

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION |) | |
| OF OREGON-IDAHO UTILITIES, INC. TO |) | CASE NO. ORE-T-14-01 |
| INCREASE ITS MONTHLY RESIDENTIAL |) | |
| RATE FOR TELEPHONE SERVICE |) | NOTICE OF |
| |) | MODIFIED PROCEDURE |
| |) | |
| |) | ORDER NO. 33115 |

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 over a four-year period. The Company requests that the rate increase be phased-in to coincide with the increase in the federal universal service threshold established 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. *Id.* at 3.

BACKGROUND***A. Connect America Funding***

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 program. *Id.* at 3. In 2011, the FCC set out to reform the federal USF and created the Connect America Fund (CAF).¹ In the *Transformation Order*, the FCC 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

¹ *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”).

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*)² 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)). Carriers that do not have monthly rates that meet or exceed the rate floor will have their federal funds reduced proportionally on a dollar-for-dollar basis. *Id.* at ¶ 75; Application at 5. 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.

B. The Company’s Application

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.

Oregon-Idaho states 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 its proposed rates are also reasonable and in the public interest.

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

² *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”).

increase is fully implemented in 2018. *Id.* 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 has notified 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 MODIFIED PROCEDURE

YOU ARE HEREBY NOTIFIED that the Commission has determined that the public interest may not require a formal 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. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that based upon the agreement of the parties, the Commission adopts the schedule proposed by the parties. Any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission **on or before October 9, 2014**. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Application shall be mailed to the Commission and the Applicant at the addresses reflected below:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5918

Dean J. Miller
McDevitt & Miller LLP
420 W. Bannock Street
Boise, ID 83702
E-Mail: joe@mcdevitt-miller.com

Kenneth R. McClure
Michael C. Creamer
Givens Pursley LLP
601 W. Bannock Street
Boise, ID 83702
E-mail: krm@givenspursley.com
mcc@givenspursley.com

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.idaho.gov. Click the "Case Comment or Question Form" under the "Consumers" tab, and complete the comment form using the case number as it appears on the front of this document. These comments must also be sent to Oregon-Idaho at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that if Oregon-Idaho desires to submit rebuttal comments, it must do so **no later than October 20, 2014**.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that the Company has agreed and shall issue a subsequent customer notice to all Idaho customers advising them of the comment deadline and the proposed schedule of the rate increases.

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. 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* §§ 61-502, 61-503 and 61-622. 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

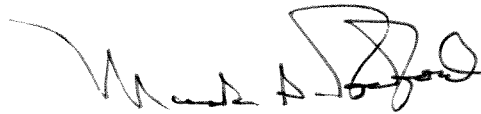
IT IS HEREBY ORDERED that this matter be processed under Modified Procedure. Interested persons must file comments in opposition or in support of Oregon-Idaho's Application no later than October 9, 2014. The Company may file reply comments, if necessary, no later than October 20, 2014.

IT IS FURTHER ORDERED that the Company individually notify its customers that they may submit written comments no later than October 9, 2014.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 4th day of September 2014.




PAUL KJELLANDER, PRESIDENT



MACK A. REDFORD, COMMISSIONER

Out of the Office on this Date
MARSHA H. SMITH, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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