

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION OF )  
U S WEST COMMUNICATIONS, INC. FOR ) CASE NO. USW-S-96-5  
AUTHORITY TO INCREASE ITS RATES AND )  
CHARGES FOR REGULATED TITLE 61 ) NOTICE OF REHEARING  
SERVICES. )  
\_\_\_\_\_ ) ORDER NO. 27152**

On August 12, 1997, the Commission issued final Order No. 27100 deciding U S WEST Communications' general rate case. In that Order, the Commission directed U S WEST to reduce its annual revenue requirement by \$327,000. On September 2, 1997, U S WEST and the Commission Staff filed timely Petitions for Reconsideration. AT&T Communications of the Mountain States also petitioned the Commission to clarify its Order relating to one issue.<sup>1</sup> On September 9, 1997, U S WEST and the Staff filed Answers and Cross-Petitions for Reconsideration. After reviewing the petitions, answers, cross-petitions and the record in this case, the Commission has reconsidered those issues identified in the petitions and, where appropriate, amends and clarifies its Order No. 27100 in this Order. As set out in greater detail below, the Commission has scheduled an evidentiary rehearing to reconsider one remaining issue.

**PROCEDURAL BACKGROUND**

The Commission's final Order resolved more than 70 issues and calculated an annual revenue requirement for U S WEST. The Commission ordered the Company to establish new local rates including decreased business rates. On August 18, 1997, U S WEST filed a Petition to Stay that portion of Order No. 27100 requiring the Company to reduce its Title 61 business rates effective August 21, 1997. The Company asserted that the Commission's calculation of the authorized revenue requirement "inadvertently overlooked" inclusion of a "memorandum expense" in the

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<sup>1</sup> On September 4, 1997, AT&T filed an Amended Petition for Clarification. The Company maintained that some of the text to the Company's original petition was inadvertently deleted that resulted in the filing of the amended petition. No party objected to AT&T's amended petition.

amount of approximately \$2.5 million. U S WEST Petition at 2; See Order No. 27100 at 52. Although the Staff did not agree with U S WEST on the precise revenue impact of the alleged error, the Staff acknowledged that an error may have occurred. The Staff did not oppose the stay of the Title 61 business rates.

In Order No. 27112 issued August 20, 1997, the Commission stayed the reduction in Title 61 business rates. The Commission noted that “[w]ithout fully deciding the merits of the Company’s contention, we find it is reasonable to stay the reduction of Title 61 business rates. It makes little sense to reduce business rates now if there is a likelihood that those rates may subsequently change again because of adjustments to the Company’s revenue requirement.” Order No. 27112 at 2.

## RECONSIDERATION

### *A. Categories of Reconsideration*

Both U S WEST and the Staff petitioned the Commission to reconsider several issues decided in Order No. 27100. These issues generally fall into three categories. U S WEST Petition at 2-3. First are issues the parties, including AT&T, request that the Commission clarify or correct errors or omissions in the Order or the accompanying work papers that calculated the Company’s revenue requirement. For example, AT&T asserted in its Petition that Order No. 27100 mischaracterized our prior Orders discussing the assignment of 15% of the local loop investment. AT&T Amended Petition for Clarification at 1-2 referring to Order No. 27100 at 38-39. In addition, Staff asserted that our discussion of capitalized software leases mischaracterized a \$3.556 million adjustment as an “intrastate” adjustment instead of a “total state” adjustment. Staff Petition for Reconsideration and/or Clarification at 5 referring to Order No. 27100 at 27, line 8.

The second category of reconsideration issues concerns inconsistencies between the final Order and the accompanying work papers or the Order’s financial Appendix. For example, the Commission initially found in Order No. 27100 at page 52 that U S WEST was entitled to memorandum expenses, yet the Company claimed that the work papers do not appear to include this expense in the calculation of the Company’s Title 61 revenue requirement. U S WEST Petition at 27-28. Likewise, the Staff asserted in its Petition for Reconsideration that the calculation of depreciation expense in the work papers was not adjusted to reflect our decisions relating to specific

issues such as "lit fiber optic cable" and the 1.89% error factor in outside plant accounts. Staff Petition at 5-6.

