DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

STEPHANIE MILLER

DAVID SCHUNKE

DON HOWELL

EILEEN BENNER

LYNN ANDERSON

BILL EASTLAKE

GARY RICHARDSON

WORKING FILE

FROM:WELDON STUTZMAN

DATE:DECEMBER 8, 1995

RE:CASE NO. GTE-T-95-3

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

On November 30, 1995, the Commission received an Application from GTE Northwest, Incorporated (GTE) to extend Local Calling Plan (LCP) service to its telephone exchanges in north Idaho.  LCP provides optional rate structures that allow customers to utilize toll free extended area service to certain nearby communities.  GTE implemented LCP following the Commission’s 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 converted all toll routes of 23 or fewer miles into local routes and customers were given four rate options with varying degrees of flat rate service, called Basic, Community, Community Plus, and Premium options.  In its Application, GTE proposes to expand LCP to its remaining intraLATA exchanges in north Idaho, and to restructure the existing LCP rates.

GTE previously filed an Application on July 10, 1995, to extend its local calling plan.  The initial Application followed GTE’s filing of its “Report on the Implementation of  Local Calling Area Plan” on April 3, 1995, as required by the Commission in a previous order (Order No. 24877 issued May 20, 1993).  GTE represented in its first Application that the report reflects positive customer response to the implementation of LCP.   GTE’s report states that LCP is a success, that most customers responded favorably to it and that Company revenue neutrality was achieved.  As a result of the favorable response, GTE filed its Application to extend the LCP options to its remaining exchanges in Idaho.  GTE requested that its initial  Application be processed under Modified Procedure to ensure that it could meet a projected implementation date for LCP on February 17, 1996.  On August 18, 1995, the Commission issued a Notice of Application and of Modified Procedure to process GTE’s initial Application.  However, on August 29, 1995, GTE notified the Commission in writing that it was withdrawing its Application and that it would refile after making modifications and arrangements to notify its customers of its Application to further implement LCP.

Staff analyzed GTE’s report and completed a report of its own.  Staff’s report, titled Review of GTE’s LCP in Kootenai and Bonner Counties, contends that while customer response to LCP has been more positive than negative, only 40% of GTE’s survey respondents said that LCP was an overall improvement.  More customers said they were confused by the options than said they like having choices.  However, many customers, especially those in small exchanges, said they like the expanded local calling areas.  Staff has other concerns explained in its report, but believes they can be mitigated or eliminated by rate and service changes.  One potential issue, perhaps for a future resolution or proceeding, arises because it appears that GTE’s existing LCP is not revenue neutral.  The Company may have increased its revenue, adjusted for line growth, by as much as $328,000 per year by implementing LCP in the eleven exchanges.

Staff had other concerns with GTE’s initial proposal to expand LCP, some of which have been mitigated by the new proposal.  For example, the Commission has received petitions from Priest Lake customers desiring 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.  Staff encouraged GTE to increase its 23 mile limit for some areas, and GTE in its new proposal includes LCP routes between Priest Lake and Priest River and between Priest Lake and  Sandpoint.   Other concerns have not been resolved by GTE’s new proposal.  For example, Bovill customers will receive rate increases ranging from 6% to 32% with no increase in their local calling area.  GTE did not consider adjustments to its 23 mile limit to accommodate local school needs, county seats, bordering exchanges or similar points which, in the case of Bovill, results in a very small local calling area.

GTE again requests that its Application be processed by modified procedure.  The Company plans to mail notices to customers on December 18, 1995 to comply with the Commission’s applicable notice rule (IDAPA 31.41.102).  GTE requests a January 30, 1996 effective date for its LCP tariffs, with implementation completed by May 18, 1996.  The period from January 30 to May 18 would allow GTE to update billing tables, make necessary switch modifications, and ballot customers.  Staff believes GTE’s new proposal for LCP expansion is better than as proposed in its previous application, but suggests that 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?

Weldon Stutzman

vld/M:GTE-T-95-2.ws2