(text box: 1) BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OF GTE NORTHWEST INCORPORATED TO REDUCE ITSACCESS CHARGES AND REBALANCE LOCAL RATES FOR TELE­­- COMMUNICATIONS SERVICES. | )  )  )  )  )  )  ) | CASE NO. GTE-T-98-2  NOTICE OF APPLICATION  NOTICE OF MODIFIED          PROCEDURE  NOTICE OF HEARING  ORDER NO. 27618 |

On May 29, 1998, GTE Northwest filed an Application to reduce its access rates and “rebalance” its local service rates.  GTE is a fully regulated, Title 61 company offering both local and intrastate long-distance services to more than 100,000 access lines in northern Idaho.  This Application represents “the second phase of an overall reduction in [the Company’s intrastate] access charges of nearly 50%, from . . . $0.1133 cents per minute to the proposed effective composition rate of $0.0590 cents per minute.”  Application at 1.  The Company implemented the first phase of the access charge reduction ($0.01 reduction or $820,000 annually) on April 27,1998.  The Phase 1 and Phase 2 (if approved) access charge reductions would total approximately $4.42 million ($820,000 in Phase 1 and $3.6 million in Phase 2).

NOTICE OF APPLICATION

A.  Access Charges

YOU ARE HEREBY NOTIFIED that the Company proposed to reduce its intrastate access rates in Idaho.    GTE levies access charges for the use of its local exchange facility for the origination and termination of long-distance telephone calls.  Typically, long-distance companies (AT&T, MCI, etc.) pay access charges to GTE.  Lowering GTE’s access charges (with all other factors unchanged) would lower the costs of the various long-distance carriers and, presumably, their rates for in-state, long-distance services.  GTE proposes two primary changes to its access rate structure.  First, the intrastate end-office switching rate for the peak period of calling would be reduced to GTE’s current interstate rate.  The Company would also adjust the off-peak intrastate rate for end-office switching to maintain the existing ratio between peak and off-peak rates.  Off-peak access rates are 60% of peak rates.  The second rate change would be to reduce the intrastate originating and terminating carrier common line (CCL) rates to a level “in line with the Company’s current interstate access composition rate.”  These two changes would result in a composition rate of $0.059 per minute of use which is a decrease of almost 50% from the Company’s composition rate of $0.1133 per minute in effect prior to the Phase 1 filing.

YOU ARE FURTHER NOTIFIED that the Company has stated it has two goals in proposing these access charge reductions.  First, the Company desires to develop a rate design for intrastate access charges that “substantially reduce the amount of implicit subsidies that existed in the current access charge rate structure.”  Second, GTE wants to bring its intrastate access charge rates in line with its interstate access charge rates.  The Company  expects long-distance carriers will reduce the rates they charge customers in northern Idaho to reflect the reduction of access charges.  The “savings” that individual customers may receive is dependent upon their long-distance usage and whether their long-distance carriers “pass through” the rate reductions.  Pursuant to Idaho Code 62-604, the Commission does not regulate long-distance rates for the carriers who pay access charges to GTE.

B.  Local Rate Rebalancing

YOU ARE FURTHER NOTIFIED that to offset the lower revenues caused by the reduction in access charges, the Company proposed to rebalance its monthly local service rates for residential and business customers.  The rate rebalancing has several steps.  First, the Company proposed to eliminate its $1.00 per line monthly charge for “touch call” (touchtone) service.  Approximately 60% of all residential custom­ers and 70% of all business customers subscribe to touchtone service.  To maintain revenue neutrality, the Company recommended eliminating the touchtone charge of $1.00 per month and instead recover $0.62 per month from all access lines (except CentraNet and business trunk lines).

YOU ARE FURTHER NOTIFIED that the Company proposed next to decrease its current business to residential rate ratio from approximately 2.28:1 to 1.9:1.  (The monthly local business rate is 2.28 times the single-line residential rate).  The Company maintained that reducing the business-residential ratio more accurately reflects the “true” costs of providing the two services.  In addition, this business-residential ratio approximates the 1.88:1 ratio recently adopted in the U S WEST rate case in southern Idaho.  Third, the Company proposed to only increase the monthly rates for its “premium” business and residential local service and business trunks by $0.62, to reflect the change in touchtone service.  After making these three adjustments, the monthly increase for residential customers currently subscribing to touchtone service would be $2.85, while the increase for a touchtone single-line business customer would be $1.35 per month.  The proposed rates are attached to this Notice.  Again, GTE hopes that the local rate increase will be offset by the reduction in long-distance rates.

YOU ARE FURTHER NOTIFIED that the Company maintained that the proposed rates are fair, just, and reasonable and provide a “substantial movement in the direction of eliminating implicit subsidies” as required by Idaho Code § 62-623.  This statute, enacted in 1997,  requires the Commission to identify implicit subsidies and to “[d]etermine a mechanism for removal of the [implicit] subsidies from the rates of incumbent telephone corporations. . . .”  Idaho Code § 62-623(2).

YOU ARE FURTHER NOTIFIED that GTE indicated in its Application that the Company’s last general rate case occurred in May 1989.  The Company is not seeking any increase in its over-all revenues.  Except for implementation of the current local calling plans (LCP) in 1993, there has been no increase in local service rates since 1989.  LCP offers customers an option of four, 7-digit dialing, local calling plans which are: (1) basic calling; (2) community calling; (3) community plus; and (4) premium calling.(footnote: 1)

YOU ARE FURTHER NOTIFIED that the Company requested that the Commission process this Application under Modified Procedure without formal hearings.  The Company believes that Modified Procedure is appropriate because this is a revenue-neutral, rate rebalancing Application based in part upon a Commission Staff audit of the Company’s earnings. Approximately $600,000 of the Phase 1 reduction was attributable to Staff’s audit findings of excess Company earnings.  The Company and the Commission Staff agree on the appropriateness of this adjustment.  In addition, the Staff generally supports the Company’s Applications.

