DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

STEPHANIE MILLER

DAVID SCHUNKE

DON HOWELL

GARY RICHARDSON

WORKING FILE

FROM:WELDON STUTZMAN

DATE:JULY 18, 1995

RE:CASE NO. GTE-T-95-2

APPLICATION OF GTE TO EXTEND ITS LOCAL CALLING PLAN TO ITS EXCHANGES IN IDAHO

The Commission on July 10, 1995 received an Application from GTE Northwest, Incorporated (GTE) to extend local calling plan (LCP) service to its telephone exchanges in north Idaho.  LCP is a rate structure which allows customers to utilize toll free extended area service calling options to certain nearby communities.  GTE’s Application follows the filing of a report entitled “Report on the Implementation of Its Local Calling Area Plan” on April 3, 1995 as required by the Commission in Order No. 24877 issued May 20, 1993.  GTE represents in its Application that the report reflects positive customer response to the implementation of LCP.  As a result of the favorable response, GTE filed its Application to extend the LCP options to its remaining exchanges in Idaho.  GTE requests that its Application be processed under Modified Procedure to ensure that it can meet a projected implementation date for LCP on February 17, 1996.

GTE implemented LCP following Commission Order No. 24877 issued in consolidated Case Nos. GTE-T-90-1, GTE-T-92-2, GTE-T-92-3 and GTE-T-92-4.  The Order required GTE to implement by December 1993 a version of its proposed local calling plan in eleven exchanges in Kootenai and Bonner Counties.  LCP made all toll routes of 23 or fewer miles local calls.  Customers were given four rate options with varying degrees of service, called Basic, Community, Community Plus, and Premium options.  In its report, GTE states that LCP is a success, that most customers  responded favorably to it and that Company revenue neutrality was achieved.  Thus, GTE states that LCP should be expanded to all intraLATA, intrastate GTE toll routes of 23 or fewer miles.

Staff completed a report and also has analyzed GTE’s Application to expand LCP.  The report, titled Review of GTE’s LCP in Kootenai and Bonner Counties, contends that while response to LCP was favorable, it may be overstated by GTE.  Many customers seem confused by the rate options even though they like the expanded local calling areas.  Staff has other concerns explained in the report, but believes they can be mitigated or eliminated by rate and service changes.

Staff is also concerned by its preliminary review of GTE’s proposal to expand LCP.  Staff believes the local calling areas determined by GTE’s 23-mile limitation are inadequate for these exchanges.  For example, the Commission has received petitions from Priest Lake customers wanting expanded local calling to their schools in Priest River and to Sandpoint, the county seat, but both are one or two miles farther than LCP’s 23 mile limit.  Regarding rate design differences in Kootenai and Bonner Counties, Staff  is concerned the proposed rates may be discriminatory or inequitable.  For example, the present LCP exchanges have different rates for business customers with 2 - 5 lines versus businesses with 6 or more lines.  GTE proposes that this difference be eliminated  for customers in the new LCP areas, claiming rates in the new areas can be lower than in the existing areas in order to achieve revenue neutrality.  GTE’s proposed rates in Bonners Ferry range from an 11% decrease for residences to a 42% decrease for some businesses, while residential rates would increase from 8 to 11% in Bovill, Orofino, Pierce and Weippe.  These rate changes may be inexplicable to these customers because none of their local calling areas will be changed by LCP implementation.

Staff believes some type of hearing may be appropriate in this case in order to receive customer input and evaluate customer levels of satisfaction.

Commission Decision

How would the Commission like to proceed?

Should GTE’s Application be processed by modified procedure?

vld/M:GTE-T-95-2.wsWeldon Stutzman