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

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| IN THE MATTER OF REVIEWING U S WEST COMMUNICATIONS’ SOUTHERN IDAHO REVENUE SHARING PLAN FOR THE COMPLETED 1994 SHARING YEAR. | )))))) | CASE NO. USW-S-95-1ORDER NO.  26355 |

 In 1989 the Commission authorized the implementation of a Revenue Sharing Plan as a method of allocating costs between the fully regulated and the partially regulated portions of U S WEST’s services in the southern part of the state.  Each year since its implementation the plan has generated sharing funds for distribution.  In this Order the Commission approves the distribution of approximately $1.25 million for telephone switch replacements, $1.25 million to be used as credits for 65,000 rural zone customers, and the remaining balance of about $4 million will be set aside for enhancing educational communications services in southern Idaho.

BACKGROUND AND PRIOR PROCEEDINGS

A.  The Telecommunications Act

In 1988, the Idaho Legislature enacted the Telecommunications Act codified at Idaho Code §§ 61-622A and 62-601 et seq.  The purposes of the Act are to maintain high-quality universal telecommunication services at just and reasonable rates and “to encourage innovation within the industry by a balanced program of regulation and competition.”  Idaho Code § 62-602.  Pursuant to the Act, a local exchange company (LEC), such as U S WEST, is given a choice.  It may receive an exclusive franchise for the delivery of all of its telecommunication services at rates set by the Commission pursuant to its traditional ratesetting authority contained in Idaho Code, Title 61.  Conversely, the Company may elect to have its non-basic local services(footnote: 1) subject to the provisions of the Telecommunications Act and not the economic regulation of the Commission.  Idaho Code § 62-605(2).  Under the latter option, the Commission continues to set the rates for basic local services.

In March 1989, U S WEST elected to remove its non-basic local services in southern Idaho from the Commission’s Title 61 ratesetting authority.  U S WEST has not elected to remove its services in northern Idaho (the eight exchanges between Grangeville and Lewiston) from the Commission’s Title 61 regulatory jurisdiction.  U S WEST is the only LEC that has made such an election.  U S WEST’s predominant Title 61 service is the provision of monthly local service to residential and business customers with five or fewer lines.  The Company’s Title 62 services include long-distance services, custom calling features, directory assistance, billing services, and the collection of access charges from other long-distance telephone companies connecting to its local network.

B.  The Revenue Sharing Plan

In conjunction with U S WEST’s election to become subject to Title 62, the Commission authorized the implementation of the Revenue Sharing Plan.  The plan was adopted as a method of allocating costs between the fully regulated basic local exchange services (Title 61) and partially regulated (Title 62) portions of U S WEST Communications’ southern Idaho operation.  See Idaho Code § 61-622A.  According to specific statutory provisions, one goal of cost allocation is to ensure that Title 61 services do not subsidize Title 62 services.  Idaho Code § 62-613.

In simple terms, the operation of the sharing plan measures the relative change in company revenues since 1987 and approportions them between Title 61 and Title 62.  Using 1987 data as a benchmark, the plan determines the average revenue per telephone access line served by U S WEST in southern Idaho.  This figure represents the base-year calculation.  In subsequent calendar years, in this case 1994, the same calculation is made using actual sharing year data to determine the average revenue per access line for the sharing year.  If the sharing year revenue per line is greater than the base-year revenue per line (i.e., comparing the years 1987 and 1994), a portion of the growth in revenue is “shared” or attributed to Title 61 regulated services.  If revenue is to be shared, the Commission determines how the revenue is distributed to benefit Title 61 customers.  Conversely, if the sharing-year revenue per line is less than the base-year revenue per line, then a portion of the revenue deficit is allocated to Title 61 services.  The Commission then determines how the deficiency is collected from Title 61 customers.

In the first two years of the plan’s operation, the Commission directed that available sharing funds be returned to Title 61 customers in the form of one-time credits.  This resulted in credits of $5.49 and $7.96 for the 1989 and 1990 sharing years, respectively.  During the last three years, the Commission directed that approximately $14.2 million of Title 61 sharing funds be used to fund local network improvements in U S WEST’s small rural exchanges.  This infrastructure project, called Tech II, was completed in 1994.  The $14 million was part of a three-year project to improve the local network facilities of 30 small rural wire centers and 16 large urban wire centers.  The total cost of the Tech II project was approximately $40 million.  In addition to the modernization program, the Commission also used sharing funds to reduce by one-half the monthly rural zone charge of $3.19 for approximately 65,000 U S WEST rural customers.

