BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE PETITION FILED BY WHITE BIRD AND SLATE CREEK RESIDENTS TO CHANGE THE LONG-DISTANCE CALLING RATE FROM WHITE BIRD TO GRANGEVILLE AND COTTON-WOOD TO A MONTHLY SWITCHING FEE. | )  )  )  )  )  )  )  ) | CASE NO. CON-T-91-1  USW-T-91-1  ORDER NO.  25857 |

On January 25, 1991, the Commission received a Petition from approximately 150 residents living in and around White Bird, Idaho requesting that the Commission examine whether long-distance rates could be eliminated from calls made from White Bird to Grangeville and Cottonwood, Idaho.  For the reasons explained below, we deny the Petition.

PROCEDURAL HISTORY

The communities of Grangeville and Cottonwood are served by U S WEST Communications and are located in the Spokane LATA.(footnote: 1)  The community of White Bird is now served by Citizens Utilities Company and is located within the Boise LATA.

Throughout the discovery and hearing portions of this case, GTE Northwest owned the White Bird exchange.  On October 1993, the Commission approved the sale of the White Bird exchange to Citizens Utilities.  Consequently, this Order will reference GTE and its position in this case until the time Citizens purchased the White Bird exchange from GTE.

Because of federal court decrees, U S WEST and GTE are precluded from transporting interLATA calls.  Therefore, neither U S WEST nor GTE is allowed to provide service between White Bird and Grangeville and Cottonwood, without a waiver from the U.S. District Court.  U S WEST and GTE submitted a list of long distance telephone companies purchasing long-distance access in Grangeville and White Bird.  In Order No. 24376, the Commission notified these companies that if they wanted to participate in this matter they had to file responses no later than June 29, 1992.  That Order also found that these companies would be bound by any final decision in this matter, regardless of whether or not responses were filed.  None of the 25 companies filed a response.  Order No. 24376 also found that insufficient community of interest exists between White Bird and Cottonwood to continue investigating toll-free or extended area service (EAS) on that route.  Consequently, this case was limited to whether or not EAS should be granted between White Bird and Grangeville.

A public hearing was held in Grangeville on August 6, 1992 at which representatives from GTE, U S WEST and the Commission Staff were present.  The Commission Staff prepared prefiled testimony and testified at the hearing.  Seventeen public witnesses testified at the hearing; all were in favor of EAS to Grangeville.

On October 2, 1992, the Commission issued Order No. 24522 concluding that a sufficient community of interest existed between White Bird and Grangeville to proceed to a technical hearing to determine whether the requested EAS was technically and economically feasible.  The Order noted that a community of interest is but one factor in the Commission’s decision making process.  The Commission found that a technical hearing should be held to discuss, among other things, facility upgrades or new investment necessary to implement EAS between White Bird and Grangeville, the costs involved, and how toll-free service might be configured.

Subsequent to the issuance of Order No. 24522, the Commission Staff issued several Production Requests to the companies.  The Staff and the companies analyzed various EAS options, the costs associated with those options, and the facilities necessary for upgrade.

The technical hearing was held on May 13, 1993 at which representatives from GTE, U S WEST, AT&T and the Commission Staff were present.  Four options were considered and discussed for providing EAS between White Bird and Grangeville.

Option 1

The first option is the construction of new cable facilities directly between White Bird and Grangeville.  U S WEST estimated that it will cost in excess of $400,000 to lay fiber cable from the Grangeville office to the exchange boundary.  Tr. 230.  GTE estimated it will cost $290,000 for fiber cable from White Bird to the exchange boundary to meet U S WEST’s facilities.  This option is GTE’s and U S WEST’s second preference.  Tr. 241-42; 258-602.

Option 2

Currently, all White Bird customers’ toll calls are sent over cable to Riggins and then to the microwave facilities at Cold Springs Mountain.  Staff issued production requests asking both U S WEST and GTE to evaluate a microwave option using these existing facilities to transport calls via microwave to U S WEST’s microwave facilities at Cottonwood, then to Grangeville over U S WEST’s existing cable facilities.  GTE, though regarding this option as the least desirable of all options presented, said:

A new microwave route would be required with a mid-air meet at the LATA boundary.  New microwave terminals, antennas and waveguide would be installed by both companies at the two locations.  A solar powered microwave repeater would also be required on a ridgeline approximately 15 miles from the Cold Springs site.

Tr. 124.  U S WEST did not consider this option because there was no line of sight transmission path.  GTE’s cost for its portion of these facilities and the required switching facilities was estimated to be $300,000 and includes equipment at Cold Springs Mountain and a repeater.  The remaining pieces, which would be the terminal, antennae and waveguide at Cottonwood, would be provided by U S WEST.  U S WEST did not submit an estimate for this option; but for comparison purposes, Staff estimated a cost of $100,000 to complete this portion of the route.  Tr. 124.

