DECISION MEMORANDUM

TO:COMMISSIONER NELSONBEVERLY BARKER

COMMISSIONER SMITH EILEEN BENNER

COMMISSIONER HANSENJIM LONG

MYRNA WALTERSBIRDELLE BROWN

STEPHANIE MILLERSYDNEY LANSING

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DON HOWELL  TONYA CLARK

WELDON STUTZMANWORKING FILE

FROM: JOE CUSICK

DATE: AUGUST 15, 1995

SUBJECT:USW-S-95-5  &  FMT-T-95-1; SALE OF U S WEST'S NUACRES EXCHANGE TO FARMERS MUTUAL TELEPHONE COMPANY

BACKGROUND

On August 1, 1995, U S WEST and Farmers Mutual Telephone Company of Fruitland (Farmers), filed a joint application with the Commission asking for approval of the sale of U S WEST's NuAcres exchange to Farmers.

The NuAcres exchange is the Idaho portion of the Nyssa, Oregon exchange.  A map of the NuAcres exchange and the surrounding area is included as Attachment 1.  This exchange contains approximately 185 customers.  Farmers serves approximately 2,500 customers in the Fruitland exchange.

NuAcres customers currently pay a basic monthly rate of $11.04 for residence service and $28.56 for business service.  Because all of the NuAcres customers are outside of the base rate area, they also are subject to a $3.19 monthly zone charge and are receiving the $1.60 credit as part of the revenue sharing plan.  As with the other sold exchanges these customers will lose that credit when the sale is completed.  Farmers' customers currently pay a monthly rate of $6.75 for either residence or business service.  NuAcres customers will be asked to purchase a share of stock for each access line at a cost of $25.00 per share.

The EAS calling area for NuAcres currently includes Nyssa, Ontario, Vale, and Fruitland.  Upon purchasing the exchange, Farmers will include Payette and New Plymouth in that current EAS area.  Most of NuAcres is in Payette County, with a small portion in Canyon County.  Most of the exchange is in the Fruitland school district.

From the standpoint of service, NuAcres is currently served by a central office in Nyssa.  If this sale is approved, Farmers will install a remote switch working off of the company's DMS-10 in Fruitland.  These two switches will be connected by a fiber optic line.  This should markedly improve the level of service to NuAcres.  As the Commission may recall, NuAcres was one of the areas where U S WEST was unable to provide 9600 bps service as part of the Tech II program.  If the sale is approved, these customers will have the capability of higher transmission speeds as well as access to CLASS features.

In investigating customer trouble reports, I found Farmers has had no complaints filed with the Commission in the past five years.  This would put the company in the satisfactory category.

The NuAcres exchange is being sold for $369,000.  With a current net book value of $268,000, all of it outside plant, this represents a ratio of sale price to net book value of 1.37:1.  The purchase will be paid for with current operating reserve funds so no borrowing will be required by the Company.  As with Case No. USW-S-94-4, the amount of the gain and the treatment of it will likely be an area of disagreement between U S WEST and the Staff, however, Staff would prefer to attempt to work this out through modified procedure.

There are some timing considerations involved with this sale.  There is highway construction scheduled in November along Highway 95 between Fruitland and NuAcres which will cause U S WEST to relocate the existing cable along the road.  Both the buyer and seller would like to have approval of the sale by that time so that construction of the fiber optic link between Fruitland and the new remote office could take place at that time.  As a result, they have requested that the application be processed under modified procedure, if possible.

STAFF RECOMMENDATION

In my preliminary investigation of this sale, there do not appear to be any contentious issues, other than the gain, which would require hearing.  To the extent that Staff and the

U S WEST can resolve this issue, Staff recommends that this case be handled under modified procedure, however, with a comment period of 45 days.

COMMISSION DECISION

Does the Commission agree?

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Joe Cusick

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