecommunications, cable television, high speed data transfer capabilities and other services to the development and its residences.  Because this development is under construction, no other local exchange carrier has provided service to the development, although U S WEST does provide service to the area.

CTC stated it intends to provide basic local exchange service, extended area service to U S WEST’s Boise calling area, touch-tone service, high speed data services, access to toll services, access to emergency services (911), and Lifeline and Link-up services for low income residents.   This development, however, does not appear to include low income housing.  CTC stated it will construct the telephone plant in accordance with standards established by the federal Rural Utilities Services (formerly the REA).

MEMORANDUM

This Application presents some unique issues for the Commission that the Commission has not considered.  For example, the Applicant is a wholly-owned subsidiary of a fully regulated Title 61 USF rural local exchange carrier and wants to provide non-price regulated service to a new development.  Furthermore, CTC is requesting the Commission limit its service area to a development and thereby limiting its responsibility to provide universal service to this small area.  In addition, CTC has not provided the Staff with sufficient information to demonstrate its financial responsibility to provide service to a new development through its own facilities.

In this case, the Applicant, CTC, submitted no financial data in support of its Application.  It simply stated as follows:

As a recently formed corporation, CTC does not have current financial statements to provide to the Commission.  CTC’s parent company, Cambridge Telephone Company ([sic] “Cambridge”), will provide the initial capital required by CTC, and Cambridge’s financial statements are on file with the Commission.  The Applicant respectfully requests that the Commission take official notice of those filed documents.

Application at p. 3.  The Commission requires all applicants to provide sufficient information to establish the applicant possesses adequate financial resources to provide the proposed services.  In this case, CTC has no independent resources or assets and CTC’s reliance on Cambridge raises several questions.

Cambridge is a fully regulated Title 61 rural local exchange carrier (“RLEC”).  Idaho Code § 62-613 prohibits Cambridge from subsidizing nonprice-regulated telecommunication services with those telecommunication services price-regulated by the Commission.  Moreover, the Commission is prohibited from attributing revenues earned from nonprice-regulated services or affiliates (such as CTC) to basic local exchange services and it cannot permit expenses incurred in producing those revenues to be attributed to the cost of providing basic local exchange services.  Id.  Therefore, without more information on how Cambridge is funding this venture, Staff cannot assess CTC’s financial ability.

 Therefore, in order to establish CTC has adequate financial resources to provide facilities-based local exchange services, CTC should demonstrate that Cambridge has sufficient controls and related procedures to maintain a separation of regulated and non-regulated revenues and expenses to insure there is no cross-subsidization.  CTC should show the extent of Cambridge’s cash investment in CTC and what the impact is on Cambridge’s regulated services.  Significant questions exist as to whether there are any guarantees for loans or performance by Cambridge or CTC for the unregulated services.

Moreover, Cambridge received over $413,000 from the state USF for the year ending June 30, 1997.  see Idaho Universal Service Fund Annual Report For the Year Ended June 30, 1997. There should be assurances that expense related to CTC are not used to justify additional USF.

Therefore, Staff requested additional information and assurances concerning the way Cambridge treats this transaction and has requested CTC to likewise show the extent of its financial responsibility.  That information should be forthcoming.  Until Staff receives that information, Staff reserves its recommendation.  Therefore, Staff respectfully requests an additional thirty (30) days from the date it receives the complete information it has requested within which to file its comments and make a recommendation.

RESPECTFULLY submitted this                   day of July 1998.

Cheri C. Copsey

Deputy Attorney General