(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.  TARIFF ADVICE 96-10-N TO RESTRUCTURE LOCAL TRANSPORT CHARGES. | )  )  )  )  ) | CASE NO. USW-T-97-3  ORDER NO.  27145 |

On December 18, 1996, U S WEST filed Tariff Advice No. 96-10-N to completely restructure its northern Idaho access service tariff.  The proposed tariff unbundles that portion of access service known as local transport, and revises switching carrier common line rates.  On January 16, 1997, the Commission issued Order No. 26762 suspending the proposed effective date of the tariff until July 20, 1997.  Subsequent to the issuance of Order No. 26762, the Commission issued a Notice of Modified Procedure soliciting comments in response to U S WEST’s tariff advice.  AT&T Communications of the Mountain States, Inc. (AT&T) and the Commission Staff submitted comments in response to U S WEST’s tariff advice.  U S WEST filed a response to those comments on June 20, 1997.  Finally, on July 21, 1997, the Commission issued Order No. 27054 further suspending the effective date of U S WEST’s tariff until September 18, 1997.

The rate structure proposed by U S WEST adopts a single rate for local switching that includes the usage sensitive cost of switching an originating or terminating call through an Access Tandem Switch and includes distance- and non-distance sensitive elements.  All of the elements included in U S WEST’s definition of local switching are traffic sensitive and are recovered through a per-minute charge.  Staff’s analysis of the changes in rates for switching shows an overall decrease of less than 1% of switching rates for U S WEST customers.

U S WEST proposes fixed rates for direct trunked transport terminations and per mile rates associated with cable, repeaters and intermediate equipment.  Rates for tandem switching are tariffed on a per minute-of-use basis.  The proposal unbundles existing transport rates into rates for customers using dedicated access and rates using tandem switched access facilities.  Although the proposed rates are redistributed and, therefore, difficult to compare to existing rates, Staff’s review of U S WEST’s five largest northern Idaho customers reveals an approximate 90% reduction in transport charges.  U S WEST’s proposed carrier common line (CCL) rates are tariffed on a per minute-of-use basis and are increased 104% to 128% over existing CCL rates.

AT&T

AT&T opposes U S WEST’s proposed tariff revisions.  First, AT&T notes that U S WEST has not had a general rate case involving cost of service in over a decade and contends that U S WEST’s proposed tariff revisions move in the opposite direction of the expected FCC access charge reform which will intend to remove implicit subsidies from access payments.  AT&T contends that U S WEST should be required to justify its increase in CCL charges to achieve a revenue neutral filing.

Second, AT&T opposes the tariff revisions because (1) AT&T’s access rate and expenses will increase significantly, (2) local transport restructure filings by U S WEST in other states typically cause a reduction in overall access rates for AT&T, (3) the CCL charge increase is not cost-based and is unwarranted, (4) the effect of U S WEST’s filing is contrary to expected FCC reform, (5) the disparity between U S WEST’s intrastate and interstate access rates will be over 330%, (6) U S WEST’s proposed rates are different from the rates it filed in arbitration with AT&T, and (7) U S WEST’s intrastate toll rates should not be reduced until access rates are based on cost.

Staff

Staff initially recommended that the Commission postpone a decision on the proposed tariff revisions until it had the opportunity to review the FCC Access Reform Proposal.  Staff emphasizes that U S WEST’s filing must be revenue neutral so that there is no increase or decrease in the revenue needed to meet the Company’s established revenue requirement.  Based upon proprietary information received by the Commission Staff from U S WEST, Staff is satisfied that the filing, on the whole, is revenue neutral.

U S WEST Reply

U S WEST filed a reply in response to the comments submitted by AT&T.  U S WEST argues that its tariff advice is simply a restructuring of access prices and is revenue neutral for U S WEST and for interexchange carriers as a group, although AT&T’s access expense may increase.  U S WEST reminds the Commission that this filing was a voluntary action to bring northern Idaho rates into conformance with the structure used in the interstate jurisdiction and in its other intrastate jurisdictions.