C. The 1994 Sharing Report

Allocations under the sharing plan are made annually and the end-of-year operational report is due no later than May 1 of the following year.  On May 1, 1995, U S WEST filed its revenue sharing report for the completed 1994 sharing year, and the Commission subsequently issued its Notice of  Report Filing outlining the results.  The Company reported that the adjusted number of telephone access lines in southern Idaho for 1994 totaled 383,008, representing an increase of 20,430 lines over 1993 totals, or an annual growth rate of 5.63%.  U S WEST calculated that the average revenue per access line in 1994 was $522.11.  Based upon the Title 61/62 ratio, the Company concluded that 41.82% of the increased revenue was attributable to Title 61 services.  Accordingly, the Company initially calculated that $5.448 million was available for revenue sharing purposes.

As is customary, the Commission Staff examined the underlying data contained in the Company’s sharing report.  After verifying the underlying data, the Staff discovered only one significant error.  U S WEST inadvertently omitted some of its telephone directory revenue, resulting in under-reporting income by $1.057 million.  On July 17, 1995, the Company submitted a revised report summary adopting Staff’s proposed directory adjustment.  The adjustment in income results in an increase in the amount of Title 61 sharing funds of $442,037, for a total sharing amount of $5,890,709.  This amount does not include interest.  Under the plan, interest on the sharing amount accrues at the Company’s last authorized rate of return (11.9%) beginning January 1, 1995.

D. The Prehearing Conference

On August 25, 1995, the Commission convened a prehearing conference to determine, if possible, the amount and appropriate disposition of the 1994 revenue sharing funds.  The following parties entered appearances at the prehearing conference:  U S WEST, the Commission Staff, the Idaho Cable Telecommunications Association, the Idaho Consumer Affairs, and Idaho Telephone Association.  In addition, intervenors MCI Communications and AT&T of the Mountain States were unable to attend but did submit written comments.  The Association of Idaho Cities (AIC) and the Idaho Medical Information Consortium (IMIC) also attended.  On September 5 and 6, 1995, IMIC and AIC formally petitioned to intervene in this matter, and the Idaho Association of Counties petitioned to intervene on September 8, 1995.  These post-hearing petitions were granted under separate Orders.

 The Notice of Prehearing Conference issued August 1, 1995, reported that the sharing plan produced $5,890,709 in Title 61 sharing funds.  The sharing plan also requires that interest accrue on the sharing amount until such time as the sharing funds are disbursed by Commission Order.  At the prehearing conference, the Staff asserted that the sharing amount totaled $6.35 million including accrued interest as of September 1, 1995.  No party at the prehearing conference disputed the Staff’s calculation of the sharing amount.

No consensus was reached, however, regarding the dispersal of the revenue sharing funds.  The Commission Staff, AT&T, MCI, Idaho Consumer Affairs, and the Idaho Cable Telecommunications  Association (ICTA) asserted that the sharing funds should be returned directly to Title 61 ratepayers. Other parties either proposed specific infrastructure projects or urged the Commission to generally consider as alternatives improvements to U S WEST’s infrastructure.  Because the prehearing conference produced no consensus regarding the appropriate disposition of the Title 61 revenue sharing funds, the Commission established a discovery and hearing schedule to receive evidence regarding the proper disposition of the 1994 sharing funds.  The Commission subsequently issued Order No. 26169 on September 15, 1995, setting a hearing for November 21, 1995.

Noting its historical willingness to initiate and authorize infrastructure projects that improve the telecommunications network and enhance the goal of universal service, the Commission stated in Order No. 26169 that parties could submit and the Commission would consider such projects. To facilitate a review of specific proposals, the Commission established guidelines to evaluate any proposed infrastructure project.  Parties were directed to indicate in testimony how their infrastructure improvement alternatives met the guidelines or state why such criteria should not be applicable to their project.   The guidelines for evaluating infrastructure proposals established by the Commission in Order No. 26169 are:

1.The infrastructure improvement should benefit the general body of U S WEST Title 61 ratepayers in southern Idaho and not just a particular group.

2.The cost of the infrastructure project should be reasonably related to the amount of Title 61 funds available for disposition.

