DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

MYRNA WALTERS

TONYA CLARK

DON HOWELL

RITA SCOTT

STEPHANIE MILLER

DAVE SCHUNKE

JOE CUSICK

WAYNE HART

DAVID SCOTT

WORKING FILE

FROM:WELDON STUTZMAN

DATE:July 2, 1998

RE:CASE NO. USW-T-98-6; APPROVAL OF U S WEST’S TARIFF TO DISCON­TINUE ZONE CONNECTION CHARGES AND REVISE LINE EXTENSION AND CONSTRUCTION CHARGES

In U S WEST’s rate case, the Commission ordered the Company to either update the zone maps used in determining the amount of zone connection charges or eliminate the charges.  U S WEST subsequently filed Tariff Advice 97-15-S to comply with the Commission’s Order.  On May 14, 1998, U S WEST submitted a substitute proposal with a proposed effective date of June 15, 1998.  On June 8, 1998, the Commission issued Order No. 27563 suspending the effective date of the tariff.  The Commission also issued a Notice of Modified Procedure to process the tariff advice.

Comments were filed during the comment period by U S WEST and the Commission Staff.  Staff noted that U S WEST’s proposal eliminates the zone connection charge, reduces the line extension allowance from the current $3,000 per line to $1,600 per line, and revises the land development portion of the tariff to make it simpler and easier to administer.  Staff did  not dispute  U S WEST’s claim that the revised tariff would result in a revenue loss of approximately $300,000. U S WEST is willing to accept the reduced revenue as a reasonable alternative to the laborious task of redrawing and maintaining zone maps for each of the Company’s exchanges.  Staff also believed the Company’s proposal to reduce the allowance of the line extension from $3,000 to $1,600 represents a reasonable compromise between the two goals of universal service and minimizing the rate impacts to existing ratepayers of adding new customers.  Staff recommended approval of Tariff Advice No. 97-15-S as proposed.

In its comments, U S WEST discussed its proposal to eliminate the rural zone maps and charges and reduce the credit for line extension from $3,000 to $1,600.  U S WEST also discussed the change in the tariff regarding arrangements for land developers.  Under the existing tariff, U S WEST stated that the developer and U S WEST enter a land development agreement which requires the developer to “loan” to U S WEST a portion of the cost of provisioning a new area.  If the developer successfully sells a certain percentage of the dwellings within a five-year period, the developer is entitled to a refund of the loaned funds. According to U S WEST, the new proposal more closely ties the costs of providing service to the new development to the project itself and shelters the general body of ratepayers from supporting high cost developments.  Under the proposed tariff, U S WEST will compare the cost of providing facilities to the new development to the statewide average, and if the costs exceed the average, the developer is responsible for paying the difference.  U S WEST requests that the Commission approve Tariff Advice 97-15-S.

No opposing comments were filed in response to the Commission’s Notice of Modified Procedure, and Staff therefore recommends that U S WEST Tariff Advice No. 97-15-S be approved.

Commission Decision

Should U S WEST Tariff Advice No. 97-15-S to discontinue zone connection charges and revise line extension and construction charges be approved?

Weldon Stutzman

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