Regarding AT&T’s contention that local transport restructure filings typically result in a reduction in overall access charge rates paid by AT&T, U S WEST observes that AT&T fails to mention that with the exception of Idaho, all of the access filings listed by AT&T involve a larger proceeding within which net switched access reductions were being made.  U S WEST asserts that the Commission should consider the overall effect of the tariff and the benefit of the rate design rather than AT&T’s assertion that it will experience an increase in northern Idaho.

U S WEST contends that its CCL charge increase is reasonable under the circumstances.  U S WEST reminds the Commission that none of the prices for products and services in northern Idaho are cost-based in the sense that AT&T uses the term.

U S WEST contends that its filing is complimentary to and not inconsistent with FCC access charge reform.  U S WEST maintains that AT&T’s assertions of increased access rates are unfounded.  U S WEST observes that the FCC’s Order does not appear to provide the clear road map for Idaho access reform that AT&T was looking for.

U S WEST contends that the disparity between U S WEST interstate and intrastate access charges already exists.  U S WEST defends its tariff revisions on the basis that the revisions will not affect the average rate per minute.

U S WEST contends that AT&T’s comparison between northern Idaho switched access prices and unbundled local interconnection prices is irrelevant.  U S WEST argues that there is no justification for equating local interconnection elements with bundled finished service rates and that AT&T’s position to the contrary was rejected by the FCC in its May 7, 1997, Order.

Finally, contrary to AT&T’s argument that U S WEST’s proposed toll rates create a price squeeze, U S WEST maintains that it is not proposing any toll rate reductions.

F I N D I N G S

We find that U S WEST’s Tariff Advice 96-10-N restructuring that Company’s local access rates in northern Idaho is just and reasonable and is hereby approved.  U S WEST’s proposed access tariff structure begins the reform of its intraLATA access rates to more closely comply with the FCC interstate rate structure outlined in CC Docket No. 96-262, First Report and Order, May 7, 1997.  In this tariff proposal, U S WEST revises its switching and transport charges to more closely resemble the federal requirements.  U S WEST’s proposal also unbundles certain access elements to allow carriers to choose transport arrangements to fit their needs.  While U S WEST’s proposed structure does not precisely mirror the FCC structure, it is a step in the right direction.

While approving this move to make its intraLATA access rate structure more closely reflect interLATA access rates, we do not attempt to determine the relationship between costs and U S WEST’s proposed rates.  That issue is for another proceeding.

In a fully regulated jurisdiction, a Company’s revenue is recovered under a rate design adopted and approved by the Commission.  We find that, based on proprietary information received from U S WEST, and based on Staff’s analysis, U S WEST increased its CCL charge to make the filing revenue neutral ensuring that U S WEST will recover approximately the same proportion of its overall revenue requirement from the provision of access services as it did prior to the filing

We understand AT&T’s situation and concern for increased rates because of the increase in CCL rates.  AT&T has advised us, however, that U S WEST-North is the only LATA where their rates will increase.  In other areas where U S WEST has reformed its access rates, AT&T’s costs have been lowered.  It is unfortunate, but an unavoidable outcome of the fourteen state rate restructure.

The Commission is in the process of examining subsidies that currently exist in local exchange company rates with the intent to find ways to eliminate these subsidies.  Through that process, we will examine the non-cost based elements of U S WEST’s and other LEC’s rates.  In the meantime, we find that U S WEST’s proposed tariff begins the process of implementing a new access rate structure in Idaho.

O R D E R

IT IS HEREBY ORDERED that U S WEST’s Tariff Advice No.  96-10-N is approved consistent with the terms and conditions set forth in this Order.

IT IS FURTHER ORDERED that U S WEST file new tariff pages showing an effective date consistent with the Company’s ability to implement and bill for its revised rates.

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 this Case No. USW-T-97-3  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 this Case No. USW-T-97-3 .  Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration.  See Idaho Code § 61-626.

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

                                                                                                                                      DENNIS S. HANSEN, PRESIDENT

                                                                                           RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

vld/O:USW-T-97-3.bp2

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

September 18, 1997