GTE advised Staff that maintenance on the repeater site would be significant because it is accessible only by helicopter and any equipment-related outage could persist for an unacceptable length of time.

Option 3

GTE also investigated a new microwave trunking facility between the Cold Springs repeater location and the existing Iron Mountain repeater location, both GTE locations.  GTE stated that an approximately 50 mile line-of-sight path currently exists between these locations.  EAS trunks would then be routed over the existing Elk City to Cottonwood Mountain (U S WEST) microwave facility.  GTE’s cost for this arrangement, including switching costs, would be approximately $360,000  U S WEST estimates an investment of $30,000.  Tr. 125.

GTE testified that due to a change in plans it will be installing new fiber optic facilities to transport calls from Riggins to New Meadows when existing facilities reach capacity and will abandon the microwave facilities at Cold Springs Mountain.  Tr. 260.  Staff opines that if one of the microwave options were selected as the best method of providing EAS, an additional incremental cost would be incurred for maintenance of the site that would otherwise be abandoned.  These maintenance costs have not been estimated.  This option was favored by U S WEST.  Tr. 231.

Option 4

This option involves using existing U S WEST and GTE facilities to an interexchange carrier’s point of presence (POP), and then leasing interexchange facilities to connect the companies’ facilities across the LATA boundary.  Under this option, the local exchange companies would lease facilities similar to dedicated trunks or a “pipeline” for the Boise-Spokane portion of the route.  The interexchange carrier would be a “subcontractor” whose passive role would be to provide facilities for hire.  This was GTE’s and Staff’s preferred option.

Because this option uses existing facilities, GTE would not incur any investment costs, but would incur $40,000 in costs to establish a dedicated trunk loop.  U S WEST submitted an estimate total of approximately $140,000 for 24 trunks.  Tr. 127.  There would also be additional annual costs for leased facilities.  U S WEST received quotes for one DS-1 carrier with 24 voice paths between Boise and Spokane of between $1,000 and $1,900 per month, or $12,000 to $22,800 per year.  Tr. 230-231.

This option has the advantage of using existing facilities, and therefore is much less costly.  It involves some risk, however, in that the interexchange company that provides the leased facilities may not commit to long-term arrangements.  Prices could be subject to change and/or the availability of these facilities may vary.  U S WEST did not disclose the company/ies that provided the above-mentioned price quotes, but in response to Staff’s production requests, Northwest Telco, One-2-One and U S Sprint indicated they were willing to discuss the possibility of providing such facilities.

Another concern is determining which company will secure the leased facilities.  GTE suggested that because the leased facilities would connect to U S WEST facilities at both ends, it makes sense for U S WEST to secure them.  U S WEST, on the other hand, indicated that because this EAS is primarily for the benefit of GTE customers and to more evenly distribute the costs of this system, GTE should have the responsibility and the corresponding expense.  Tr. 128.

The total costs for all four options include the first year investment costs, access revenue loss and, where appropriate, costs to lease dedicated circuits.  As plant depreciates over the years, these costs will go down.  The following is a summary of the estimated total annual revenue requirements for each option.

Annual

Rev. Req.

Option 1 - Direct fiber connection between White Bird and Grangeville.  (Estimates provided by the companies.)

GTE$145,458

U S WEST$105,000\*

TOTAL$250,458

Option 2 - Microwave facilities between Cold Springs Mountain and Cottonwood. (Staff estimates.)

GTE$131,994

U S WEST$  52,833

TOTAL$184,827

Option 3 - Microwave facilities between Cold Springs, Iron Mountain, and Cottonwood.  (Staff estimates.)

GTE$145,506

U S WEST$  33,438

TOTAL$178,944

Option 4 - Use existing facilities and lease dedicated circuits to link U S WEST and GTE across LATA boundaries.  (Estimates provided by the companies.  Staff added $9,000 to each company’s estimate for facilities lease.)

GTE$  79,387

U S WEST$45,200\*

TOTAL$124,587

\*Company estimate adjusted by Staff.

Testimony was presented by the Commission Staff for recovering the costs associated with implementing EAS.  Staff noted that the GTE exchanges have traditionally used an EAS rate matrix that would indicate an increase in rates of $1.68 per residential line and $4.00 per business line for an EAS from a smaller exchange to a larger exchange 11 to 16 miles away.  Using GTE’s updated information regarding the number of lines in White Bird, this surcharge would generate $354 per month for residential and $96 per month for business lines, or $5,406 per year.  Staff recommended that the remaining costs be spread across local rates for each company’s total customer base with a business/residence ratio of approximately 2.5.  Tr. 134-36.

Because of the then pending exchange sale from GTE to Citizens, the Commission decided at its July 7, 1993 decision meeting to hold this case until Citizens was in a better position to respond to the Petition.  On October 22, 1993, the Commission issued Order No. 25219 approving the sale of the GTE exchanges to Citizens.  Among other things, the Commission ordered Citizens to develop a plan by April 29, 1994 addressing several operational concerns.  One of the items to be addressed was the requested EAS between White Bird and Grangeville.  When Citizens filed its plan in May 1994, it stated that insufficient data was available for it to respond to the EAS Petition.  Citizens said its proposal would be filed prior to December 31, 1994.