Finally, the third category seeks a "more traditional form of reconsideration" for issues that the parties assert were improperly decided by the Commission. U S WEST Petition at 2. For example, U S WEST urged us to reconsider our finding that the appropriate cost of equity is 11.2%. The Staff also argued that too much fiber optic cable was allowed into the Company's Title 61 rate base. U S WEST Petition at 31-34; Staff Petition at 4. In some instances, the parties asked us to reconsider issues based upon the present record, but in others the parties asked us to consider additional evidence.

### ***B. Standards for Reconsideration***

Reconsideration provides an opportunity for a party to bring to the Commission's attention any issue previously determined and thereby provides the Commission with an opportunity to rectify any mistake or omission. *Washington Water Power Co. v. Kootenai Environmental Alliance*, 99 Idaho 875, 591 P.2d 122 (1979). In those instances where an aggrieved party asks the Commission to reconsider its decision based upon the record, it may simply do so. The Commission may also grant reconsideration by rehearing if it intends to take additional evidence or argument. If reconsideration is granted, the Commission must complete its reconsideration within 13 weeks after the date for filing petitions for reconsideration. *Idaho Code* § 61-626(2). If the Commission grants reconsideration, it "must issue its order upon reconsideration within twenty-eight (28) days after the matter is finally submitted for reconsideration." *Id.*

Both U S WEST and the Staff have filed cross-petitions for reconsideration. The Commission will only consider cross-petitions that respond to an issue raised in a petition for reconsideration. Consequently, the scope of a cross-petition for reconsideration is limited to those issues raised in a petition for reconsideration. *Eagle Water Co. v. Idaho Public Utilities Commission*, \_\_\_ Idaho \_\_\_, 940 P.2d 1133 (1997); *Idaho Code* § 61-626(1). If the Commission denies reconsideration of an issue, then any corresponding cross-petition regarding that same issue will be denied as well.

## I. ISSUES FOR RECONSIDERATION

### A. *Direct Assignment of Certain Plant-in-Service Accounts*

1. U S WEST Petition. The Company urged the Commission to reconsider its “direct assignment” of certain plant accounts to Title 62. The Company claimed that the net effect of a series of complex adjustments is to subtract \$17.379 million from Title 61 rate base and directly assign this amount of plant to Title 62. U S WEST Petition at 5. The Company asserted that the Commission’s Order does not address direct assignment but certain accounts were directly assigned in the work papers that support the revenue calculations in Appendix 1. *Id.* at 5. The Company insisted that direct assignment has several adverse consequences including: 1) it erroneously removes \$17.379 million in Title 61 rate base; 2) it “reduc[es] the overall allocation of Title 61 total plant in service (TPIS) from 62% to 59%”; and 3) further reduces Title 62 expenses because many of the Company’s expense allocations are driven by the TPIS allocator. *Id.* at 5, 10. The Company claimed that this direct assignment is unsupported by the record and “appears to directly contradict other portions of the Commission’s Order.” *Id.* at 8.

The specific accounts directly assigned are reflected in the Commission’s Workpaper A-5. U S WEST Exhibit 67, p.5. The Commission directly assigned these “Toll Capitalized” (“TC”) accounts to Title 62.<sup>2</sup> As shown in Workpaper A-5, the intrastate total for these accounts is \$24,954,477. U S WEST Exhibit 67, p. 5. To this amount, the Commission made two adjustments. The Commission removed from Title 61 and directly assigned to Title 62 \$2.999 million representing an adjustment for the 1.89% error factor in the subsidiary ledger. Workpaper A-4, U S WEST Exhibit 67, p. 4, line 8; Order No. 27100 at 29-30.<sup>3</sup> The Commission also removed \$2.035 million from Title 61 and directly assigned it to Title 62 to reflect the 20% adjustment for fiber cable

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<sup>2</sup> Title 61 services are defined as basic local exchange services. Toll or message telecommunication services (MTS) are Title 62 long-distance services. *Idaho Code* § 62-603(8).

