

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
LEGAL
WORKING FILE**

FROM: DOUG COOLEY

DATE: JUNE 29, 2004

**RE: PETITION FROM RESIDENTS OF THE THREE CREEK AREA
REQUESTING EAS INTO THE MAGIC VALLEY CALLING AREA.
CASE NO. GNR-T-00-41.**

BACKGROUND

On November 2, 2000, the Commission received a Petition from approximately twenty-eight residents of the Three Creek area requesting extended area service (EAS) into the Magic Valley Calling Area. The Magic Valley Calling Area consists of consists of the Twin Falls, Jerome, Richfield, Bliss, Buhl, Castleford, Hollister, Dietrich, Eden, Gooding, Hagerman, Hazelton, Kimberly, Murtaugh, Shoshone, Wendell, and Filer exchanges. Customers in Three Creek have local calling only within the exchange. The Three Creek exchange is served by Rural Telephone Company and consists of approximately forty residential and ten business customers. The exchange borders Nevada and covers areas of southern Owyhee and Twin Falls counties. At the time of the petition, these customers had no local Internet service provider.

In January 2001, the Commission opened Case No. GNR-T-00-41 to investigate local calling into the Magic Valley Calling Area. In 2001, Rural Telephone submitted its estimates to implement the requested EAS. With estimates that exceeded \$600,000, Staff believed the prospect of EAS for approximately 60 customers would be too expensive. The largest portion of Rural Telephone's cost involved replacing 17 miles of cable between the Three Creek central office and the Signal Butte microwave facility that sends and receives all telephone traffic in and out of the exchange. The existing cable was at capacity and could not expand to handle increased traffic if EAS were granted or if local Internet service were made available.

Staff visited the Three Creek exchange and met with Rural Telephone to explore other alternatives in October 2001. During this time, Staff made Rural Telephone aware of a grant opportunity from the U.S. Department of Agriculture's Rural Utilities Service (RUS) to install dial-up Internet access facilities in rural areas. Rural Telephone was eventually awarded the maximum amount of \$400,000 in July 2002. Construction to increase capacity along the 17-mile route was completed in late 2003 and Rural Telephone recently began offering local Internet access via dial-up and DSL.

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 a 6GHz microwave. This upgrade would also require Rural Telephone to obtain licensing for the 6GHz microwave with the Federal Communications Commission and 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 given months.


STAFF RECOMMENDATION

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 believes the added burden on the Idaho Universal Service Fund is not justified for so few callers and suggests that toll rates are an affordable and more equitable alternative to implementing the requested EAS. 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 recommends GNR-T-00-41 be closed without further input or analysis. In the alternative, the Commission could continue this case by proceeding with a public comments or public hearings regarding the requested EAS.

COMMISSION DECISION

1. Does the Commission wish to close Case No. GNR-T-00-41?
2. Does the Commission wish to proceed with public comments or public hearings?
3. Does the Commission wish to proceed with this case in another way?



Doug Cooley

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