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BEFORE  THE  IDAHO  PUBLIC  UTILITIES  COMMISSION

IN THE MATTER OF THE IMPLEMENTATION)

OF LOCAL CALLING PLANS IN CERTAIN)CASE  NO.  GTE-T-97-2

CALLING AREAS OF GTE NORTHWEST)

INCORPORATED IN IDAHO.)COMMENTS OF

)THE COMMISSION

)STAFF

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COMES  NOW  the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Weldon B. Stutzman, Deputy Attorney General, and submits the following comments for the Commission’s consideration in Case No. GTE-T-97-2.

THE COMPANY’S FILING AND PREVIOUS COMMISSION ACTION

The Company’s response to Order No. 26630 recommended adding three additional routes, Bonners Ferry-Sandpoint, Kellogg/Pinehurst-Coeur d’Alene, and Bayview-Post Falls of seven recommended for study.  For Bonners Ferry, the expansion was in the Community Plus Plan and new rates would be $15.25 ($2.50 higher) for residence and $36.00 ($11.00 higher) for business to move from the Community Option.  In Sandpoint, the expansion would be in the Community Plus Plan and rates would rise $.95 for residences (to $16.20) and $2.30 for small business (to $38.30), $4.00 for large business (to $33.00).  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.  For Coeur d’Alene, no change in rates is required.  For Bayview and Post Falls, adding each to the other’s Premium Option was accomplished with no change in existing price of $25.92 for residence and $61.28 for business.

At the October 28, 1996 Decision Meeting, the Commission indicated general acceptance of these three proposed routes.  In addition it directed the Company to prepare further analysis of the feasibility of including the Harrison-Kellogg/Pinehurst route as a fourth route.

THE COMPANY’S FURTHER ANALYSIS

Company analysis indicates that inclusion of this new route as a Premium Option can be accomplished with no change to the rates already in existence.  Both exchanges are small enough that adding the new customers to the calling area leaves the exchange in the same rate group as before.  What this means is that Harrison can have Kellogg-Pinehurst added to its existing Premium option at previous rates, $25.82 for residence and $61.28 for business.  For Kellogg-Pinehurst, including Harrison requires addition of a Premium option that was not available before.  Pricing of the new Premium option is identical to pricing in other similar exchanges, $25.82 for residence and $61.28 for business, but is higher than the Community Plus Option by $9.62 for residence and $22.98 for business.  The passage of time has allowed the Company to substitute actual for predicted engineering costs associated with the extra routes, and the actual costs come in at $70,600 instead of the $125,000 estimated in the earlier analysis.  That reduction in engineering cost provides enough cushion to offset the increase in lost toll as LCP is implemented on the new route, leaving the Company revenue neutral.

STAFF ANALYSIS

Below are detailed three possible ways to offer an additional route that include Harrison and Kellogg-Pinehurst:

OPTION 1-- GTE’S PREFERRED OPTION

GTE prefers to put each exchange in the other’s Premium Option.  This takes place at existing rates for Premium, but requires the addition of a higher-priced Premium Option in the Kellogg-Pinehurst exchange.  Company modeling of the impact of this addition actually leads to a result minimally closer to revenue neutrality than the original proposal to add just three routes.

OPTION 2 -- STAFF’S ALTERATION TO OPTION 1

Staff notes one apparent difference in treatment of customers between Harrison and Kellogg-Pinehurst.  Harrison essentially gets the addition at no cost within the existing Premium option.  Kellogg customers, on the other hand, must move to the new Premium option to add Harrison.  This option changes the monthly charge from $16.20 to $25.82 for a residential customer, from $38.30 to $61.28 for a single line business.  The Company notes that so few customers would choose Premium, this impact would be quite limited.

To correct that difference in treatment, Staff suggested to the Company that Harrison be added to the Community Plus option for the Kellogg-Pinehurst exchange.  This would result in asymmetrical treatment, e.g. Harrison would be in Kellogg’s Community Plus Option while Kellogg would be in Harrison’s Premium Option.  Modeling this change alone suggests about a $900 a month revenue shortfall from revenue neutrality.  This is not particularly alarming relative to the Company’s original filing in September that showed about a $270 shortfall from adding the three routes.  These shortfalls seem well within the range of error in estimation of customer response to the new calling options.

OPTION 3 -- GTE’S RESPONSE TO STAFF SUGGESTION OF INCLUDING HARRISON IN COMMUNITY PLUS

The Company preferred a symmetrical treatment of Harrison and Kellogg-Pinehurst and modeled Staff’s proposed change by putting each exchange in the other’s Community Plus option rather than accepting Staff’s suggestion of having one in Premium and one in Community Plus.  This modeling led to a predicted revenue shortfall of about $1900 a month, more than the Company was willing to stretch in defining revenue neutrality.  So, this is an option the Company clearly prefers not to implement.

STAFF RECOMMENDATION

Staff recommends adding the Harrison-Kellogg/Pinehurst route in the fashion noted above as Option 2, so that both exchanges get the addition at not additional cost.

DATED  at Boise, Idaho, this            day of February 1997.

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Weldon B. Stutzman

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