YOU ARE FURTHER NOTIFIED that the Application and supporting testimony is available for public inspection in the Commission’s Office located at 472 W. Washington St., Boise, Idaho. The Application is also available at Company offices located in Coeur d’Alene (Administra­tive Office, 747 W Prairie Ave. or in the Silver Lake Mall, 200 W. Hanley); in Moscow (403 S. Main St.); and in Sandpoint (401 N Second St).

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal evidentiary hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through -.204.  As set out in the section below, the Commission does intend to hold two public hearings to obtain comments from members of the public concerning GTE’s Application.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission within twenty-one (21) days from the date of this Order.  The comment must contain a statement of reasons supporting the comment.  Written comments concerning this application shall be mailed to the Commission and the Applicant at the addresses reflected below:

COMMISSION SECRETARYFRED LOGAN

IDAHO PUBLIC UTILITIES COMMISSIONDIRECTOR-REG. MGOVT. AFFAIRS

PO BOX 83720GTE NORTHWEST, INC.

BOISE, IDAHO  83720-007417933 NW EVERGREEN PKWY

BEAVERTON, OR 97006

Street Address for Express Mail:

472 W WASHINGTON ST

BOISE, IDAHO  83702-5983

These comments should contain the case caption and case number shown on the first page of this document.  GTE may file a response to any written comments within thirty-five (35) days from the date of this Order.

YOU ARE FURTHER NOTIFIED that if no written comments are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal arbitrary hearing.  The Commission will hold two public hearings as set out below.   If written comments are received within the time limit set, the Commission will consider them along with the public testimony and, in its discretion, may set the same for formal hearing.

NOTICE OF HEARING

YOU ARE FURTHER NOTIFIED that the Commission will convene two public hearings for the purpose of obtaining testimony from members of the public.  The public hearings will convene at 6:30 P.M., WEDNESDAY, AUGUST 19, 1998, AT THE EDGEWATER MOTEL CONFERENCE ROOM, 56 BRIDGE ST., SANDPOINT, IDAHO (208) 263-3194.  The Commission will also convene a public hearing on THURSDAY, AUGUST 20, 1998, AT 1:30 P.M. IN ROOM 104 OF THE JANSEN ENGINEERING BUILDING, UNIVERSITY OF IDAHO, (CORNER OF 6TH AND LINE STREETS),  MOSCOW, IDAHO  The Commission invites public testimony regarding this Application.  The parties are expected to provide a brief explanation of the respective positions regarding this Application at the start of the public hearing.

YOU ARE FURTHER NOTIFIED that all hearings in this matter will be held in facilities meeting the accessibility requirements of the Americans with Disabilities Act.  Persons needing the help of a sign language interpreter or other assistance of the kind that the Commission is obligated to provide under the Americans with Disabilities Act in order to participate in or to understand the testimony and argument at a public hearing may ask the Commission to provide a sign language interpreter or other assistance at the hearing.  The request for assistance must be received at least five (5) working days before the hearing by contacting the Commission Secretary at:

IDAHO PUBLIC UTILITIES COMMISSION

PO BOX 83720

BOISE, IDAHO  83720-0074

(208) 334-0338  (TELEPHONE)

(208) 334-3151  (TEXT TELEPHONE)

(208) 334-3762  (FAX)

NOTICE OF INTERVENTION

YOU ARE FURTHER NOTIFIED that persons desiring to intervene in this matter for the purpose of cross-examining witnesses at the public hearing must file a Petition to Intervene with the Commission pursuant to this Commission's Rules of Procedure 72 and 73, IDAPA 31.01.01.072 and -.073.  Petitions to Intervene must be filed with the Commission on or before July 16, 1998.  Persons desiring to present their views without parties' rights of participation and cross-examination are not required to intervene and may present their comments either in writing to the Commission or at the two public hearings scheduled above.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Rules of Procedure, IDAPA 31.01.01.000 et seq.

YOU ARE FURTHER NOTIFIED that the Commission has jurisdiction over this matter

pursuant to Title 61 of the Idaho Code and specially Idaho Code §§ 61-307 and 62-623.

O R D E R

IT IS HEREBY ORDERED that those persons desiring to intervene in this Petition as official parties do so no later than July 16, 1998.

IT IS FURTHER ORDERED that this Application will be processed under modified procedure.  Persons desiring to file written comments in this matter must do so no later than July 28, 1998.  GTE may file a written response to the comments no later than August 11, 1998.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this                  day of July 1998.

                                                                                                                                      DENNIS S. HANSEN, PRESIDENT

                                                                                           RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

vld/O:GTE-T-98-2.dh

**FOOTNOTES**

1:

 For basic calling, all calls within the broad local calling radius are billed on a measured usage basis.  Community calling customers are charged a flat monthly rate for calls made within their local exchange.  All other calls up to approximately 23 miles away are charged on a measured local usage basis.  Community plus customers calling within their own local exchanges and to certain nearby exchanges are charged a flat monthly rate.  All other calls up to 23 miles away are billed on a measured usage basis.  Finally, premium calling (where available) allows customers unlimited local calling to exchanges up to approximately 23 miles away.  See Order Nos. 24877 and 26330.

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

July 7, 1998