

the Three Creek central office and the Signal Butte microwave facility was completed in late 2003 and Rural Telephone recently began offering local Internet access via dial-up and DSL.

STAFF INVESTIGATION

With traffic capacity increased as a result of the RUS grant, Staff asked Rural Telephone to submit a revised cost estimate for providing EAS from Three Creek into the Magic Valley Calling Area. On March 22, 2004, Staff received a revised cost estimate of approximately \$172,000 to implement EAS from Three Creek into the Magic Valley. This estimate includes upgrading the 2GHz (Giga Hertz) microwave transmitter to 6GHz. This upgrade would also require Rural Telephone to obtain a license for the 6GHz microwave from the Federal Communications Commission and to install an added microwave repeater site to reach the receiving facilities at Jerome Butte. Because the RUS grant was aimed at providing local Internet access to the Three Creek school and community, Rural Telephone prefers to save the limited remaining capacity on the 2GHz microwave for growing Internet customers. Rural Telephone believes much of the demand for EAS has been satisfied with the provision of local Internet access and points out that the majority of Three Creek customers make no calls into the Magic Valley. The calling data obtained before and after the provision of local Internet access indicates that typically 55 of the approximately 60 Three Creek customers made no calls into the Magic Valley exchanges in the surveyed months.

Customers in Three Creek currently pay \$21.63 per month for telephone service. If the EAS were granted and rates were increased to \$24.10 (the rate paid by other rural Idaho customers with EAS), approximately \$1,482 of the annual upgrade costs would be recovered with the remaining costs coming from the Idaho Universal Service Fund. Staff does not believe the Idaho Universal Service Fund should be additionally burdened for so few callers, and suggests that toll rates are an affordable and more equitable alternative to implementing the requested EAS. The Petitioners principally wanted EAS into the Magic Valley Calling Area because dial-up Internet access was only available to Three Creek customers via a toll call. With local Internet access now available, Staff has not received a single inquiry regarding this EAS case and recommended GNR-T-00-41 be closed without further input or analysis.

DISCUSSION AND FINDINGS

While EAS creates toll-free calling among exchanges, the costs associated with converting a former long-distance toll route to a toll-free EAS route must be recovered from all

customers within those exchanges by increasing rates for local service. The Commission balances the community-of-interest standards against the costs and rate impacts of providing EAS. When EAS costs are disproportionate to customer needs and benefits, the Commission has denied requests for EAS.

The Petitioners state that “one of the many reasons” they request Three Creek’s inclusion in the Magic Valley toll free calling area is that “internet access is available only upon dialing an in-state, long distance phone call which at times costs upwards of \$0.40 - \$0.50 per minute.” This “prohibit[s] access not only for our school children but for our community as a whole.” Because local Internet access is now available due to RUS grant funds, this particular need for EAS has been satisfied.

The Commission recognizes the calling convenience that accompanies EAS into a larger calling area, but is concerned that so few customers would benefit in proportion to the rate increases necessitated by EAS approval. The Commission is likewise reluctant to use USF funds contributed by Idaho ratepayers generally to finance EAS when the need is questionable. Therefore, the Commission declines to further investigate EAS between these exchanges.

ORDER

IT IS HEREBY ORDERED that the Petition requesting extended area service (EAS) from the Three Creek Area into the Magic Valley Calling Area is denied and this case is closed.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

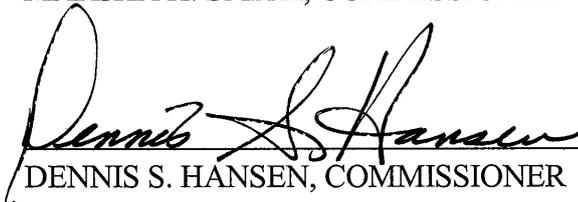
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this 16th
day of July 2004.



PAUL KJELLANDER, PRESIDENT

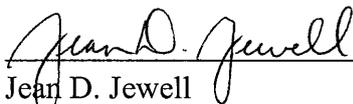


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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