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

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| IN THE MATTER OF THE INVESTIGATION INTO THE METHODOLOGY FOR DETERMINING U S WEST COMMUNICATIONS, INC.’S COST OF EXTENDED AREA SERVICE (EAS) | )))))) | CASE NO.  USW-T-98-3FINAL ORDER APPROVING SETTLEMENTORDER NO.  27633 |

On April 10, 1998, the Commission issued an Order in Case Nos. GNR-T-96-5, GNR-T-97-7 and ROK-T-97-1 establishing this case in which the Commission will resolve all issues pertaining to extended area service (EAS) cost compensation for U S WEST Communications, Inc.  Order No. 27450.  The Commission granted Citizens Telecommunications Company of Idaho, Idaho Telephone Association, PTI Communications, Century Telephone of Idaho, Inc., Potlatch Telephone Company, and Troy Telephone Company intervention.  Order Nos. 27490, 27498 and 27598.

A settlement conference was held with all parties on June 24, 1998, pursuant to Procedural Rule 272.  After the settlement conference, the Stipulation and Settlement was negotiated and finalized resolving all issues in this case.

On June 26, 1998, U S WEST and the Commission Staff filed a Joint Motion to Adopt a Stipulation and Settle­ment Agreement.  Approval of the Stipulation and Settlement would make further formal proceedings unnecessary.  In that motion, U S WEST and Staff requested that the Commission adopt the methodology set forth in the Stipulation for determining U S WEST’s costs for providing EAS in future cases and that the Commission apply the methodology to determine U S WEST’s cost for providing EAS in Case Nos. GNR-T-96-6, GNR-T-97-3, GNR-T-97-8, GNR-T-96-5, and GNR-T-97-7. Both parties also recommended that after approving the Stipulation and Settlement, the Commission vacate the September 15, 1998, hearing date and its accompanying schedule, because the Stipulation and Settlement would resolve all contested issues in this case.  Staff and U S WEST requested that the Commission schedule a hearing to consider this Motion.  No party objected to the adoption of the Stipulation.

The Commission held a hearing on July 15, 1998, where Staff witness Joe Cusick and U S WEST witness John Souba testified in support of the Stipulation.  Idaho Telephone Association appeared at the hearing and stated its support for the Stipulation on the record.

Based on the testimony, the law, and the memoranda, the Commission approves the proposed Stipulation and Settlement.  The Commission further finds that approval of this Stipulation resolves all issues in this case.

THE STIPULATION AND SETTLEMENT

This Stipulation resolves the long standing issue of compensation for U S WEST for its costs in providing EAS between U S WEST exchanges and for providing EAS between U S WEST and non-U S WEST exchanges.  This issue has plagued EAS cases for nearly ten years.  Specifically, Staff and U S WEST stipulated as follows:

1.U S WEST and the Staff agree that U S WEST’s costs for providing EAS for a U S WEST exchange to another U S WEST exchange or group of exchanges are $0.0861 per toll minute of use.  Toll minutes of use are to be adjusted to reflect dial around at an agreed rate of thirty-eight percent (38%), [i.e., toll minutes of use x 1.38 x $0.0861].

2.U S WEST and the Staff agree that U S WEST’s costs for providing EAS between an independent telephone company exchange and a U S WEST EAS region, including EAS previously approved in GNR-T-96-6, GNR-T-97-3, GNR-T-97-8, GNR-T-96-5 and GNR-T-97-7, are $0.0818 per toll minute of use.  Toll minutes of use are to be adjusted to reflect dial around at an agreed rate of thirty-eight percent (38%), [i.e., toll minutes of use x 1.38 x $0.0818].

3.U S WEST and Staff agree that U S WEST’s costs calculated in paragraphs 1 and 2 reflect a stimulation factor of “three times” (3x) for calculating anticipated EAS traffic.

4.U S WEST and Staff agree that this Stipulation does not affect previous Commission decisions ordering that U S WEST’s reasonable and prudent capital investments for network facilities or improvements specifically needed to provide EAS, as established by competent evidence, be recovered from remaining Revenue Sharing Funds.

5.Subject to paragraph 6 of this Stipulation, the costs calculated pursuant to paragraphs 1 and 2, shall be recovered through a uniform increase to business and residential local exchange rates for customers within U S WEST’s EAS regions.