<sup>3</sup> 1.89% error factor is discussed in greater detail beginning on page 8.

accounts that were determined not to be used and useful.<sup>4</sup> The calculation of the \$17.379 million net adjustment is shown below.

<u>Adjustment</u>	<u>Plant-in-Service in 000's</u>	<u>Source</u>
Accounts Directly Assigned	\$24,954	Workpaper A-5 & Workpaper A-4, line 10
1.89% Error Adjustment	\$ 2,999	Workpaper A-4, line 8
20% Lit Fiber Disallowance	<u>\$ 2,035</u> \$29,988	Workpaper A-4, line 13 Total Workpaper A-4, line 16
Less Loop Fiber Disallowance	\$( <u>2,035</u> ) \$27,953	
Net Direct Assignment Workpaper A-1, line 18	x <u>.62</u> \$17,379	Multiplier from line 17, Workpaper A-1 U S WEST Exhibit 67, p. 1, line 18

If these alleged errors are reversed, the Company calculated that the corrected Title 61 rate base should be increased by \$21.955 million and the corrected Title 61 TPIS allocator should be 62.34%. U S WEST Exhibits 70; 72, line 17.

The Company insisted that the direct assignment of these accounts to Title 62 is not reflected by the language of the Commission's Order. "Rather than follow the language of the Order that provides that the Commission would allocate total plant in service using U S WEST's methodology, (Order p. 42) the revenue requirement calculation instead took the fiber plant dollars originally allocated by Ms. Baldwin and included them in Mr. Lansing's direct assignment to Title 62." U S WEST Petition at 7 (emphasis original).

The Company specifically noted that fiber included in field reporting account codes 85TC, 845TC, and 852TC (underground fiber cable-toll and buried fiber cable-toll) are used for Title 61 local exchange services as well as for Title 62 toll services. The Company claimed that these accounts comprise the Company's interoffice fiber accounts. *Id.* at 8. It argued that it is

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<sup>4</sup> This adjustment is discussed in greater detail on page 14 and in Order No. 27100 at 27-29. U S WEST Exhibit 67, p. 4, line 13.

unreasonable to assign these accounts entirely to Title 62. U S WEST also noted that fiber facilities support long established EAS routes and “intra-exchange calls such as Boise Main [switch] to Boise West [switch].” *Id.* The Company specifically pointed to “the newly created EAS areas ordered by this Commission” as evidence that these accounts “are used for Title 61 local exchange services as well as for toll services.” *Id.*

2. Staff Answer. In its Answer, the Staff urged the Commission to deny reconsideration of this issue, with the exception of correcting the 1.89% error factor discussed below. Staff asserted that the facilities accounts represented on the Commission’s Workpaper A-5 are classified under the Uniform System of Accounts (USOA) as being used to support Title 62 services. Staff witness Syd Lansing testified at the hearing that the initial booking of these accounts is dictated by the USOA. As the Staff noted in its Answer, USOA requires cable used exclusively for toll services (i.e., Title 62 services) to be classified as toll plant and cable exclusively used for local exchange service to be classified as local exchange plant.<sup>5</sup> Cable used for both exchange and toll is classified entirely as either exchange or toll based upon its predominant use. Staff Answer at 1-3; Tr. at 1656-58.

Although the Company’s field accounting practices require that cable used for both exchange and toll be classified entirely as one or the other based upon the cable’s predominant use, the Company allocated 68% of these accounts to Title 61 based upon its allocation of cable and wire investment. Staff Answer at 2; Workpaper A-2 note for line 13; Workpaper A-3 (U S WEST Exhibit 67, p. 2 and p. 3). Staff maintained it is not reasonable to assign 68% of these predominantly Title 62 accounts to Title 61.

Subsequent to the Petitions for Reconsideration, Staff supported the removal of coin and terminal equipment (field reporting codes 188C, 288C, 658C and 988C) from plant-in-service in the allocator rather than as a direct assignment to Title 62. This increases the total plant-in-service allocator.