3.Absent the existence of revenue sharing funds, the infrastructure alternative should possess sufficient merit to warrant a rate increase.  In other words, the public benefits of the proposal should be sufficient to justify a Commission finding that a rate increase is reasonable.

4.The project should enhance or promote universal service and be in the public interest.

5.The project should leverage revenue sharing funds with funds from other sources.

THE HEARING AND ISSUES

A.  Position of the Parties

The Commission convened the evidentiary hearing on November 21, 1995 in Boise.  Direct testimony was prefiled by U S WEST, ICTA, MCI, and the Staff.  The Association of Idaho Cities (AIC) and the Idaho Medical Information Consortium (IMIC) prefiled rebuttal testimony and collaborated to present a unified four-part proposal for use of the sharing funds identified as the “Access 96” proposal.  Proponents of the Access 96 proposal referred to themselves as the Access 96 Coalition, which initially included the Idaho Association of Counties.  However, the Association of Counties moved to withdraw its prefiled testimony covering the 911 component of the Access 96 proposal and did not participate in the hearing.  At the hearing, the Commission granted the Association’s motion and we affirm our bench ruling in this Order.

The Staff, ICTA, Idaho Consumer Affairs, and MCI supported a rebate for Title 61 ratepayers with the revenue sharing funds, testifying that was the best way to return the funds to the ratepayers.  U S WEST, along with AIC and IMIC, supported the Access 96 proposal.  As an alternative to the Access 96 proposal U S WEST recommended that a portion of the revenue sharing funds be used to replace the central office switches in three rural exchanges.  The Idaho Telephone Association did not present testimony at the hearing.

As the Commission has noted before, every revenue sharing case has two components.  The Commission first examines the data contained in the Revenue Sharing Report and determines the amount of funds available for distribution.  Next, the Commission determines the appropriate disposition of the Title 61 sharing funds.  We now turn to these issues.

B.  Determination of the Sharing Amount

1.  Staff and U S WEST.  As previously mentioned, U S WEST revised its revenue sharing report indicating that operation of the plan produced $5,890,709 in Title 61 revenue sharing funds.  The Company and Staff thus agree on the amount of 1994 funds available under the Revenue Sharing Plan.  No other party questioned the amount or presented evidence disputing the figure determined by Staff and U S WEST.

The sharing plan also requires that interest accrue on the sharing amount at U S WEST’s approved rate of return, (11.9%) beginning January 1, 1995.  Interest accrues until the funds are disbursed by Commission Order.  Staff testified that the amount of sharing funds available as of December 31, 1995 including interest is $6,591,703.  The Staff asserted that the fund accrues interest at the rate of approximately $58,000 per month.  Tr. at 581.  This testimony regarding the accrual of interest was undisputed.

2.  Findings.  Based upon the Sharing Report and the undisputed testimony of Staff and U S WEST, we find: That the plan produced $5,890,709 in Title 61 sharing funds for the 1994 sharing year.  We further find: That the amount of interest accrued on the sharing funds is $816,994 as of February 29, 1996.  Therefore, the total amount of 1994 revenue sharing funds, including interest, is now $6,707,703.  We now turn to the more difficult task of determining the appropriate disposition of the 1994 sharing funds.

C.  Determination of the Appropriate Distribution

1.  Access 96.  The Access 96 Coalition described its proposal as establishing the “off ramps” for individuals to access the information superhighway.  The Access 96 proposal was comprised of three(footnote: 2) major components: (1) GOVERNET—deploying an infrastructure to enhance access and participation in the governance of cities, counties and highway districts; (2) MedNet—improving the exchange of medical information especially in rural communities thereby improving the health status of Idaho citizens; and (3) EdNet—provide distance learning or educational infrastructure in the U S WEST southern Idaho service area.  Coalition Exhibit 706, Staff Exhibit 112.  The combined proposal would use all the 1994 sharing funds and $3.83 million of matching funds to “increase the public access and awareness of advanced telecommunications applications by providing local governments, schools, libraries and hospitals within the U S WEST service area with advanced telecommunica­tions technology in terms of communications hardware, network connections, and usage training.”  Exhibit No. 706, p. 9.

