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

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| IN THE MATTER OF THE IMPROVING OR REPLACING U S WEST COMMUNICATIONS’ REVENUE SHARING PLAN FOR SOUTHERN IDAHO.                                                                                         IN THE MATTER OF EVALUATING SERVICE QUALITY STANDARDS APPLICABLE TO U S WEST COMMUNICATIONS’ SOUTHERN IDAHO SERVICE AREA. | )))))))))) | CASE NO. USW-S-95-4CASE NO. USW-S-95-2ORDER NO.  26476 |

In Order No. 26395 issued April 3, 1996, the Commission granted U S WEST Communications’ Motion to Withdraw a proposal to replace the Revenue Sharing Plan in Case No. USW-S-95-4.  Given the withdrawal of the regulatory proposal, the Commission invited parties in the aforementioned case to submit written comments addressing three questions.  First, in light of U S WEST’s intent to file a general rate case, is there a need to continue the USW-S-95-4 proceeding concerning the modification or replacement of the Revenue Sharing Plan?  Second, should Case No. USW-S-95-2 addressing service quality standards issues for U S WEST be continued?  Finally, what is the appropriate treatment of new EAS routes during the continued operation of the Revenue Sharing Plan and until a rate case is concluded?  Order No. 26395 at 4.  Given the comments of the parties, it is appropriate to close the two dockets referenced above.

BACKGROUND

In Order No. 25923 issued March 15, 1995, the Commission directed that Staff work with U S WEST to implement modifications to the Revenue Sharing Plan(footnote: 1) or to develop a replacement to the Sharing Plan.  See Order No. 25923 at 11-12.  In particular, the parties were directed to examine alternatives to the extended area service (EAS) component of the Sharing Plan.  Order No. 25923 also initiated Case No. USW-S-95-2 to consider the establishment of service quality standards for U S WEST.

U S WEST and the Commission Staff subsequently submitted a joint proposal in October 1995 urging the Commission to adopt a new regulatory plan to replace the Revenue Sharing Plan.  Although the new proposal contained service quality standards for U S WEST, the Plan did not address the EAS component of the existing Plan.  Following a prehearing conference in November 1995, the Staff and U S WEST prefiled direct testimony supporting the new regulatory plan in December 1995.

On February 7, 1996, MCI Telecommunications filed a Motion requesting that the Commission issue an Order rejecting the Staff and U S WEST’s joint proposal to replace the Sharing Plan.  MCI argued that various provisions of the joint proposal were inconsistent with the federal Telecommunications Act of 1996 (enacted the following day).  U S WEST  and the Staff subse­quently submitted separate responses recommending that the Commission allow the joint proposal to be withdrawn.

 In Order No. 26395 issued April 3, 1996, the Commission granted the parties’ request to withdraw the joint proposal.  The Commission found that withdrawal of the joint proposal rendered MCI’s Motion to Dismiss moot.  In addition, the Commission also invited parties to the case to submit written comments addressing continuation of the 95-4 case, the service quality issues in the 95-2 case, and the EAS compensation mechanism of the Revenue Sharing Plan.  Order No. 26395 at 4.

THE COMMENTS

Timely comments were received from MCI and GTE Northwest.  In addition, the Commission Staff and U S WEST filed “comments” in the form of a Stipulation and Settlement Agreement.

1.MCI.  MCI submitted thoughtful and comprehensive comments covering a broad range of telecommunications issues.  MCI urged the Commission to adopt a “comprehensive strategy for addressing the many policy and related [telecommunication] issues that are unresolved in Idaho.”  MCI comments at 2.  MCI suggested that the Commission undertake seven specific measures:

1.Take steps to bring Case No. GNR-T-94-5 (intraLATA presubscription) to a speedy conclusion.

2.Approve AT&T’s Application to amend its Certificate of Public Convenience and Necessity thereby allowing it to provide local service (Case No. ATT-T-96-1).

3.Require that existing interconnection agreements be filed with the Commission.

