Donald L.  Howell, II

Deputy Attorney General

IDAHO PUBLIC UTILITIES COMMISSION

PO Box 83720

Boise, ID  83720-0074

Tele:  (208) 334-0312

FAX: (208) 334-3762

Street Address for Express Mail:

472 W Washington

Boise, ID  83702-5983

Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

|  |  |  |
| --- | --- | --- |
| IN THE MATTER OF IMPROVING OR REPLACING U S WEST COMMUNICATIONS’ REVENUE SHARING PLAN FOR SOUTHERN IDAHO.  | ))))))) | CASE NO. USW-S-95-4STAFF RESPONSE TO U S WEST’S MOTION TO WITH­DRAW JOINT PROPOSAL |

COMES NOW the Staff of the Idaho Public Utilities Commission by and through its attorney of  record and submits these comments in accordance with the Commission’s procedural Rule 57.03, IDAPA 31.01.01.057.03.  On February 7, 1996, MCI Telecommunications filed a Motion requesting that the Commission issue an Order rejecting U S WEST Communications’ and the Commission Staff’s joint proposal to adopt an alternative form of regulation (AFOR) for U S WEST’s  southern Idaho operation.  On March 5, 1996, the Commission issued Order No.  26354 granting U S WEST additional time in which to answer MCI’s Motion.  U S WEST filed a timely “Answer” in the form of a Motion to Withdraw the joint AFOR proposal.

COMMENTS

The Staff and U S WEST filed the Joint Motion for Acceptance of a Regulatory Plan (Plan) on October 5, 1995.  Since that time, passage of the historic Telecommunications Act of 1996 (Act) has occurred.  That Act significantly alters the landscape in which the Plan would operate over the next five years.  For example, the Act allows other companies entry into U S WEST’s local service market in southern Idaho.  Consequently, U S WEST’s future customers will include not only the residential and business end-users of today, but also new providers of local exchange service who wish to resell U S WEST services and/or connect to U S WEST network facilities.  U S WEST will also be able to enter the interLATA long-distance market upon meeting certain interconnection and resell conditions.  In addition, the Company may provide video services through separate subsidiaries.

These and many other radically new regulatory conditions contained in the Act compel the Staff to agree with both MCI and U S WEST that the Plan will not be workable as drafted and it should be withdrawn.  Staff asserts that withdrawal of the Plan would moot MCI’s Motion to Dismiss.  In withdrawing support for the Plan, Staff would like to clarify two points contained in U S WEST’s Motion to Withdraw.

Local Rate Increases

Nothing in the Joint Motion for Acceptance of Regulatory Plan or in Staff’s supporting testimony indicated that Staff had conducted a cost of service study or had accepted any such study conducted by U S WEST.  We did conduct a cost allocation study to determine if any subsidy of Title 62 services by Title 61 services was occurring.  Our analysis was explained in Staff witness Lansing’s testimony and referred to in Staff witness Miller’s testimony as the basis for our conclusion that no such subsidy was occurring.  Lansing’s analysis indicated the Company was earning approximately 9.7% on its Title 61 operations which was in the range of reasonable capital recovery.  As Ms. Miller’s prefiled testimony stated, if the Company were to receive the $1.00 residential rate increase contingent upon meeting its first service quality performance threshold, the Title 61 return would still be within a reasonable range.

Because Staff did not conduct a cost of service study, we made no determination that residential rates were below cost or that business rates were above cost.  We simply noted that the historical reasons for the business-to-residential rate ratio had changed, making it appropriate to affect a slight adjustment in the ratio.  There was no assertion made by the Staff that local rates needed to be “rebalanced.”  The Company’s characterization of the Plan’s terms as being “a good faith effort on the part of the Commission Staff and the Company to address, in a limited way, the need to rebalance U S WEST’s rates so that the prices charged for regulated services come closer to covering the costs of provision,” is therefore not accurate.  Motion to Withdraw at 3.  U S WEST has indicated it intends to file a rate case; Staff agrees that the Company should do so within the next 60-90 days.

Service Quality

In its Motion, U S WEST asserts, “it is no longer appropriate that the Company be held to a standard with unique application.”  While setting aside the issue of service quality standards for new local service providers, Staff would agree that incumbent local exchange service providers should be held to a common standard. Developing standards within the context of this Plan made sense at the time because it provided some incentive for the Company to improve its performance.  As U S WEST is well aware, consumer complaints and its own internal service quality measurements indicate that it still has serious problems to address.  While we regret that there is no other venue in which to provide an immediate incentive to the Company to improve service, Staff would propose that if the Commission accepts the parties’ request to withdraw the Plan, it open a docket on service quality rules for all local exchange providers as soon as possible.

CONCLUSION

In Summary, Staff agrees with U S WEST’s Motion that the Commission should allow  the joint AFOR proposal to be withdrawn.  Withdrawal of the proposal will render MCI’s Motion to Dismiss moot.

Respectfully submitted this            day of March 1996.

Donald L.  Howell, II

DeputyAttorney General

cm/n:usw954.dh3