The proposal called for the creation of a policy committee comprised of one representative of the Commission and 10 other members from the Coalition agencies.  As proposed, the policy committee would, among other things, approve an annual budget to cover the cost of operating the network, develop a fee structure for services and providers that gain monetarily through the use of the network, and “coordinate the critical training to support the information highway.”  Exhibit 706, p. 5.  Under the proposal, approximately $165,000 would be allocated to administering the project divided between Association of Idaho Cities (AIC) and the Idaho Medical Information Consortium (IMIC).  Exhibit 705.  The Access 96 components are examined in greater detail below.

a.  GOVERNET.  GOVERNET calls for the purchase of 170 personal computers (with FAX/Modem capability) for 109 cities, 35 counties, and 26 highway districts at an estimated cost of $3,000 apiece.  Under the GOVERNET proposal, public information maintained by the cities, counties and highway districts will be converted and compiled by a private corporation doing business as GOVERNET.  Once the information is converted, then this information will be available for a fee.  To assist individuals that do not have computers with modems in their homes, GOVERNET would purchase 140 kiosks to house computers accessible by the general public.  Citizens that do not wish to subscribe to the fee service will be able to access “general” information such as agendas, meeting times, proposed budgets, and ordinances, etc.  Exhibit No. 706, p. 10.  GOVERNET is currently operating in the state of Nevada and provides tabulated public information such as agendas, document recordings, business licenses, building permits, county assessor information, UCC filings, federal tax liens, and voter registration information.

The total cost of the 170 computers was estimated at $510,000 and the total cost of the 140 kiosks ($5,000 apiece) was $700,000.  The Coalition estimated that the cost of converting public information to the GOVERNET format was $127,500.  The total combined cost of GOVERNET was estimated to be $1,580,800.

Coalition spokesman, Scott McDonald, testified that the proposed cost estimates contained in the Access 96 proposal were based on general cost estimates.  He indicated that more detailed or refined cost estimates may be developed but that the Coalition did not have sufficient resources or time to develop more detailed cost information.  Tr. at 325-28.  Under cross-examination, Mr. McDonald acknowledged that 15 kiosks and approximately 22 computer sites listed in the Coalition’s proposal were located outside the southern U S WEST service area.  Adjusting the proposal to reflect the removals would result in a reduction of approximately $141,000.  Tr. 347-48.

b.  Findings.  We believe that using revenue sharing monies to fund the GOVERNET component would be inappropriate for a number of reasons.  First, we find it is inappropriate to “repackage” government information and charge the public for that information.  To the maximum extent possible, we believe that government information should be readily available to the citizens of Idaho without cost.  Currently, members of the public are provided access to a vast array of information maintained by government entities.  Indeed, the Idaho Public Records Law provides that all public records in Idaho are open at all reasonable times for inspection except as otherwise expressly provided by statute.  Idaho Code § 9-338(1).

We are also concerned there may be future adverse consequences in converting public information into a single format by a private, for-profit business.  As Staff witnesses pointed out, many government agencies on a local, state and national basis are making public information and records available via electronic bulletin boards or InterNet home pages.  We believe it would be unwise to “lock-up” Idaho’s public information when the trend seems to be making public information more available to members of the public.

Second, we also find that it is inappropriate to utilize nearly a third ($510,000) of the proposed GOVERNET funding to purchase a computer for each city, county and highway district in the U S WEST service area.  It is difficult for us to believe that every one of these local government entities does not have a computer, particularly when the purpose of the computer is to transmit information to GOVERNET for compiling. In addition, the Coalition’s proposal was marred by inclusion of costs for sites outside of the U S WEST service area.

Finally, we are not persuaded that it is reasonable to use revenue sharing funds to “administer and market” the GOVERNET component. The Coalition’s September 18 proposal indicates that more than $140,000 was allocated to training, marketing, and administration.  In past infrastructure projects, we have not allocated funds for such purposes.  We find that revenue sharing funds should not be utilized in this fashion. We are not persuaded that GOVERNET is a reasonable use of sharing funds.

c.  MedNet.  The second element of the Access 96 proposal was the health care component, MedNet.  David Garets testified in support of the MedNet component on behalf of the Idaho Medical Consortium (IMIC).  This component was to be administered by the IMIC and will permit the exchange of medical information among health care providers in southern Idaho.  Such information included patient information, x-rays, and MRI records, thus allowing clinical consultation using two-way interactive video.  The Coalition initially requested funding for 24 distance learning sets (approximately $60,000 per set) and two multi-port mixers ($240,000).  Although the health care component was originally estimated at $1.75 million, the actual budget requests contained in Exhibit 706 and presented at the hearing  reflected a funding request of $3.524 million.

