DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

STEPHANIE MILLER

TERRI CARLOCK

SYD LANSING

EILEEN BENNER

BEVERLY BARKER

GARY RICHARDSON

WORKING FILE

FROM:DON HOWELL

DATE:JULY 17, 1995

RE:STAFF AUDIT OF THE 1994 REVENUE SHARING YEAR,

CASE NO. USW-S-95-1

On May 1, 1995, U S WEST Communications filed its Revenue Sharing Report for the completed 1994 sharing year.  As indicated in the attached summary, the Company reported that the adjusted number of telephone access lines in southern Idaho was 383,008.  This represents an increase of 20,430 lines or 5.63% growth from 1993.  The Company calculated that the average revenue per access line in 1994 was $522.11.  See Report Summary at line 21.  Based upon the Title 61/62 revenue ratio, the Company asserted that 41.82% of the increased revenue was attributable to Title 61 services.  Consequently, the Company reported that $5.448 million was available for revenue sharing purposes.  See Report Summary at line 30.  This sharing amount does not include any interest that accrues on the sharing amount.

On May 15, 1995, the Commission issued its Notice of Report Filing briefly outlining the results of the 1994 sharing year.  As is customary, the Staff undertook an examination of the underlying data contained in the Company’s Sharing Report.  Staff has completed its audit and asserts that this case is ready for further processing.

STAFF AUDIT COMMENTS

Examination of the Company’s Revenue Sharing Report and data was performed by Staff auditor Syd Lansing.  After verifying the underlying data, the Staff discovered only one significant error.  U S WEST had inadvertently omitted reporting all its telephone directory revenue on line 9.  The Staff determined that the Company had under-reported directory revenue by $1.057 million.  Following discussions with the Company, the Staff understands that the Company is in agreement with the Staff’s adjustment.  Consequently, the Company will soon file an amended 1994 Sharing Report adjusting the Idaho directory revenues.  This adjustment results in an increase in the amount of Title 61 sharing funds of $442,037, or a total sharing amount of $5,890,709.

In addition to the $5.89 million generated by the sharing plan, the sharing plan also requires that interest accrue on the revenue sharing amount at a rate of 11.9% from January 1, 1995 until such time as the revenue sharing funds are dispersed per Commission Order.  From January 1 to July 1, 1995, the sharing amount has accrued $350,497 in interest.  Consequently, the total amount of Title 61 sharing funds at present is approximately $6.2 million.  Until the Commission rules on the appropriate disposition of the Title 61 sharing funds, interest will continue to accrue at the rate of approximately $58,000 per month.

FURTHER PROCEEDINGS

Every revenue sharing case has two components.  First, the Commission examines and verifies the data contained in the Revenue Sharing Report.  Second, the Commission determines the appropriate disposition of the Title 61 sharing funds.  In the first two years of the plan’s operation, the Commission directed that the available sharing funds be returned to Title 61 customers in the form of a one-time credit.  This resulted in credits of $5.49 and $7.98 for the 1989 and 1990 sharing years, respectively.  During the last three years, the Commission used approximately $14.2 million of the Title 61 sharing amounts to fund local network improvements in U S WEST’s small rural exchanges.  This modernization program, Tech II, was completed in 1994.  The Commission also used the sharing funds as credits against the $3.19 monthly rural zone charge assessed against 55,000 rural customers.

The Staff believes that this case is appropriate for further processing under modified procedure.  Under modified procedure, the Commission may request interested parties file comments concerning the verification of the revenue sharing data and submit comments concerning the appropriate disposition of the Title 61 sharing funds.

COMMISSION DECISION

Given the completion of the Staff audit, does the Commission find that further examination of the revenue sharing amount for 1994 should be conducted under modified procedure?  Should consideration of use of the revenue sharing funds be scheduled for an evidentiary hearing or should comments be received under modified procedure?

Donald L. Howell, II

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