

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF OREGON-IDAHO UTILITIES, INC. TO</b>	)	<b>CASE NO. ORE-T-14-01</b>
<b>INCREASE ITS MONTHLY RESIDENTIAL</b>	)	
<b>RATE FOR TELEPHONE SERVICE</b>	)	<b>NOTICE OF APPLICATION</b>
	)	
	)	<b>NOTICE OF</b>
	)	<b>INTERVENTION DEADLINE</b>
	)	
	)	<b>ORDER NO. 33087</b>

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On July 17, 2014, Oregon-Idaho Utilities, Inc. filed an Application for authority to increase its residential rates for telephone service from the current monthly rate of \$15.77 to \$20.00. The Company requests that the rate increase be phased in over four years to coincide with the increase in the federal universal service threshold as required by the Federal Communications Commission (FCC). Application at 1. The FCC has set the rate floor for the Connect America Fund (CAF) at \$20.46 per month (for local service plus state regulated fees).

Oregon-Idaho serves four telephone exchanges in southeastern Oregon and southwestern Idaho that it purchased from Contel of the West in 1990. More specifically, the Company serves a total of 81 access lines in its Idaho service territory designated as the South Mountain exchange. This exchange covers 2,126 square miles. The Company maintains that approximately 30% of its Idaho customers have “no access to commercial power, rely on gas lamps, lanterns and/or low-grade solar for lighting and obtain heat via wood or oil burning stoves.” *Id.* at 2. The Company has not increased its Idaho residential rate since 1990. Application at 3.

**NOTICE OF APPLICATION**

YOU ARE HEREBY NOTIFIED that Oregon-Idaho currently receives federal high-cost support from the federal Universal Service Fund (USF – now known as the CAF) but does not participate in the Idaho USF. *Id.* at 3. In 2011, the FCC set out to reform the federal USF and created the Connect America Fund (CAF).<sup>1</sup> In the *Transformation Order*, the FCC

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<sup>1</sup> *USF/ICC Transformation Order Connect America Fund; National Broadband Plan for Our Future, et seq., Report and Order and Further Notice of Proposed Rulemaking*, 26 FCC Rcd 17663 (2011) (the “Transformation Order”).

established a monthly rate floor “to ensure that States are contributing to support an advanced universal service and that consumers are not contributing to the fund to support customers whose rates are below a reasonable level.” *Transformation Order* at ¶ 238. The FCC concluded that the rate floor would be based upon “stand-alone voice service.”

On June 10, 2014, the FCC issued its Connect America Fund – Phase II Order (*CAF-II Order*)<sup>2</sup> which established the basis for providing federal high-cost support to rate-of-return carriers (such as Oregon-Idaho) and established a local monthly rate floor for carriers in order to maintain their eligibility for CAF-II funding. In its *CAF-II Order*, the FCC established the monthly rate floor for CAF-II funding at a rate of \$20.46 per month for local service as of June 1, 2017. *Id.* at ¶¶ 75, 80, 85 (excludes Lifeline customers (n.156)). Rather than immediately implement this new eligibility rate, the FCC chose a four-year transition period starting with a \$14.00 per month rate floor that went into effect on July 1, 2013. *Id.* at ¶¶ 80-81. Carriers that do not have monthly rates that meet or exceed the rate floor will have their federal funds reduced proportionally. *Id.* at ¶ 75.

To maintain its future eligibility for federal high-cost support from the Connect America Fund, Oregon-Idaho is proposing to increase its single-party residential monthly rate. The proposed increase in the monthly residential rate is set out below:

DATE	RATE	PERCENTAGE INCREASE
Current Rate	\$15.77	
December 1, 2014	\$16.00	1.5%
June 1, 2016	\$18.00	12.5%
June 1, 2017	\$20.00	11%

Application at 5, Exh. No. 3.

The Company maintains that its proposed rate increases are “just and reasonable as contemplated by *Idaho Code* § 61-302.” Application at 6. The Company notes that the Commission recently found the 2013 statewide average residential rate to be \$21.73 in Order No. 32883. Consequently, the Company maintains that its proposed rates are also reasonable and in the public interest.

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<sup>2</sup> *In the Matter of Connect America Fund, Report and Order, Declaratory Ruling, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Rulemaking*, FCC 14-54, 2014 WL 2599362 (June 10, 2014) (the “CAF-II Order”).

Based on the current number of residential lines, Oregon-Idaho projects that the proposed rate increase would generate approximately \$2,800 in annual revenues when the rate increase is fully implemented in 2018. Application at 6. Since Oregon-Idaho acquired its South Mountain exchange from Contel, it has moved many of its customers from multi-party service to single-party service. *Id.* at 3. The Company also states that it has upgraded its facilities and invested about \$8.4 million in its network. *Id.* The Company currently has 143.3 miles of cable in Idaho, of which 29.1 miles are fiber optic and 114.2 are metallic cable.

The Company states that it is notifying each of its customers about the proposed rate increase. *See* Exh. No. 3. The Company requests that this Application be processed under Modified Procedure.

#### **NOTICE OF INTERVENTION DEADLINE**

YOU ARE FURTHER NOTIFIED that **persons desiring to intervene** in this matter **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. **All Petitions to Intervene must be filed within 14 days of the service date of this Order.** Persons desiring to present their views without parties' rights of participation are not required to intervene and may present their comments without prior notification to the Commission or the parties.

YOU ARE FURTHER NOTIFIED that the following persons are designated as Oregon-Idaho's representatives in this matter:

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YOU ARE FURTHER NOTIFIED that once the deadline for intervention has passed, the Commission Secretary shall prepare a Notice of Parties. Staff counsel will then convene an informal scheduling conference.

YOU ARE FURTHER NOTIFIED that the Application and exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and exhibits are also available on the Commission's web site at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click on the "File Room" tab at the top of the page, scroll down to "Open Telephone Cases," and then click on the case number as shown on the front of this document.

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* §§ 61-503 and 61-336. The Commission may enter any final Order consistent with its authority under Title 61.

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

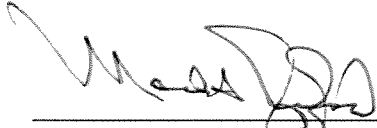
### **ORDER**

IT IS HEREBY ORDERED that persons desiring to intervene in this matter shall file a Petition to Intervene no later than 14 days from the service date of this Order. Once the deadline for Petitions to Intervene has passed, the Commission Secretary shall prepare and issue a Notice of Parties.

IT IS FURTHER ORDERED that Staff counsel shall convene an informal scheduling conference so the parties may discuss how this case will be processed and other case management issues.


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 5<sup>th</sup>  
day of August 2014.

  
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PAUL KJELLANDER, PRESIDENT

  
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MACK A. REDFORD, COMMISSIONER

  
\_\_\_\_\_  
MARSHA H. SMITH, COMMISSIONER

ATTEST:

  
\_\_\_\_\_  
Jean D. Jewell  
Commission Secretary

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