In approving Citizens’ operational plan, the Commission found that Citizens should submit its cost estimates for implementing EAS between White Bird and Grangeville no later than October 15, 1994.  Citizens was to file estimates of its cost to provide EAS through new facilities, existing facilities and through lease arrangements.  See Order No. 25641 issued August 1, 1994.

On October 19, 1994, Citizens filed its response to the White Bird/Grangeville EAS Petition.  Citizens stated that it does not dispute the existence of a community of interest between White Bird and Grangeville.  However, Citizens is concerned about the cost of implementing EAS.  Citizens estimated the updated cost to provide EAS via a mid-air meet between Citizens and U S WEST at the U S WEST Cottonwood facility to be $472,742.  The cost to construct a new fiber route between White Bird and Grangeville was estimated to be $896,000.  Under the lease option, Citizens estimates that it would cost $75,000 to reinforce facilities between White Bird and McCall, as well as $2,588 per month to lease six circuits from AT&T.

Using Citizens’ updated information, Staff recalculated the annual cost under the leased facilities option, the option preferred by the majority of parties.  Under this option, the total annual revenue requirement for U S WEST is $48,370 while Citizens’ annual revenue requirement is $92,947 (assuming the lease costs are distributed evenly between U S WEST and Citizens).  Citizens’ cost breaks down to $415 per year or $35 per month per White Bird customer, assuming 224 lines in White Bird.

Commission Decision:

By demonstrating an appreciable community of interest between the White Bird and Grangeville exchanges, the Petitioners and Staff presented a strong case for granting EAS.  The Commission, however, cannot focus on the need for a proposed action without considering the cost of the proposal, the technical requirements involved in the proposal and the context in which it is proposed.

We begin by noting that the least expensive option for implementing EAS between White Bird and Grangeville, the leased facilities option, results in an extremely high cost per White Bird customer.  As stated above, Staff estimated Citizens’ cost per White Bird customer to be approximately $35 per month.  With the other options, this figure would be even higher.  As discussed by Staff, the EAS surcharge would collect only $5,406 per year from White Bird customers.  The remaining revenue would need to be collected from other U S WEST and Citizens customers not benefitting from this EAS.  The cost of implementing EAS and the amount of revenue shortfall causes us considerable concern and militates against granting the Petition.

Furthermore, the calling volume data shows that White Bird customers make an average of almost 12 calls per month to Grangeville.  That is a significant volume of calls.  However, closer analysis shows that 88% of White Bird lines have toll charges to Grangeville that are less than $15.00 per month and 53% are less than $4.00.  When compared with the large annual revenue loss to Citizens that would result from implementation of EAS, we find that a majority of customers would not receive a benefit from EAS.

Policy makers from both the federal and state levels have encouraged competition as the best way to provide long-distance telecommunications services.  It is discouraging to note that while various interexchange carriers have promoted competition in this and other dockets before this Commission, none of them have yet to request equal access from White Bird so that customers in White Bird can have “1+” dialing access to more than one long distance carrier.

Even though we are denying this Petition for EAS, we continue to believe that the petitioners and Staff have shown a need for toll relief.  We hope that in time, new technology and/or changes in federal regulation of telephony will make this EAS route feasible.  We direct the Staff to reexamine this EAS proposal when Staff believes the situation warrants it.

O R D E R

IT IS HEREBY ORDERED that the request to provide toll-free extended area service between White Bird and Grangeville, Idaho be denied.

THIS IS A FINAL ORDER.  Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in these Case Nos. CON-T-91-1 and USW-T-92-1 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in these Case Nos. CON-T-91-1 and USW-T-92-1.  Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration.  See Idaho Code § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this                  day of  January 1995.

MARSHA H. SMITH, PRESIDENT

DEAN J. MILLER, COMMISSIONER

RALPH NELSON, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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**FOOTNOTES**

1:

A LATA (local access and transport area) is a geographic area designed by the United States District Court in the Modification of Final Judgment in the divestiture of AT&T and the Bell Operating Companies (BOCs).  The LATAs were created to facilitate the division of assets between AT&T and the BOCs, and to mark the boundaries within which the BOCs could transport calls.  As approved by the Court, all of the U S WEST exchanges south of the Salmon River are included in a single LATA, called the Idaho LATA.  A statewide exemption was permitted for eight exchanges served by U S WEST Northern (formerly Pacific Northwest Bell) in north Idaho, which is included in the Spokane LATA.  Also in north Idaho is the Coeur d'Alene market area served by GTE and not associated with either the Spokane or Idaho LATA.  Thus, although Idaho is often thought to consist of just one LATA, it is actually split among the three major service areas.