

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: LISA NORDSTROM

DATE: NOVEMBER 4, 2004

RE: IN THE MATTER OF THE PETITION FROM THE RESIDENTS OF THE SHOUP AREA REQUESTING EXTENDED AREA SERVICE INTO SALMON, IDAHO. CASE NO. GNR-T-01-3.

On February 21, 2001, the Idaho Public Utilities Commission received a Petition from approximately 26 residents of the Shoup, Idaho area requesting toll-free extended area service (EAS) into Salmon, Idaho. Located in northern Lemhi County, the Shoup exchange is served by Rural Telephone Company and does not presently have toll-free calling to any other exchange. On April 3, 2001, the Commission issued a Notice of Petition and Intervention Deadline. Order No. 28694. Having concluded its investigation, Staff recommended approval of the Petition for EAS between the Shoup exchange and the exchanges of North Fork and Salmon. In its Notice of Modified Procedure and Comment Deadline issued October 13, 2004, the Commission sought comment on whether the EAS petition should be approved in light of the relatively modest rate increases it would require. Order No. 29613. The Commission received 20 comments from the public in addition to those filed by the Commission Staff.

BACKGROUND

The Shoup exchange is served by Rural Telephone Company and is comprised of approximately 42 residential and 15 business telephone customers. There is presently local calling only within the exchange. Salmon is the county seat of Lemhi County and is served by CenturyTel of Idaho. CenturyTel has approximately 4,200 customers in Lemhi County and operates 3 adjoining exchanges with Salmon, North Fork and Leadore. The Salmon extended area exchange runs from Leadore to the Montana border and interconnects with the Shoup

exchange approximately 22 miles north of Salmon. The petitioners have requested local calling into the North Fork and Salmon exchanges.

The petitioners allege that one of the many reasons they are requesting toll-free EAS to Salmon is that it is prohibitively expensive for Shoup residents to dial outside their exchange area to contact local physicians, the local medical facility, schools, social services, Internet providers, law enforcement, and emergency services.

STANDARD OF REVIEW

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. In Order No. 26311, the Commission adopted a set of standards or criteria to evaluate when EAS should be implemented. Those criteria are: call volume and call distribution (how many customers in an exchange call the other exchange); geographic proximity (distance between exchanges); the presence of geographic or other physical barriers (mountains, rivers, valleys) between exchanges; county seat relationship (are both exchanges in the same county); the relationship to school district (do both exchanges share the same school district); the proximity to medical facilities and services; and the willingness of customers to pay increased rates to cover the costs for converting those routes to toll free routes. The Commission traditionally balances these 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.

PUBLIC COMMENTS

In response to its request for public input, the Commission received 20 comments: 17 in favor of the proposed EAS, one opposed the accompanying rate increase necessitated by EAS, and two comment forms that were signed but left blank. Of these 20 comments, two comments in favor of EAS were filed by out-of-area sportsmen from Preston, Idaho, and North Logan, Utah. No comments were received from Salmon residents.

The Commission received ten comments from North Fork residents, all of whom favored EAS into Salmon. One comment “overwhelmingly in favor of the IPUC approving this case” was in the form of a petition from a residential subdivision board and its 31 homeowner members located 13.5 miles downriver from North Fork. These homeowners were “willing to pay a reasonable rate increase” for toll-free status with the North Fork/Salmon exchanges so as

to better conduct normal business, government, medical, law enforcement, and emergency matters. Comments from Rural Telephone customers in North Fork noted that every business and medical call is long distance and Internet access¹ is prohibitively expensive. Several commenters run businesses out of their homes and indicated that long distance business calls to Salmon are quite costly under the present service arrangement. Although her base rate would increase, one North Fork customer on a fixed income indicated that EAS “would be a big help” and hopes “it can go through quickly.” Another North Fork customer thought service to North Fork and Salmon (“the shopping town”) should be without charge, but indicated that \$2.50 was better than no service – particularly “since satellite phones won’t work in these mountains.” Although in favor of the EAS petition, one customer/first responder wrote that North Fork customers “have been paying more than their fair share since day one” for the service they receive and that it is wrong for them to have to pay long distance to call 911.