3. Commission Findings. Our prior Order did not directly address the issue of direct assignments. We find that the direct assignment of these 15 accounts as shown in Workpaper A-5 is reasonable and appropriate for several reasons. First, the Company’s own accounting practices

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<sup>5</sup> Plant used exclusively for toll is clearly Title 62 facilities. However, under the Company’s CAAS system cable used for exchange services could either be Title 61, Title 62, or a combination of both.

classify facilities by their predominant use. As indicated by the account description as well as the field reporting code "TC," facilities placed in these accounts are entirely or predominantly Title 62, toll accounts. U S WEST Exhibit 44A. It is inappropriate to include Title 62 facilities in the Title 61 rate base. Our ratemaking treatment should follow the accounting treatment for these facilities. While the evidence is conflicting, we find that there is substantial and competent evidence to support our decision. *Highland v. Hosac*, \_\_\_ Idaho \_\_\_, 936 P.2d 309 (1997).

Although the facility investment for these accounts is either entirely Title 62 toll or predominantly Title 62 toll, the Company's cost allocation system allocates 68% of these accounts to Title 61. We find this is clearly erroneous. If, in fact, 68% of these accounts was used for Title 61 local exchange service, then they would not have been classified as "entirely or predominantly" toll facilities.

Third, the Company's allocation is also contrary to the principles of cost allocation. As we noted in Order No. 27100, both the Cost Accounting Standards Board and the Federal Communications Commission require that costs first be directly assigned to specific products and services whenever practical. Order No. 27100 at 34-35. This principle also comports with the Company's accounting practices. Exhibit 44A. As we also noted in our Order, the Company's CAAS was not designed to specifically allocate costs under Idaho's unique regulatory scheme for Title 61 and Title 62 services. *Id.*, Tr. at 3681; 2741; 2745; 3180; 745-46; 391. ("Title 61 is the classification of service that is unique to the state of Idaho. The classification has no relevance in the other 13 states in that we do business.").

Fourth, we also find that the Company's argument concerning EAS is unpersuasive. As we indicated in Order No. 27100, the Company and the Staff settled the cost issues of implementing the three EAS regional calling areas. In particular, the parties agreed and we adopted a cost shift associated with separations (shifting toll minutes to local minutes) "thereby increasing Title 61 rate base by \$7.451 million." Order No. 27100 at 21; Exhibit 48; Exhibit 66, p. 21-22 (adj. #27); Tr. at 274, 2122, and 3834. In other words, we have already adjusted the Title 61 rate base to account for the shift in usage when converting toll lines to local lines. We also reject the Company's argument that intra-exchange calls would normally be included in these toll accounts. Some of the Company's larger exchanges have several switches or wire centers. For example, a local call made through the Boise Main switch to the Boise West switch is a local call, and the investment for cable and wire

facilities between these two switches would not be found in these toll accounts. As indicated in the Company's Exhibit 44A "local interoffice circuits and cables used for EAS are considered and classified as local exchange facilities." (Emphasis added.) Consequently, the investment associated with intra-exchange plant fiber facilities is not included in the toll accounts.

The Company also complained that this direct assignment of plant to Title 62 unreasonably impacts the allocators. As we noted above, however, the first step in the cost allocation process is to directly assign assets to specific products and services. When costs cannot be directly assigned "then they are allocated using a hierarchy of costs-causal methodologies." Order No. 27100 at 35 citing U S WEST Initial Brief at 10. Accordingly, the calculation of the appropriate Title 61 TPIS allocator should occur after direct assignments are made.

Finally, we do make one adjustment. We find that the public telephone equipment is not a Title 61 asset and should be removed. We take official notice of the Federal Communications Commission's Order FCC 96-388 requiring that carriers transfer payphone assets to a separate affiliate or reclassify the assets to non-regulated status. Accordingly, direct assignment of payphone assets included on Commission's Workpaper A-5 as not Title 61 assets is appropriate. However, those assets should not be classified as Title 62 assets in calculation of the common allocator for asset and expense allocation between Title 61 and Title 62. Consequently, the Title 61 TPIS allocator will increase.