Garets acknowledged on cross-examination that the funding request for the MedNet component had nearly doubled to $3.524 million.  Tr. at 405-406; Exhibit 706, p. 22.  Garets did not explain the reasons for the increase in funding and presented no additional evidence addressing this issue.  Tr. at 406.  He also testified that the Consortium had received approximately $1.7 million in National Telecommunications and Information Administration (NTIA) to improve the delivery of health care in the Magic Valley.  Tr. at 409.

d.  Findings.  We are not convinced that the MedNet component is presented in significant detail for us to review at this time.  The Coalition and its witnesses did not satisfactorily explain the basis for the increase in funding.  Even the Coalition’s Exhibit 703 notes that the exact location of the MedNet site has not been determined.  Consequently, we are unable to adequately review the disbursal of this service on the record before us.

This component also suffers from a similar disadvantage as previously mentioned in our findings concerning GOVERNET.  More specifically, the Coalition proposed using approximately $65,000 for administration, training and travel.  We find that funds dedicated to infrastructure projects should not be used for these purposes.

e.  EdNet. The third element of the Access 96 proposal is to enhance access to educational resources and distance learning “by purchasing 40 high school and/or public library distance learning sets . . . .”  Exhibit 706, p. 1.  The Coalition proposed that distance learning equipment be located in approximately 40 high schools in the U S WEST service area.  The estimated cost for each distance learning set is approximately $75,000.  In addition to the distance learning set, the Coalition also forecasted a need for three multi-port mixers at a total cost of approximately $360,000.  Adding the costs of the distance learning sets, the mixers, and other operating costs totaled $3,430,400.  Exhibit 706, p. 22.

Ben Hambelton testified in support of the EdNet component on behalf of the Idaho Council for Technology and Learning.  He is also the chairman of the State Board of Education’s Telecommunications Council.  He testified the Idaho Educational Telecommunications System (ETS) is comprised of four networks delivering communication services to  educational facilities and the public. The higher education microwave network provides compressed audio and video services to post secondary institutions of learning through microwave networks to satellite uplinks located in Boise and Moscow.  The second network is an uplink and downlink satellite one-way network of 161 schools throughout the state and 42 county agricultural extension offices.  The third network is the Idaho Public TV Broadcast System and the fourth network is a regional network utilizing various medias to provide educational programming to communities surrounding campus-based hubs.  Tr. at 369-71.

Hambelton explained that the EdNet proposal would be compatible with the existing ETS by sharing resources that other entities may utilize.  Tr. at 375.  He also confirmed that the price of teleconferencing equipment remained around $60,000 per unit for a total of about $2.4 million (40 sets at $60,000 apiece).  Tr. at 377.  He testified that the “Coalition would be willing to expend the financial and Staff resources necessary to prepare the level of detail that the Staff has requested.”  Tr. at 379.  If the Commission has an interest in this proposal then his group is willing to submit a more detailed “road map for the final proposal.”  Id.

Hambelton indicated on cross-examination that some funding would be necessary to provide cabling into classrooms and make acoustical modifications so that the equipment could be utilized effectively.  Tr. at 384.  He also acknowledged that ten of the high schools targeted by the plan are located outside the U S WEST southern Idaho service area. Restricting the proposal to the U S WEST service area would make an additional $600,000 in funding available.  Tr. at 385.

He explained that the advantage of the EdNet proposal was that it would provide two-way interactive communication, significantly enhancing the educational experience and opportunities in southern Idaho.  Tr. at 387.  He asserted that use of revenue sharing funds for educational infrastructure is in the public interest and “provides greater benefits to the ratepayers than simply refunding a small [amount to customers].”  Id. at 367.  He concluded by stating that the Telecommunications Council’s primary goal is facilitating and extending educational opportunities.  This objective is a longstanding goal of both the Council as well as the Telecom ‘92 Report, endorsed by the Legislature.  Although he acknowledged that the proposal may need to be refined with greater detail, he encouraged

the Commission to give us the kind of guidance we’d need to shore that up, to make it more accountable and more usable proposal, but at the same time I would urge you to take the opportunity to provide the leadership in the state to create this kind of beneficial system that extends access to education, information, and services in ways that simply aren’t going to happen without the infusion of some major [external] funding.