4.Use the anticipated U S WEST rate case as the vehicle to address service quality issues

5.Prepare to implement the FCC’s interconnection rules when issued in August 1996.

6.Create a process to receive interested parties’ suggestion for legislation.

7.Examine requests for EAS in the context of the federal Telecommunications Act.

2.GTE.  GTE’s comments focused on toll quality and service compensation.  GTE asserted that when the Commission grants an EAS, that the affected LEC should be allowed to recover all of its appropriate costs including lost toll revenue.  Recovery should be granted to incumbent and new LECs.  The Company argued that a full recovery is not allowed for EAS conversions, a confiscation or “taking” could occur.  GTE comments at 4.

On the subject of service quality, GTE stated that the emerging competitive marketplace will take care of the issue of service quality.  The Company suggested that in “the new competitive arena, customers will have optional carriers from which to choose.  Accordingly, if a telecommunications company provides [poor] service, the customer will leave and obtain service from a competitor.”  GTE Comments at 3.  GTE urged the Commission to not initiate a new docket to consider service quality standards for all local exchange companies.  If necessary, service issues applicable to U S WEST could be examined in the pending rate case.

3.  Staff and U S WEST Stipulation.  The settlement agreement entered into between the Staff and U S WEST addressed three major areas.  First, the parties proposed that the Revenue Sharing Plan be terminated.  In lieu of the cost allocation methodology in the Revenue Sharing Plan, U S WEST stipulated that it will file a general rate case no later than September 30, 1996.  Consequently, the parties urged the Commission to close Case No. USW-S-95-4.

Second, U S WEST and the Staff proposed creating four EAS regions allowing customers within each region to make “local” calls to each exchange located within the region.  Approximately 82% of U S WEST’s customers are located within the proposed region.  Third, they recommended that 1995 and 1996 revenue sharing funds be used to defray the cost of implementing the local calling regions.

The Staff and U S WEST also filed separate comments addressing the service quality standards.  In its comments, the Staff asserted that the best course of action at this time would be to open a rulemaking docket to develop service quality standards applicable to all local exchange service providers.  The Staff recommended that the service quality case applicable to all providers would allow the Commission to close Case No. USW-S-95-2.

Conversely, U S WEST maintained that service quality standards are inappropriate in the new telecommunications environment.  The Company observed that the impending rate case will afford the Commission “regulatory oversight” over service quality issues.  The Company agreed with GTE that competition will dictate what service quality standards the public desires.  U S WEST recommended that the Commission examine its “customer protection” rules(footnote: 2) to ensure that they are competitive neutral.

DISCUSSION

After reviewing these comments, the Commission finds that it is appropriate to close Case Nos. USW-S-95-2 and USW-S-95-4.  No party urged the Commission to continue the 95-4 case and several acknowledged that the expected rate case would be the appropriate forum to address service quality issues.  None of the commenters supported a continuation of the 95-2 case, albeit for different reasons.  Based upon the comments, the anticipated general rate case, and our pending case to consider termination of the Revenue Sharing Plan, we find: It is appropriate to close these two cases.

O R D E R

IT IS HEREBY ORDERED that Case No. USW-S-95-2 and Case No. USW-S-95-4 shall be closed.

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.  USW-S-95-2 and USW-S-95-4 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.  USW-S-95-2 and USW-S-95-4.  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 June 1996.

                                                                                                                                       RALPH NELSON, PRESIDENT

                                                                                            MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

vld/O:USW-S-95-4.dh

**FOOTNOTES**

1:

In 1989 the Commission adopted the Revenue Sharing Plan as a method of allocating costs between the fully regulated (Title 61) and partially regulated (Title 62) services of U S WEST Communications in its southern Idaho service area.

2:

The Commission’s Telephone Customer Relations Rules address topics such as deposits, termination of service, dispute resolution, and payment arrangements.  IDAPA 31.41.01.000 et seq.

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

June 5, 1996