DECISION MEMORANDUM

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FROM:DON HOWELL

DATE:NOVEMBER 21, 1997

RE:GTE’S REQUEST TO BE DESIGNATED AS AN ELIGIBLE TELECOMMUNI­CA­TIONS CARRIER, CASE NO. GTE-T-97-12

On October 17, 1997, GTE Northwest filed a Petition requesting that the Commission designate the Company as an “eligible telecommunications carrier” pursuant to provisions of the federal Telecommunications Act of 1996.  If the Commission designates GTE as an eligible telecom­mu­ni­ca­tions carrier (ETC), then the Company would be eligible to receive federal universal service support.  GTE asserts that it meets the requirements for designation as an ETC with one exception discussed below.(footnote: 1)  The Company requested that the Commission issue its Order designating GTE as an ETC no later than January 1, 1998.

In Order No. 27196 issued October 29, 1997, the Commission found that this matter could be processed under Modified Procedure.  The Commission requested that interested persons file written comments regarding GTE’s Petition no later than November 19, 1997.  Only the Commission Staff filed written comments.

BACKGROUND

Before a telecommunications carrier may receive federal universal service support, it must be designated as an “eligible telecommunications carrier” (ETC) by the appropriate state regulatory commission.  Federal universal service support includes high-cost support, reimbursement for discounts provided to low-income customers in the Lifeline and Link Up programs,(footnote: 2) and federal support for health care providers.

To be designated as an ETC, the Company must offer “services that are supported by federal universal service support mechanisms . . ., either using its own facilities or a combination of its own facilities and resale of another carrier’s services” and “advertise the availability of such services and the charges therefore using media of general distribution.”  47 U.S.C. § 214(e).  In its Universal Service Order released in May 1997, the FCC designated the following services as “core” universal services and must be provided by the carrier in order to qualify as an ETC:

single-party service

voice grade access to the public switched network

touch-tone service

access to emergency services, including 911 and E911

access to operator services

access to interexchange service

access to directory assistance

toll limitation services for qualifying low-income consumers

FCC’s Universal Service Order, CC Docket No. 96-45, FCC 97-157 at ¶¶ 61-82 (codified at 47 C.F.R. § 54.101).  GTE certifies that it meets the requirements for designation as an eligible telecommunications carrier for its Idaho service area with the exception of toll control services discussed below.

The Universal Service Order also requires that the Commission designate the ETC service area.  An ETC service area is defined as a “geographic area established by a State commission for the purpose of determining universal service obligations and support mechanisms.”  47 U.S.C. § 214(e)(5).

GTE’S PETITION

In its Petition, GTE asserted that it offers all of the designated core services outlined above using its own facilities and generally advertises the availability of those services.  GTE requested that its Idaho study area (i.e., certificated service area) be designated as its ETC service area.  Finally, the Company requested that the Commission waive the FCC requirement that it provide toll-control service as part of the toll limitation services required to be offered by ETCs.

GTE, like all other carriers requesting ETC status in Idaho, requested that the Commission grant it a waiver of the requirement to offer toll control as part of the toll limitation services.  The FCC requires that ETCs provide qualifying low-income consumers “toll limitation services” free of charge.  Toll limitation services includes both “toll blocking” and “toll control” services.  Toll blocking prohibits a customer from making long-distance telephone calls.  Toll control permits a customer to limit the toll charges he or she incurs during a billing period to a pre-set amount.

GTE stated that it currently provides toll blocking services, “but does not presently have the capability of providing ‘toll control’ as described by the FCC.”  GTE Petition at 4.  GTE maintaind that it is in the process of investigating of whether modifications to its advanced credit management system could meet the FCC’s toll control requirements.  The Company stated that even if it can modify its billing system to provide for toll control, “such a toll limitation process can be effective only to the degree that interexchange carriers supply rated toll billing records to GTE on a timely basis for inclusion in the customers’ incurred balances and comparison to account credit limits, a practice that is not common in the industry at this time.”  Id.

GTE also argued that it was unclear from the FCC’s Universal Service Order that both toll blocking and toll control services must be offered.  Id.  Until GTE has had an opportunity to fully determine whether it has the capability to offer toll control service, the Company requests that the Commission waive the toll control requirement for a period of 12 months, until January 1, 1999.  GTE concludes by requesting that the Commission designate it as an ETC effective January 1, 1998.