Tr. at 392.

f.  Findings.  Although the educational component also suffers from a lack of detailed budget information, we believe that an educational infrastructure project merits further consideration.  As explained by Mr. Hambelton, the two-way distance learning proposal would complement the existing ETS networks in Idaho.  Although we recognize that there may be some redundancies, we believe that the Idaho Council for Technology and Learning (ICTL) should submit a more detailed proposal for our review.   We note that the requested funds for the educational component are comparable to the amount of sharing funds available for disposition and that revenue sharing funds could be leveraged with monies from other sources.  We find: That the Council should be afforded an opportunity to submit a revised proposal demonstrating the public interest benefits of expanding educational communications for public schools and libraries. A revised proposal should address procedures to insure that educational infrastructure will be a community resource available for use by other entities.

  Allowing the Council to submit a revised proposal has several advantages.  First, it is our intent that revenue sharing funds made available be utilized entirely for the acquisition of infrastructure or access to networks and not for administration or other overhead costs.  This will make more funds available for infrastructure.  Second, the Council has already completed preliminary plans identifying deficiencies in areas where communications infrastructure could be utilized  on a cost-effective basis.  The Council shall specifically identify proposed infrastructure projects that expand or enhance communication services in U S WEST’s southern Idaho service area.  Although these projects must be located in U S WEST’s service area, they need not be restricted to a particular communications technology or provider.

Giving the Council an opportunity to submit a revised proposal is consistent with national trends.  The federal Telecommunications Act of 1996 gives the communication needs of public education and libraries special consideration.  Our decision today to further review an educational proposal comports with the intent and spirit of the federal Act.  We envision that the educational funding provided by the 1994 revenue sharing funds will help to position Idaho’s schools and libraries to efficiently utilize communication services.

The Council is directed to submit a revised proposal for our review within 45 days of the service date of this Order.  The revised proposal should indicate the proposed location within the U S WEST southern Idaho territory for deployment of infrastructure, its access, or equipment.  We encourage the Council to work with our Staff to ensure that infrastructure sites are specifically within the southern U S WEST service territory.  As set out in further detail below, the Commission also authorizes the use of revenue sharing funds for other projects.  It is our intent that when the other projects described below are funded, that the balance of the 1994 sharing funds be considered for public school and library infrastructure projects or network access.  Once the Council has submitted its revised plan, it is our intent to examine the proposal.  Accordingly, the Council is instructed to submit copies of its revised proposal to all parties to this proceeding.

2.  U S WEST Switch Replacement Proposal.  As an alternative to Access 96, U S WEST proposed that revenue sharing funds be used to cover one half of the cost to replace older, analog 2BESS switches in the Jerome, Rexburg, Burley and Declo exchanges.  The Company subsequently amended the proposal by removing the Rexburg switch from the proposal.  Tr. at 94.  As revised, approximately $1.25 million of revenue sharing funds would be matched with U S WEST funds to pay the switch replacement costs.  Tr. at 82; U S WEST Exhibit 1.  The Company indicated that these new digital switches would be equipped with CLASS services and have  greater call-handling capacity.  Id. at 82, 84.

Staff witness Eastlake testified that the switch replacement expenses are ordinary and normal expenses of providing Title 61 services and are not worthy of special treatment as infrastructure improvements.  Tr. at 552.  Eastlake also testified that the present switches are “perfectly adequate” to provide Title 61 services.  Tr. at 553.

As indicated above, U S WEST’s switch replacement proposal has been refined.  Based upon the record before us, we find: That the switch replacement proposal is an appropriate use of the 1994 revenue sharing funds.  As indicated in the Company’s testimony, these older switches would be replaced with state-of-the-art digital switches.  Funding of these switches in smaller rural exchanges is nothing more than an extension of the five-year Tech Plus project that updated digital switches across Idaho.  See Order No. 20981 in Case No. U-1000-87.  The Tech Plus program was completed in 1992.  The Jerome, Burley and Declo exchanges were not included in the prior Tech Plus upgrade due to funding limitations and the capability of the switches some nine years ago.  Consequently, the availability of 1994 revenue sharing funds permits the Commission to reasonably fund more digital switch upgrades.  We find that it is reasonable to use $1.25 million in sharing funds, to be matched equally with funds from U S WEST, to purchase these three switches. The Company shall account for this expenditure of revenue sharing in a manner similar to that used for the Tech Plus program.