6.U S WEST and Staff agree that if the Commission orders inclusion of a U S WEST exchange in a U S WEST EAS region, rates in the affected exchange will be moved to the EAS region rates ordered in Case No. USW-S-96-5.  This complies with Idaho Code  § 61-315.  The increase in revenue caused by any rate group changes shall be an offset against the costs of EAS as determined in paragraphs 1 and 2.  U S WEST and Staff agree that this is a fair and reasonable method for recouping U S WEST’s costs for providing EAS to those routes, including shifts in costs from interstate to intrastate jurisdictions and from Title 62 to Title 61 services, and is consistent with Commission orders in Case No. USW-S-96-5.

7.U S WEST and Staff agree that the method for calculating U S WEST’s EAScosts, as established by this Stipulation and Settlement, and the proposed increases in U S WEST customer rates where EAS is granted are just and reasonable and consistent with the Commission’s decision in Case No. USW-S-96-5.  U S WEST and Staff further agree that this Stipulation and the methodology adopted by it do not change previous Commission decisions regarding U S WEST non-traffic sensitive cost allocations.

Stipulation and Settlement, pp. 2-3.  At the hearing, Staff and U S WEST agreed that this method should be applied to determine U S WEST’s costs for providing EAS under the optional EAS plans proposed in the Citizens’ rebalancing case, CTC-T-98-2, provided that Citizens’ toll minutes were adjusted to more closely reflect the toll minutes that would actually shift.  Both U S WEST and Staff agreed that it could not be assumed that all the present Citizens’ toll minutes would convert to non-toll, because the plans are optional.  Both U S WEST and Staff further agreed that those actual calculations would be addressed in Citizens’ rebalancing case.

In support of the Stipulation, Staff witness Cusick and U S WEST witness Souba testified that this method for determining the cost to U S WEST for providing EAS is fair, reasonable and in the public interest and, moreover, is consistent with the Commission decision in Case No. USW-S-96-5.  Staff further testified that the dial around factor used in this Stipulation was based on actually experienced traffic conditions and studies examined by the Staff.  Cusick Testimony at p.  4.

Under the terms of the agreement, U S WEST and Staff used a stimulation factor of “three times” (3x) in adjusting for the shifts in costs from interstate to intrastate jurisdictions and from Title 62 to Title 61 services.  Staff testified that this stimulation factor is consistent with Commission Orders in Case No. USW-S-96-5 and was based on actually experienced traffic conditions and studies in previously approved U S WEST EAS regions.  Cusick Testimony at p. 4.

Finally, U S WEST and Staff testified that this method for calculating U S WEST’s  costs, as established by the Stipulation and Settlement, and the proposed increases in U S WEST customer rates and charges where EAS is granted are just and reasonable and consistent with the Commission’s decision in Case No. USW-S-96-5.  U S WEST and Staff further testified that this Stipulation and the methodology adopted by it do not change previous Commission decisions regarding U S WEST non-traffic sensitive cost allocations.  Cusick Testimony at p. 5.

COMMISSION FINDINGS

U S WEST Communications is a telecommunications corporation subject to the Commission’s regulatory jurisdiction pursuant to Idaho Code, Titles 61 and 62.

The Commission finds that this settlement is consistent with its previous decisions and does not change NTS allocations.  The Commission finds that no party objected.  After reviewing the Stipulation and Settlement entered into between U S WEST and the Staff, the Joint Motion, oral argument and the testimony, the Commission finds the Settlement agreement is reasonable and approval is in the public interest and, consequently, the Commission adopts it.

O R D E R

IT IS HEREBY ORDERED that the Stipulation and Settlement executed by Staff and U S WEST is approved.

IT IS FURTHER ORDERED that this basic method be applied to determine U S WEST’s costs for providing EAS under the optional EAS plans proposed in the Citizens’ rebalancing case, CTC-T-98-2, provided that Citizens’ toll minutes are adjusted to more closely reflect the toll minutes that actually shift under those optional plans.  Those actual calculations will be addressed in Citizens’ rebalancing case.

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-98-3 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-98-3.  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 July 1998.

                                                                                                                                       DENNIS S. HANSEN, PRESIDENT

                                                                                            RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

July 17, 1998