DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

STEPHANIE MILLER

EILEEN BENNER

SYD LANSING

JOE CUSICK

GARY RICHARDSON

WORKING FILE

FROM:DON HOWELL

DATE:JUNE 23, 1995

RE:REPLACEMENT OR MODIFICATION OF THE U S WEST REVENUE SHARING PLAN, CASE NO. USW-S-95-4

In last year’s revenue sharing case, the Commission directed the Staff and U S WEST to undertake discussions for the purpose of recommending modifications to the Idaho Revenue Sharing Plan or developing a new regulatory plan.  Order Nos. 25826 and 25923 direct that the Staff and Company, either jointly or individually, file a report outlining the new regulatory framework by June 1, 1995.  Upon the Joint Motion of the Staff and U S WEST, the Commission extended the time to file the report until June 12, 1995.  On June 12, the Staff and U S WEST filed individual reports.  Those reports are attached.

INTRODUCTION

Both the Staff and the Company recognize that various forces (national legislation and emerging competition for some telecommunication services) may result in significant changes to the telecommunications industry nationwide and in Idaho.  Consequently, the Staff and the Company have attempted to develop a regulatory plan that recognizes these forces as they apply to Idaho’s unique circumstances.  The parties generally agree that the Revenue Sharing Plan should be replaced with a new regulatory mechanism.  Both parties anticipate that the new plan would operate for at least five years.

ANALYSIS

The table below shows a side-by-side comparison of the two reports by issue.

|  |  |  |
| --- | --- | --- |
| ITEM OR COMPONENT | STAFF POSITION/  RECOMMENDATION | U S WEST POSITION/  RECOMMENDATION |
| Replace the Revenue Sharing Plan | yes | yes |
| Name of new Plan | The Idaho Service In­cen­tive Plan (ISIP) |  |
| Proposed term of Plan | 5 years | 5 years |
| Service quality standards | Yes; proposed 14 service measure­ments and standards similar to those proposed in last year’s case and identical to those standards currently under consideration by the ROC. | Yes; acknowledged discussion of service quality standard.  Prefers BSM Standards. |
| Incentives/disincentives for service quality targets | Yes, Company’s service quality performance measured and graded annually beginning 1/95.  If A grade-price increase; B grade-no price increase; and C grade-decrease in Title 61 residential service rates.  Need to weight standards. | Service targets phased-in over 3 years.  If USW achieves standards, then allow rate increase.  If standards not met, “then any price increases would be adjusted accordingly.” |
| Individual customer compensation | Yes, credits to customers with missed service appointments or repair.  Compensation on new orders (with existing facilities) if uncompleted within 48 hours; new orders (requiring facilities) compensated after 30 days. | \*Existing rules require a month’s credit if not repaired within 48 hours. |
| Proposed rate increment | Yes; $.50 per residential access line for each year of the last four years of the Plan if meet service standards (1997-2000).  Business rates held constant. | Yes; but unspecified. |
| Infrastructure/service proposals | No | Placing telecommunication gateways at public libraries or other governmental institutions |
| Disposition of revenue sharing funds for the 1994/95 years | (The Staff believes this issue will be resolved in the 94-2 case.) | Eliminate rural zone charges; phone banks at community houses; temporary service for those in subsidized housing, waiving non-recurring charges for “low-income individuals”; and funding “outreach programs to help disadvantaged people.” |

|  |  |  |
| --- | --- | --- |
| EAS revenue mechanism | Yes, compensation based on MOU to develop revenue requirement.  After rate group adjustment, any residual revenue requirements spread equally across all customers. | Yes (no details) |
| Rural zone charges  $3.19/mo or $2.3 million annually | Eliminate rural zone charges 1/96.  Recover revenue from residential T.61 customers at $.66 per/mo. | Does not oppose.  Possibly use 94-95 sharing funds. |
| Merging north in southern Idaho operation | Yes; no resolution on details | Yes; no resolution on details.  Reduce northern access charges. |
| Proposed schedule to process this case. | Staff/Company prefiling August 11; hearing October 5-6 | Continue working with Staff; submit a final product by September 30. |

As evident in the table above, many issues and elements of a new regulatory plan have been considered.  Although both parties recognize the importance of service standards (whether included in this plan or as part of a separate docket), the parties have not reached agreement on the service quality standards or measurements.  Likewise, the parties have not agreed on the proposed annual rate increase for residential customers.  It appears further discussions are warranted.

Commission Decision

1.Does the Commission wish to instruct the Company and/or the Staff to continue pursuing negotiations?

2.Does the Commission wish to express any preliminary, non-binding opinions regarding any issues?

3.What is the Commission’s desire regarding any scheduling?

Don Howell

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