In summary, we grant reconsideration of this issue to clarify our Order No. 27100 in relation to the allocator. We also accept removal of the coin and terminal equipment from plant-in-service for purposes of correcting the allocator. The remainder of the accounts will be directly assigned to Title 62 in the allocator.

***B 1.89% Error Factor***

1. U S WEST Petition. The Company does not dispute the Commission's adjustment concerning the 1.89% error factor (Order No. 27100 at 29-30) but urged the Commission to reconsider because the work papers erroneously adjusted the Title 61 TPIS. U S WEST Petition at 10-12. The Company asserted that \$2.999 million should be removed from the \$29.988 million shown on Workpaper A-4, line 16. Exhibit 67, p. 4. This correction will increase the Title 61 TPIS allocator. U S WEST Petition at 11.



2. Staff Answer. Staff agreed with the Company that \$2.999 million should not have been assigned to Title 62 on Workpaper A-4 but should have simply been removed from plant-in-service. Staff Answer at 2, note 1. Removing the \$2.999 million from Workpaper A-4, line 8 also affects the calculation of the allocation and TPIS illustrated on Workpaper A-1 at line 18. U S WEST Exhibit 67, p. 1, line 18 and p. 2 note for line 18.

3. Commission Findings. Given the agreement between the Company and the Staff, the Commission finds that it is appropriate to grant reconsideration and make this adjustment. This adjustment will have two effects. First, it will remove the \$2.999 million from plant-in-service rather than shifting it to Title 62. Second, correcting the TPIS adjustment in the work papers will increase the Title 61 allocation factor, and consequently, increase the revenue requirement.

### ***C. Local Loop Allocation***

1. U S WEST Petition. U S WEST urged the Commission to reconsider its decision regarding the allocation of the local loop. "Local loop" generally refers to facilities connecting customers to central offices. The Company maintained that the Commission's Order is inconsistent with the work papers calculating the Company's revenue requirement. U S WEST Petition at 12-13. More specifically, the Company observed that the work papers allocate the Company's local loop investment "on the basis of the percentage of Title 61 lines to total access lines" instead of allocating the local loop based on loop length. *Id.* at 13. The Company claimed that because the Commission rejected Staff witness Baldwin's arguments (Order No. 27100 at 36-38) to allocate 5% of the local loop for custom calling/CLASS services and her spare capacity allocation, the Order implicitly adopted the Company's position regarding local loop allocation.

At the hearing, the Company advocated allocating the cost of the local loop, in part, upon the "cost differential between more expensive, longer residential loops and less expensive, shorter business loops." *Id.* at 13. The Company generally maintained that the network facilities used to serve customers in the local exchange (the local loop) are no longer based upon the general dispersal of residential customers in an exchange. The Company claimed that businesses are generally concentrated near central office facilities ("in town") and are therefore shorter and less expensive than residential loops scattered throughout the exchange.

The Commission's allocation of the local loop contained in its Workpaper A-1 on line 11 shows that the Commission assigned \$177.506 million or approximately 65% of the local loop

to Title 61 rate base. U S WEST Exhibit 67, p. 1, line 11. At the hearing, the Company argued that the appropriate Title 61 allocation for the local loop should total \$185.448 million, or 68% of the local loop to Title 61. U S WEST Petition at 13.

2. Staff Answer. The Staff urged the Commission to deny reconsideration on this issue but recognized that Order No. 27100 should be clarified to reflect the adoption of the Staff's local loop allocation based upon Title 61 lines in use. Staff Answer at 3. Although the Staff recognized that the Commission rejected its spare capacity argument, it asserted that the same argument is applicable to allocation of the local loop. The Staff also noted the Commission did conclude that there "may be some question concerning the Company's deployment of plant in excess of demand." Order No. 27100 at 38.