STAFF COMMENTS

In its comments, Staff confirmed that GTE offered the required core services using its own facilities and generally advertised the availability of those services with the exception of toll control.  Staff Comments at 3.  Staff recommended the Commission grant GTE’s Petition and specifically offered comments on two areas outlined below.

1.  ETC Support Areas.  GTE requested ETC designation for “its service areas described by its tariffs and exchange maps filed with the Commission.”  (Emphasis added).(footnote: 3)

Staff noted that in the Universal Service Order, the FCC expressed concern that designating large LEC’s entire study area as a single ETC support area might pose a barrier to competition.  In other words, it may constitute a hardship for new competitors to serve such a large and/or disbursed area.  Staff Comments at 4.  The FCC recommended that a designated ETC support area should be at least “sufficiently small to ensure accurate targeting of high cost support and to encourage entry by competitors.”  Universal Service Order at ¶ 185.  The Order further cautioned against state commissions simply designating service areas that fit the contours of the existing provider, because new entrants, especially radio providers, might find it difficult to conform their signals or service areas to the precise contours of the incumbent’s ETC support area.

Although it generally agreed with the FCC concerns, Staff suggested that it does not have sufficient information at this time to recommend what smaller support areas would be most appropriate for GTE.  Because GTE is not eligible for USF payments until January 1999, Staff recommended that the Commission revisit this issue prior to January 1999.  At that time, additional information would be available to the Commission to make such determinations.  Staff concluded that designating the Company’s study area as an ETC support area will allow it to comply with the January 1998 Link Up and Lifeline deadlines yet reserve the issue of the support areas for future consideration.

This afternoon, I spoke with Fred Logan about the appropriate ETC support areas.  I had previously  asked Fred to clarify the Company’s Petition concerning the designation of such areas.  Fred indicated that in light of the Commission’s rejection of the Company’s rural Teleco designation, the Company did not object if the ETC support areas were defined on the basis of the Company’s wire centers.  He acknowledged that the Commission would in all likelihood revisit this issue when it explored in greater detail the selection of specific high cost areas.

2.  Toll Control Waiver.  GTE also requested that the Commission suspend or waive any requirement that it provide “toll control” services.  The Staff noted in its comments that the FCC acknowledged that many utilities do not currently possess the technical ability to provide both toll blocking and toll control services.  Consequently, the FCC authorized state commissions to grant a limited waiver of this requirement (and other requirements not pertinent here).  The Idaho Commission must find that exceptional circumstances “grant an otherwise eligible telecommunications carrier from providing . . . toll limitation.”  47 C.F.R. § 54-101(c).  The waiver should be limited to that time the Commission “deems necessary for that eligible telecommunications carrier to complete network upgrades.”  Id.  Although the FCC’s Order speaks to requiring ETCs install toll blocking in any switch upgrade, the Universal Service Order is silent as to requiring toll control on any switch upgrades.  Staff Comments at 5; Universal Service Order ¶ 388.

Given the complexity of toll control services and the time GTE needs to evaluate the technical feasibility of such program, the Staff recommended that the Commission grant GTE’s waiver request.  The Staff asserted that offering eligible customers toll blocking partially meets the requirement for the toll limitation services.

Commission Decision

What does the Commission desire to grant ETC status to GTE?  Does the Commission wish to address the ETC service area issue?

What is the Commission’s desire regarding the toll control waiver?

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Don Howell

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**FOOTNOTES**

1:

The Company  requests that the Commission grant it a “toll control” waiver.

2:

The FCC Lifeline program currently reduces charges for low-income consumers in those states participating in the program.  Link Up assists low-income subscribers to acquire new telephone service by paying half of the first $60.00 charge for the installation of service.  Idaho participates in both programs.

3:

In the footnote accompanying this request, the Company states that “this service area constitutes the Company’s study area in Idaho.”  Petition at n.1.  Later in its Petition, GTE “certifies that, in its service areas, it meets the requirements for designation as an eligible telecommunications carrier. . . .”  Id. at 2 (emphasis added).  Staff is uncertain whether the Company implies that its ETC support areas are requested to be its exchanges.