

Service Date

August 15, 1996 **BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF REVIEWING U S WEST) CASE NO. USW-S-96-3

COMMUNICATIONS' SOUTHERN IDAHO)

REVENUE SHARING PLAN FOR THE)

COMPLETED 1995 SHARING YEAR.) ORDER NO. 26564

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In 1989, the Idaho Public Utilities Commission authorized the implementation of a "Revenue Sharing Plan" as a method for allocating costs between the fully regulated (Title 61) and partially regulated (Title 62) portions of U S WEST Communications' southern Idaho operations. [The Commission 's traditional regulatory authority is found in Title 61 of the Idaho Code. The Idaho Telecommunications Act of 1988 added a new chapter to Title 62 of the Idaho Code and created a modified form of regulation for telephone companies providing other than basic local exchange services in Idaho. Basic local exchange service for residential and small business customers (five or fewer access lines) remains under the Commission 's Title 61 rate setting authority. In March 1989, U S WEST elected to remove its non-basic local services from the Commission 's Title 61 rate setting authority. U S WEST 's non-basic services provided in southern Idaho are now subject to the Commission 's Title 62 jurisdiction.] Under the Sharing Plan, U S WEST is required to file a report following the close of each calendar sharing year. On April 29, 1996, U S WEST filed its report for the 1995 Sharing Year. On May 6, 1996, the Commission issued Notice of U S WEST filing a report and indicated that the Commission Staff would conduct an audit of the Company to verify the calculations and the revenue sharing amounts for 1995. Commission Staff, after completing its audit concluded that the numbers contained in the Report are accurate. On July 9, 1996, the Commission issued a Notice of Modified Procedure seeking comments on U S WEST's 1995 Revenue Sharing Report, specifically, the accuracy of the revenue sharing amount for 1995.

THE REVENUE SHARING PLAN

In simple terms, the operation of the Sharing Plan measures the relative changes in the proportion of Title 61 and Title 62 revenues since 1987. The Sharing Plan uses 1987 data to determine the average revenue per telephone access line served by U S WEST in southern Idaho. This figure represents the base-year calculation. In subsequent calendar sharing years (e.g., 1995), the same calculation is made using the actual sharing year data to determine the average revenue per access line for the sharing year. If the sharing year revenue per line is greater than the base-year revenue per line (i.e., comparing the data from years 1987 and 1995), a proportion of the growth in revenue will be "shared" or attributed to Title 61 regulated services. The portion of the increased/decreased revenues assigned to Title 61 and Title 62 services is determined by the ratio of the actual/adjusted revenues generated by such services for the year being calculated. In other words, the sharing ratio mirrors the ratio of Title 61 service revenues to Title 62 service revenues. Allocations under the sharing plans are made annually with the end-of-year operational report due no later than May 1 of each year. The Commission determines the appropriate disposition of the revenue growth "shared" with Title 61 customers as calculated according to the Revenue Sharing Plan.

The Sharing Plan is not affected by an increase or decrease in the Company's operating expenses except in two instances. First, changes in intrastate expenses attributed to jurisdictional "separations" procedures proscribed by the Federal Communications Commission will be reflected in the net calculation of sharing year revenues. Second, net revenues in the sharing year may also be adjusted for changes in Idaho and federal income tax rates, structures, or methods of calculation. The Sharing Plan has also undergone a number of other modifications in prior years. See Order Nos. 23951, 24506, and 26355.

U S WEST Communications filed its 1995 Revenue Sharing Report on April 29, 1996. The Company reports that the adjusted number of telephone access lines in its southern Idaho territory at the end of the sharing year was 401,085.

This represents an increase of 18,077 lines or 4.7% growth from 1994. A summary of U S WEST Revenue Sharing Comparisons from 1987-1995 is included as Attachment A to this Order.

The Company calculates its average revenue per line in 1995 was \$531.94. This represents an increase of \$7.07 from 1994. See Attachment A, lines 21, 22, 23. Based upon the Title 61/62 ratio, the Company asserts that 39.76% of the increased revenue is attributable to Title 61 services. See Attachment A, line 24. Consequently, U S WEST reports that \$7,086,183 is available for revenue sharing purposes (not including interest).

On May 6, 1996, the Commission issued a Notice of U S WEST filing a report. The week of May 13, 1996, Commission Staff conducted an audit of U S WEST's Revenue Sharing Report for 1995. Staff concluded that the numbers in the report are accurate. Staff recommends that the Revenue Sharing Report for 1995 be accepted as filed.

On July 9, 1996, the Commission issued a Notice of Modified Procedure seeking comments on U S WEST's 1995 Revenue Sharing Report, or more specifically, comments on the accuracy of the revenue sharing amount for 1995. The Notice indicated that the Commission Staff concluded that the numbers in the report are accurate and recommended and that the Commission accept the report as filed. No comments were filed by any party.

The Commission Staff and U S WEST have entered into a Stipulation and Settlement that, among other things, propose to include additional funds in this year's revenue sharing plan, modify the interest rate applicable to sharing funds, and recommends that 1995 sharing funds be used to implement four local calling regions in Case No. USW-S-96-4. As a result of the Stipulation and Settlement the only issue to be considered in this case is whether the number for revenue sharing is correct. The disposition of the 1995 sharing funds will be addressed in Case No. USW-S-96-4.

FINDINGS OF FACT AND CONCLUSION OF LAW

U S WEST Communications, Inc. is a telecommunications corporation subject to our regulatory jurisdiction pursuant to *Idaho Code* Titles 61 and 62. This Commission has jurisdiction over this matter as authorized by *Idaho Code* • 61-622A.

Staff concluded that the numbers contained in the Revenue Sharing Report are accurate and recommends that the Commission accept the report as filed. As no other party has challenged the recommendation of Commission Staff, we hereby adopt Staff's recommendation. Therefore, we find that the total amount for revenue sharing funds as of December 31, 1995 is \$7,086,183.

ORDER

IT IS HEREBY ORDERED that the U S WEST Revenue Sharing Report for 1995 be accepted as filed. The revenue sharing amount for 1995 is \$7,086,183, not including interest. Disposition of the revenue sharing amount will be address in Case No. USW-S-96-4.

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. USW-S-96-3 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. USW-S-96-3 . 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 August 1996.

RALPH NELSON, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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