DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

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COMMISSIONER SMITH

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WORKING FILE

FROM:BRAD PURDY

DATE:NOVEMBER 4, 1998

RE:CASE NO. USW-T-98-20—U S WEST’S APPLICATION TO REDUCE ACCESS AND TOLL PRICES AND RAISE LOCAL EXCHANGE PRICES

On October 30, 1998, U S WEST filed an Application for approval of changes in rates for telecommunications services provided pursuant to Title 61 of the Idaho Code.  The changes in rates proposed by U S WEST are included in Exhibit 1 included with the Company’s Application.

U S WEST characterizes the rate rebalancing proposed in its Application as “revenue neutral.”  The proposed rates represent an overall reduction in access charges of nearly 50% from an effective composite rate of 0.821¢ per minute to the proposed effective composite rate of 0.0410¢ per minute.

U S WEST also proposes reductions to its message telecommunications services (interLATA toll) rates of approximately 50%.  The standard toll schedule, as proposed, will offer a daytime rate of 15¢ per minute and a night, evening and weekend rate of 10¢ per minute.  Optional toll calling plans are reduced accordingly.

U S WEST states that the changes that it is proposing will reduce revenues received through access charges and long-distance rates in the amount of approximately $2.2 million annually.  The Company proposes to offset these reductions in revenues by an increase to local residential exchange service of approximately $6 per month and an increase to business local exchange rates of approximately $5.90 per month.  This rate design will set business rates at a level nearly 2.1 times residential rates.

U S WEST notes that the Commission Staff conducted an audit of the Company earlier this year and concluded that U S WEST’s current earning levels were slightly below the Staff recommended levels.  Consequently, U S WEST submits that its proposal in this case is consistent with the results of Staff’s audit and is in the public interest because it furthers state and federal policy objectives to reduce access charges, remove subsidies from rates and move all rates closer to their underlying costs.

U S WEST notes that existing rates for services provided to the Company’s northern Idaho customers were established in Case No. PNB-T-89-2, in Order No. 23347 issued on October 15, 1990.  That Order, U S WEST contends, approved the Company’s universal one-party service and network modernization plan for the eight exchanges the Company serves in Lewis, Nez Perce and Idaho Counties.  Local exchange rates were increased by that Order over a three-year period coincident with the construction of the network modernization plan.  The last such rate increase incurred in January 1993.  U S WEST’s local service rates have not increased since that date.  U S WEST concludes that its rate rebalancing proposal is “a substantial step toward achieving the goal of removing implicit subsidies from intrastate access and toll charges and moving local exchange rates closer to their true costs.”  Application at pp. 4-5.

The Company proposes to inform its northern Idaho customers of the proposed rate changes through dissemination of the message attached to the Application as Exhibit 2.  Since U S WEST’s proposed rates will not go into effect without the Commission’s approval and, perhaps, alteration, the Company believes that it is not necessary that the notice be provided concurrent with the filing of the Application.  U S WEST proposes that it disseminate the attached notice either in customer bills or as a separate mailing.  U S WEST proposes that its Application be processed under Modified Procedure pursuant to Rules 201-204 of the Commission’s Rules of Procedure, IDAPA 31.01.01.  Notwithstanding its request for Modified Procedure, U S WEST filed its proposed rate changes as Tariff Advice No. 98-19-N.

STAFF ANALYSIS

The Commission Staff supports U S WEST’s proposal to reduce its access and long distance charges and to increase its local exchange rates.  Staff believes that the reduction in the Company’s access charges is consistent with the mandates of Idaho Code § 62-523 requiring the removal of implicit subsidies in utility rates.  Staff has not yet fully analyzed U S WEST’s rate rebalancing nor the contentions made by U S WEST in its Application.  Staff does agree, however, that the audit it conducted of U S WEST earlier this year revealed that the Company is earning slightly below Staff’s recommended level.

Regarding procedure, Staff notes that in Case No. GTE-T-98-2, the Commission conducted a public hearing for the purpose of receiving comments from GTE’s customers but handled the matter through written submissions under Modified Procedure.  Staff recommends that the same procedure be adopted in this case.   Staff believes that a written comment deadline of 21 days would be appropriate and that the Commission schedule public hearings in northern Idaho immediately thereafter.   Finally, with respect to customer notice, Staff notes that Rule 102(03) of the Commission’s Telephone Customer Information Rules, IDAPA 31.41.02, provides:

03.  Press Release.  In instances covered by ¶01, [customer notices required for rate changes proposed by local exchange companies] the local exchange company must also send a press release containing, at a minimum, the same information presented in the customer notices, to all newspapers and radio and television stations listed on the Commission’s news organization list for that company.  The press releases shall be mailed or delivered simultaneously with the filing of the application.  A copy of the press release shall be filed with the application.

U S WEST has apparently violated Rule 102(03) by failing to issue a press release simultaneously with the filing of the Company’s Application.  Staff recommends that the Company be required to issue such a press release immediately.

Finally, U S WEST has requested an effective date for its proposed tariff advice of December 1, 1998.  Staff agrees that this matter should be processed as expeditiously as possible but believes that it cannot be accomplished prior to that date.  Consequently, Staff recommends that the Commission issue an Order suspending the proposed effective date of December 1, 1998, until such time as the Commission can resolve the Company’s Application.

Commission Decision

1.  Does the Commission wish to adopt the procedure proposed by the Company and the Commission Staff, i.e., solicit written comments under Modified Procedure regarding the technical merits of the Company’s Application and schedule a public hearing(s) in north Idaho immediately thereafter?

2.  Does the Commission wish to issue an Order suspending the proposed effective date of the Tariff Advice No. 98-18-N?

Brad Purdy

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