The Commission also received eight comments from Shoup residents – five in favor of EAS, one opposed, and two that signed comment forms but left them blank. A member of the Shoup quick response medical team indicated “each year we lose patients due to someone not being able to dial 911 for help without looking for money to put into the pay phone or use a calling card.” Moreover, toll-free EAS would be a “tremendous plus” for shopping and doing business in the major town of Salmon. The owners of a Shoup tree farm felt that the \$2.47 increase to their phone bill would be minimal compared to their long distance bill now. One Shoup resident who favored EAS wrote that he “would like to see free phone access provided to Salmon, Idaho as free access was provided by the old ground return phone line to this area years ago.” Other Shoup residents indicated that they have “been waiting for two years now to be able to get on the internet.” The one commenter who was not interested in toll-free EAS into Salmon wrote that she is pleased with Rural Telephone service “as is” and uses a credit card for long distance service. Moreover, the rate increase would put stress on her budget.

STAFF COMMENTS

Staff Comments explained Rural Telephone was granted authority in 1990 to expand its certificated area and provide telephone service in the Shoup area in Case No. RUR-T-89-1. Prior to that, residents of the Shoup area received telephone service from a single magneto-

¹ One commenter circled the language on the Commission’s comment form indicating that comments could be posted on the Commission’s Web Site. He then noted, “yeah at 7¢ per minute.”

powered line that connected to the facilities of CenturyTel of Idaho at North Fork. The nature of this line required that CenturyTel have operators available to manually connect calls to and from the Shoup area.

Staff described Shoup as a community with many seasonal cabins and recreational businesses related to fishing and floating the adjacent Salmon River. Shoup has a small café that includes a post office and gasoline sales. There are two other small convenience stores in the area located several miles apart from each other. For services such as health care, government agencies, schools, churches, businesses and almost all shopping, Shoup residents must travel approximately 35 miles to Salmon. Staff is not aware of a school in the Shoup area. However, the county does maintain the road into Shoup throughout the year. Unlike Shoup, Salmon has at least one Internet Service Provider.

The most recent Shoup calling data collected in July 2004 indicates that most business customers and many residential customers call into Salmon frequently. For example, 86% of Shoup's business customers made at least one phone call to Salmon during the month while over 60% of residential customers made at least one phone call to Salmon. During the study month, 21 out of 61 Shoup customers averaged 3 calls to Salmon while 18 Shoup customers averaged over 40 calls to Salmon. Calling data from May 2001 indicated similar calling volumes and distribution. In summary, it appears that one-third of Shoup customers make no calls to Salmon, another third make a few calls to Salmon, and the last third of Shoup customers make many calls into Salmon in a given month.

Staff has received responses to production requests from both Rural Telephone Company and CenturyTel of Idaho regarding the costs associated with the proposed EAS. Rural Telephone has identified approximately \$7,000 in increased annual costs and CenturyTel has determined an approximate \$4,500 increase in annual costs if EAS is implemented. If EAS is approved, Staff noted that there are multiple options for recovering the related costs. For example, Rural Telephone's EAS-related costs could be recovered entirely from an increase in its Idaho USF draw or entirely from business and residential customers in Shoup, or some combination of the two.

Recommendation: Having concluded its investigation, Staff recommends approval of the Petition for EAS between the Shoup exchange and the exchanges of North Fork and Salmon. Staff believes many Shoup customers would benefit from the ability to call

government, medical, community and Internet services without incurring toll charges and also believes EAS can be implemented economically.

Because Shoup customers would benefit from EAS, Staff believes it is reasonable to increase rates in Shoup to the same level that other Idaho customers pay where EAS has been implemented (\$24.10 residential and \$42.00 business). Remaining EAS costs can be off-set by increasing Rural's annual USF draw by approximately \$5,400. Therefore, Staff recommends that Rural Telephone's rates for Shoup customers be increased from \$21.63 per month for residential service to \$24.10 and from \$40.68 to \$42.00 for business service. In addition, Rural Telephone would increase its Idaho USF draw by approximately \$5,400 (1.7%) annually to cover its remaining EAS costs.

CenturyTel customers in Salmon and North Fork would also benefit from EAS to Shoup. Because CenturyTel is not an Idaho USF recipient, Staff recommends that CenturyTel's EAS costs be off-set by increasing the rates for customers in Salmon and North Fork from \$21.75 per month to \$21.84 for residential service and from \$39.77 per month to \$39.86 for business service. Staff and the companies are in agreement regarding the submitted costs of EAS and the proposed rate increases.

COMMISSION DECISION

1. Does the Commission wish to make a decision based upon the current record or allow for additional procedure?
2. Does the Commission wish to approve the Petition for EAS between the Shoup exchange and the exchanges of North Fork and Salmon with the USF and rate increases described in Staff's Comments?



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