Staff insisted that allocating the local loop based upon the number of Title 61 lines in service properly considers the higher cost of serving the more volatile and rapidly growing Title 62 local lines. Staff maintained that use of line counts rather than the Company's loop-length methodology strikes the appropriate balance when considering the large local loop spare capacity used to serve the rapid growth of Title 62 lines. Tr. at 2871-87. "Staff believes that simply using the relative number of Title 61 lines in service to Title 62 lines in service is a conservative method for taking both factors (spare capacity and local loop length) into account, and developing an appropriate allocation between Title 61 and Title 62." Staff Answer at 4.

3. Commission Findings. We deny the Company's Petition for Reconsideration on this issue, but take this opportunity to clarify our prior Order and the allocation of the local loop. Although we rejected Staff witness Baldwin's spare capacity adjustment as it related to the allocation of spare capacity for the total plant-in-service, the reasoning for her spare capacity arguments is applicable and persuasive as it relates to allocation of the local loop. We find that allocating the local loop based upon the relative number of lines in use is a reasonable way of allocating local loop costs. We were not persuaded by the Company's arguments on loop length. We conclude that allocating the local loop based upon the number of lines in use is reasonable and we clarify Order No. 27100 accordingly.

***D. Allocating 5% of the Local Loop to CLASS/Custom Calling Services***

1. Staff Petition for Reconsideration. Staff urged the Commission to reconsider its decision not to allocate 5% of the local loop investment to CLASS<sup>6</sup> and custom calling services. Staff Petition at 1-3. The Staff recommended that the Commission directly assign 5% of the local loop investment to Title 62 for CLASS/custom calling services in recognition of the Company's ability to derive substantial and increasing revenues from these services. Although Company witness Elder acknowledged that the Company receives about \$12.8 million (or approximately 7.3% of total intrastate revenues) from these services and CLASS/custom calling revenues have grown nearly 50% from 1994 through 1995, he stated that the Company's cost accounting and allocation system (CAAS) does not allocate any local plant costs to these services. Tr. at 3782-83; Tr. 3785. To correct this imbalance, Staff witness Baldwin recommended that the Commission assign 5% of the Company's local loop investment to these Title 62 services to partially remedy the Company's uneconomic and unreasonable allocation. Tr. at 3781, 3782-83; Exhibit 114, Schedule 2, p. 2, Schedule 7, p. 2, col. X.

In its final Order, the Commission stated that its prior Orders "assigned 15% of the local loop to Title 62 services. Assuming that the actual usage of the local loop for Title 62 services is approximately 8%, then 15% portion is sufficient to encompass Ms. Baldwin's 5% recommendation." Order No. 27100 at 37 (emphasis added). Staff argued that the Commission's decision regarding the 5% CLASS/custom calling allocation is erroneous and is not consistent with prior Orders. Staff presented two arguments.

First, Staff asserted, as did AT&T as discussed below, that the 15% allocation of the local loop adopted by the Commission in Case No. U-1500-174 is a gross toll allocator used to apportion 15% of the non-traffic sensitive local loop costs to intrastate toll. See Order No. 21788 at 5. Staff maintained that the Commission mischaracterized the 15% allocation in a broad sense to Title 62 services instead of in a narrow sense to simply intrastate toll. Consequently, that passage in the text

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<sup>6</sup> Custom local area signaling services (CLASS) employ digital switching and out-of-band network signaling to give customers the ability to screen and selectively reject, forward, trace and redial incoming calls. CLASS services are optional enhancements to basic local exchange service.

that concludes that the Staff's 5% recommendation is encompassed in the 15% portion of the local loop is erroneous.

