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

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| IN THE MATTER OF THE APPLICATION OF U S WEST COMMUNICATIONS, INC.  FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR REGULATED TITLE 61 SERVICES. | )  )  )  )  )  )  ) | CASE NO. USW-S-96-5  ORDER NO.  27112 |

On August 12, 1997, the Commission issued final Order No. 27100 deciding U S WEST Communications’ general rate case.  In that Order, the Commission directed U S WEST to reduce its annual revenue requirement by $327,000.  On August 18, 1997, U S WEST filed a Petition to Stay that portion of Order No. 27100 requiring the Company to reduce its Title 61 business rates effective August 21, 1997.  In this Order, we grant the Company’s Petition for Stay.

THE PETITION

The Company asserted in its Petition that the Commission’s calculation of the authorized revenue requirement “inadvertently overlooked” inclusion of a “memorandum” expense in the amount of $2.5 million.  Petition at 2.  As described in the Order, memorandum expenses were the cost for Title 62 services utilized in support of Title 61 operations.  Order No. 27100 at 52.  The Commission found “that it is reasonable to conclude that the Company does utilize Title 62 services to support its Title 61 operations.  Consequently, we shall allow these expenses.”  Id.

The Company maintained that if the memorandum expense adjustment was inadvertently omitted from the calculation of the Company’s revenue requirement, then “the effect of the error . . . is sufficient to take U S WEST to a positive revenue requirement” including the approved change in the “gross-up” factor.  Petition at 2.  Consequently, the Company requested that the Commission immediately stay that portion of Order No. 27100 requiring the reduction of Title 61 business rates “pending the quantification of this and other issues which the Company will raise in its Petition for Reconsideration to be filed” no later than September 2, 1997.  Id. at 3.  A stay should be granted so that customers “are not subject to incorrect billings and conflicting explanations concerning the impact of the Commission’s decision.”  Id.

Although the Staff was not able to agree with U S WEST on the precise revenue impact of the alleged error, the Staff acknowledged that an error may have occurred.  The Staff did not oppose the stay of Title 61 business rates.

The Commission found that there was sufficient cause to convene a special decision meeting on less than 24 hours’ notice given the likelihood of the Company sustaining a financial loss.  Idaho Code § 67-2343(2).  The Commission Secretary and the Staff notified the parties that participated in the rate case of our special meeting to consider U S WEST’s Petition.

DISCUSSION

At our special decision meeting, U S WEST reiterated the points raised in its Petition.  The Company indicated that staying the reduction of the business rates would yield approximately $1.3 million in Title 61 revenues—less than the magnitude of the described error.  Petition at 3.  Staff counsel indicated at the special meeting that he believed the memo expense was included in the Commission’s Order but was allocated between Title 61 and Title 62 instead of assigned entirely to Title 61.  Assuming the memo expense was included within the Commission’s Order but was allocated, he calculated that the Company may be entitled to approximately $1.125 million in additional revenue.  Given the imminence of the rate changes, Staff conceded that it was appropriate for the Commission to stay the Title 61 business rate reductions pending the Commission’s evaluation of this issue.

Based upon our review of the Company’s Petition and the Staff’s representations made at our special meeting, we believe that it is appropriate and reasonable to stay that portion of Order No. 27100 pertaining to the reduction of Title 61 business rates.  We believe there is prima facia evidence to indicate that an error may have occurred in the calculation of the Company’s annual revenue requirement.  Without fully deciding the merits of the Company’s contention, we believe it is reasonable to stay the reduction of Title 61 business rates.  It makes little sense to reduce business rates now if there is a likelihood that those rates may subsequently change again because of adjustments to the Company’s revenue requirement.

At the special meeting, Idaho Citizens Coalition suggested that the Commission also consider staying the increase in Title 61 residential rates.  We declined this proposal because staying the residential increases would exacerbate the revenue problem.  Postponing the residential increases would reduce the Company’s revenues by approximately $2 million, an amount in excess of the business reduction.

We further find that there was sufficient cause to convene a special meeting given the likelihood that the Company might experience a financial loss if the Company’s revenue requirement  was not properly calculated in Order No. 27100.

O R D E R

IT IS HEREBY ORDERED that U S WEST’s Petition to Stay that portion of Order No. 27100 pertaining to the reduction in Title 61 business rates to be effective August 21, 1997, is granted.  The reduction of business rates is stayed until the Commission can examine this issue and other issues that the Company intends to raise in its Petition for Reconsideration.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this                  day of August 1997.

                                                                                                                                      DENNIS S. HANSEN, PRESIDENT

                                                                                           RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

vld/O:USW-S-96-5.dh7

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

August 20, 1997