3.  Staff’s Refund Proposal.  Staff testified that the appropriate use of revenue sharing funds is to refund the money directly to the southern Idaho customers of U S WEST.  Staff suggested the refund could be accomplished by a credit for Title 61 customers, or by a combination of customer credits and increased rural zone charge credits.  Tr. at 563.  Staff calculated that providing a full credit on zone charges (thereby eliminating rural zone charges) would require approximately $2.5 million of the revenue sharing funds, leaving approximately $4 million for customer credits.  Idaho Consumer Affairs, MCI, and ICTA supported the Staff’s recommendations.

We find that it is appropriate to use 1994 revenue sharing funds to continue the existing rural zone charge credits for the 65,000 rural customers.  Although the Staff urged the Commission to provide full zone credits ($3.19), we are not inclined to increase the zone credits at this time.  Given the major transitions which must occur in the industry as a consequence of passage of the federal Telecommunications Act of 1996, we are unwilling to completely eliminate rural zone charges at this time.  Accordingly, we find it appropriate to use $1.25 million in revenue sharing funds to continue the existing monthly rural credits of $1.60.

ULTIMATE FINDINGS OF FACT AND

CONCLUSIONS OF LAW

U S WEST Communications, Inc. is a telecommunications corporation subject to our regulatory jurisdiction pursuant to Idaho Code Titles 61 and 62.  The Commission has jurisdiction over this matter as authorized by Idaho Code § 61-622A.

We find that the revenue sharing plan produced $5,890,709 for the 1994 sharing year.  The accumulated interest through February 1996 on the unencumbered funds is $816,944.  The total amount of revenue sharing funds as of February 29, 1996, is $6,707,703.

We further find that it is reasonable and appropriate to continue the Tech Plus digital switch project by providing $1.25 million in Title 61 matching funds for the replacement of three analog switches.  We further find it is just and reasonable for $1.25 million of Title 61 revenue sharing funds to be credited against the rural zone charges of Title 61 access customers.  Accordingly, the existing rural zone credit in the amount of $1.60 per month shall be continued.

We conclude that it is just and reasonable that the remaining balance of Title 61 revenue sharing funds be reserved for our further review of educational infrastructure projects as outlined in the body of this Order.

O R D E R

IT IS HEREBY ORDERED that the Idaho Association of Counties’ Motion to Withdraw from this case is granted.

IT IS FURTHER ORDERED that the existing Title 61 rural zone credit in U S WEST’s southern Idaho territory be continued in the amount of $1.60 per month.

IT IS FURTHER ORDERED that U S WEST replace the analog central office switches in the Burley, Jerome and Declo exchanges with digital switches.  The Commission shall make $1.244 million in matching 1994 revenue sharing funds available for the purchase of these digital switches.  The Company shall match this funding and install these digital switches as soon as possible.  U S WEST shall also expense on an intrastate basis the amount of Title 61 sharing funds dedicated to these switches.

IT IS FURTHER ORDERED that the balance of the 1994 revenue sharing funds be set aside for funding public school and library communication projects or network access.  The Council for Technology and Learning shall resubmit a plan for our review within 45 days of the service date of this Order.

THIS IS A FINAL ORDER REGARDING CERTAIN ISSUES.  Any person interested in final issues decided in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. The issue of conducting a further review of the educational infrastructure proposal is not a final issue.  Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration.  See Idaho Code §§ 61-626 and 62-619.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this                  day of  March 1996.

                                                             RALPH NELSON, PRESIDENT

                  MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

vld/O:USW-S-95-1.dh2

**FOOTNOTES**

1:

“Basic local exchange service” is defined as the provision of access lines to residential and small business customers with five or fewer lines for the transmission of two-way, interactive switched voice communications within a local exchange area.  Idaho Code §§ 62-603(1), (5), and (8).

2:

The proposal originally included a request for $1.641 million to install enhanced 911 emergency calling systems in 16 counties.  This portion of the proposal was withdrawn when the Association of Counties withdrew from the case.  Consequently, we will not address this issue.

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

March 7, 1996