DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVID SCHUNKE

JOE CUSICK

BEVERLY BARKER

BIRDELLE BROWN

JIM LONG

GARY RICHARDSON

WORKING FILE

FROM:BILL EASTLAKE

DATE:OCTOBER 17, 1996

RE:GTE-T-95-3

The Company’s Filing

Order No.  26330 of January 22, 1996, implemented GTE’s Local Calling Plan (LCP) in 34 local calling areas and ordered a review of additional inter- and intra-LATA routes within 180 days.   In addition, the Order asked for a report following the close of one year outlining the results of implementation, specifically customer satisfaction and revenue effects, and identifying any specific modifications needed to improve LCP for customers or to assure revenue neutrality.   In the Order, the Commission noted that comments and evidence received in the case indicated other routes should be included and therefore directed review of seven specific routes.  The Company’s response to the Order was due in mid-August, but the Company formally asked for an extension of time to August 30 to file its response and Staff acceded to the request.

The Company chose not to recommend implementation of LCP between Spirit Lake and Sandpoint, Bovill and St. Maries, St. Maries and Potlatch, and Kellogg/Pinehurst and Harrison, due to “lack of significant economic and social ties between a majority of the customers in these exchanges” as well as low call volume.  The only specific data supplied, as Proprietary Exhibit 1, was the percent of customers making at least two calls between cities.  The Company expresses a belief that the current Discount Plan and the forthcoming Easy Savings Plans will provide alternatives with adequate toll savings without burdening the majority of customers who do not want toll-free calling with rate increases.

The three routes recommended, Bonners Ferry-Sandpoint, Kellogg/Pinehurst-Coeur d’Alene, and Bayview-Post Falls, do show strikingly larger percentages of persons making at least two calls.  A proposed set of new rates was constructed in a revenue neutral manner and included in Proprietary Exhibits 3a throught 3d.  For Bonners Ferry, the expansion was in the Community Plan and new rates would be $1.50 higher for residences and $3.00 higher for business.  In Sandpoint, the expansion would be in the Community Plus Plan and rates would rise $.95 for residences and $2.30 for small business, $4.00 for large business.  For Kellogg/Pinehurst, Community rates would rise the same as for Bonners Ferry, but for Community Plus the increase would be $3.45 for residence and $11.30 for small business, $13.00 for large business.  Lost toll charges and  engineering costs generate a $98,430 monthly loss that would be offset by these higher rates in combination with some additional usage by Basic and Community customers in Coeur d’Alene, Bayview, and Post Falls, achieving overall revenue neutrality..

The Company promises to continue its discussions with TDS concerning inter-LATA toll-free calling between Moscow and Troy and make a recommendation to the Commission soon.   They also commit to study Washington-Idaho (for the Setters, Rock Creek, Tensed/Bluebell, Evergreen exchanges) toll routes further and submit proposals and tariffs by the end of March, 1977.

The Company’s highlights of actual implementation simply note the customer information provided and the Company representatives trained.  Response rates on the ballots sent to customers were about 35%, high in light of the Company’s claim that response rates are normally low with a default plan.  Several mailing and billing errors were noted, along with the proper corrective action taken.

Staff Analysis

Upon close examination of the Proprietary Exhibits provided, Staff noted several mistakes and notified the Company of the need for correction.  Specifically, the current business rates in the Community Plan for Bonners Ferry and Kellogg/Pinehurst were not correct as approved in Order No.  26330.  Raising them to the correct rates had little substantive effect on overall revenue neutrality, but it did result in a $.50 reduction in the increase proposed for business customers in these two exchanges.  Their rates would now rise $2.50 instead of $3.00 per month.  The Company made other small and unanticipated additional changes in participation rates and local usage stimulation factors in Exhibits 3a-3d along with the correction Staff requested, claiming that some of the adjustments were mere logical results of Staff-requested changes and that others were additional subleties not included in the first exhibits.  Staff’s conclusion is that only a gross and major mistake would actually alter the revenue neutrality analysis at the planning stage and that only a backward look at actual results can really tell whether revenue neutrality has been achieved.

Staff is generally comfortable with the Company’s recommendation and satisfied with the data presented in support of revenue neutrality.

Commission Decision

1.  Does the Commission wish to accept the Company’s proposal to add three additional LCP routes and await further recommendations as noted?  If so, after the Company has given customer notice, does the Commission wish to process the additional plans under Modified Procedure?

2.  Does the Commission wish to direct the Company to add other routes now?

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                Bill Eastlake