If the Commission continues to find that 15% of the local loop is allocated not specifically to toll but to all Title 62 services, then Staff argued that further evidentiary hearings are necessary to accurately determine the Company's subscriber line usage (SLU). Staff Petition at 3. On the last day of the technical hearing, Staff vigorously objected to the introduction of the Company's SLU evidence. Staff asserted that the Company materially changed its position at the eleventh hour when it urged the Commission to reject the 15% allocation and to allocate 8% of the local loop based on its SLU. Staff maintained that it and other parties did not have an opportunity to discover facts relating to the Company's calculation of its SLU and that it was prejudiced by the introduction of this new evidence. Staff claimed that the Company's calculation of its SLU was disclosed less than two weeks before the technical hearing, "well past the close of the discovery period." *Id.* at 3.

2. AT&T Petition for Clarification. In its Petition, AT&T also requested that the Commission clarify its statement that "prior Commission Orders assign 15% of the local loop to Title 62 services." Order No. 27100 at 37 (emphasis added). AT&T maintained that the prior Orders that Order No. 27100 actually refers required U S WEST "to assign 15% of its non-traffic sensitive costs to **toll services** (MTS, WATS and toll access), not to Title 62 services in general." AT&T Petition at 2 (emphasis original).

AT&T's Petition traces the history of the Commission's allocation of non-traffic sensitive costs between toll and local services. The Company asserted that the historical allocation of non-traffic sensitive (NTS) costs to toll services is not the same as an allocation to Title 62 services. *Id.* at 5; See Order No. 20182 in Case No. U-1500-153 (first adopting the 25% generic gross toll allocator (GTA)). AT&T requested that if the Commission intended that the 15% allocator apply to all Title 62 services, then the Commission should indicate what percentage of the 15% allocator is directly attributable to toll and access services. *Id.* at 2, 6.

3. U S WEST Answer and Cross-Petition. In its Answer, U S WEST acknowledged that the Commission's prior Orders "did not specifically extend that allocator to other 'Title 62' services." U S WEST Answer 3-4. However, U S WEST maintained that passage of the federal Telecommunications Act and recent Idaho statutes require that the Commission "consider actual

usage characteristics more carefully than it had in the past.” *Id.* at 4. The Company insisted that continuation of a GTA adopted almost 10 years ago does not comport with the dramatic changes in the telecommunications industry.

Turning next to Staff’s request for additional discovery and an evidentiary rehearing, the Company maintained there is no need for such action. U S WEST insisted that the Staff has not explained how any inaccuracy in the Company’s SLU data would affect the reasonableness of the Commission’s decision. *Id.* at 5. The Company maintained that it should not be placed at risk if the Staff never explored the SLU data or estimated the impact of EAS on SLU data. *Id.* at 6.

U S WEST also argued that allocating 5% of the local loop to CLASS and custom calling services “appears to run contrary to the spirit if not the letter of [*Idaho Code* § 62-623].” *Id.* at 8. The Company stated that this recently enacted legislation requires the Commission to eliminate implicit subsidies. “Increasing the allocation of loop costs to other services and minimizing the amount of costs covered by basic local exchange services is inconsistent with the trend toward cost-based pricing and the elimination of subsidies in the rates of incumbents . . . .” *Id.* (emphasis original).

Finally, in the event that the Commission grants reconsideration to the Staff on this issue, then U S WEST cross-petitioned that it be allowed to present evidence of SLU for toll and access services. U S WEST declared that any allocation of the local loop investment to Title 62 services should be no greater than the 5% Staff proposed plus the actual SLU of 8%. Consequently, the Company claimed that the appropriate allocation of the local loop investment to Title 62 services should total approximately 11% rather than the 15% contained in Order No. 27100. *Id.* at 9.

4. Commission Findings. Having reviewed the petitions, our prior Orders, and U S WEST’s Answer, we grant the AT&T and Staff requests to clarify our prior Order. As AT&T and the Staff correctly point out in their petitions, our prior Orders assigned 15% of the local loop specifically to toll and access services—not Title 62 services in general. Consequently, our reference to allocating 15% of the local loop to Title 62 services must be corrected. As our prior Orders indicate, the 15% allocation to toll and access services was intended to reasonably apportion or allocate non-traffic sensitive local loop costs between toll and local services. Although these Orders predate the more recent federal and state telecommunications legislation, we find the rationale for

