

Service Date

December 1, 1995

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE INCREASE IN CAMBRIDGE TELEPHONE COMPANY'S
RESIDENTIAL LINE RATE TO MEET UNIVERSAL SERVICE FUND
REQUIREMENTS.**

) **CASE NO.**
) **CAM-T-95-1**

) **ORDER NO.**
) **26263**

On July 14, 1995, the Public Utilities Commission received the annual report of the Idaho Universal Service Fund (USF) for the period from July 1, 1994 through June 30, 1995. Following a review of the information and report as well as Staff's analysis, the Commission on September 1, 1995 issued Order No. 26148 approving new USF surcharges. The Order also included a finding that Cambridge Telephone Company must increase its residential rates to meet the statutory threshold requirement to qualify for continued USF funding. By this Order the Commission approves rate increases for Cambridge over the next two years so that the Company can continue to be eligible to receive USF funds.

BACKGROUND

The USF is funded by surcharges on residential and business lines, and toll surcharges on message telecommunications service (MTS) and wide area telecommunications service (WATS). The fund is distributed to qualifying high-cost local exchange telephone companies to reduce the amount of the companies' revenue requirements that must be obtained from rates and charges to their customers. Fund distributions thus offset a certain amount of revenues that would come from customers in the absence of the fund. *Idaho Code* § 62-610 establishes the eligibility requirements for local exchange companies to receive payments from the USF and currently requires that a participating company's local business and residential rates be at least 125% of the statewide average. The Commission's Universal Service Fund Rule 106 requires participating companies to revise their rates if the difference in the company's rates and the statewide threshold rate is more than 3%, and the difference in the amount of revenue collected under the company's rates and the threshold rate is greater than \$6,000.

On September 5, 1995, the Commission on its own motion issued a Notice of Modified Procedure and Notice of Rate Increase. The Notice stated that Cambridge must increase its billed residential rates by an average of \$2.70 per month to meet the USF eligibility requirements, to be effective October 1, 1995. The Notice also established a 21-day comment period that ended September 26, 1995. On September 26, 1995, the Commission issued an Amended Notice of Modified Procedure, Notice of Rate Increase and Order No. 26182. The second Notice changed the proposed effective date for a rate increase to November 1, and established October 17, 1995 as the deadline for filing written comments.

The Commission Staff filed comments including a rate design proposal to bring Cambridge's billed rates into compliance with the USF threshold eligibility requirements. Staff's proposal results in an average rate increase of \$2.59 per line per month, and a weighted average of \$14.73 per month for Cambridge's residential rates. Staff's proposal brings the rates to within three percent of the threshold rates as allowed by the USF rules. To minimize the rate impact to Cambridge's customers, Staff proposed the rates be implemented in three installments over the next two years, with approximately equal increases occurring in October of 1995, 1996, and 1997. The proposed rates as set forth in the Amended Notice and Order No. 26182 are as follows:

Current Rate Nov 1, 1995 Oct 1, 1996 Oct 1, 1997

		rate	rate	rate
Indian Valley	\$12.50	\$13.45	\$14.40	\$15.35
Cambridge	12.50	13.45	14.40	15.35
Cuprum	10.50	11.30	12.10	12.90
Lowman	11.50	12.35	13.20	14.05

Cambridge filed comments indicating its agreement with Staff's proposal, but suggesting that the first rate increase be implemented November 1, rather than October 1, 1995. Cambridge stated the additional 30 days would "give Cambridge an opportunity to notify its customers and explain the reasons for the increase via a bill stuffer in the next billing cycle." Staff subsequently was informed the notice was not mailed to customers until the week of October 31, 1995. Staff thus recommended the first increase be delayed until December 1, 1995 in order to give customers an opportunity to contact the Commission. The Commission's Consumer Assistance Section has received no comments from Cambridge's customers.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

Cambridge initially was authorized to receive USF funds in September 1988. Local rates for both residential and business services had increased significantly just prior to that time so no billed rate increase was required by the Commission for Cambridge's USF eligibility. Cambridge thus has received the benefit of USF distributions since 1988, while billed residential rates have remained unchanged.

The Commission has reviewed the current eligibility requirements for USF participation and finds that the billed residential telephone rates of Cambridge's customers must be increased to meet the criteria established in the law and our rules. We find the rates proposed by Staff as set forth in this Order to be fair and reasonable, and necessary for Cambridge to qualify for USF distributions. We also find that implementing the rates at one time may impair our goal of universal service and constitute an undue hardship for some customers. We therefore conclude that the increases should be implemented in three installments as previously identified in this Order, with the first increase effective December 1, 1995. While we regret the necessity of requiring these increases, they are essential to enable Cambridge to remain eligible for USF distributions. Although these increases will be implemented, rates will remain lower for Cambridge's customers than they would be without the USF and its distributions to the Company.

ORDER

IT IS THEREFORE ORDERED that Cambridge Telephone Company implement the billed residential rates set forth in the body of this Order to continue its eligibility for USF distributions.

IT IS FURTHER ORDERED that Cambridge file appropriate tariffs reflecting the new residential rates effective after December 1, 1995. Cambridge must file revised tariffs in 1996 and 1997 to reflect the residential rates approved in this Order.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. CAM-T-95-1 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. CAM-T-95-1. 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 day of November 1995.

RALPH NELSON, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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