

Service Date: January 6, 2006

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER OF WESTERN MONTANA)	UTILITY DIVISION
LOCAL CALLING COALITION,)	DOCKET NO. D2003.12.170
Application for a Western Montana Telephone)	ORDER NO. 6550c
Extended Area Service Region)	

FINAL ORDER

Introduction

1. Telephone extended area service (EAS) means a calling service between two exchanges or among exchanges within a region. EAS is provided as local service at local exchange rates or with an increment to local exchange rates rather than at toll prices (*ARM 38.5.1305(1)*). Local rates increase to offset costs of EAS implementation, including increased calling volumes, and foregone Switched Access and toll or Message Telecommunication Services (MTS) revenues.
2. EAS procedures involve two phases. Phase I (*ARM 38.5.1313*) serves to determine if a community of interest exists, and Phase II (*ARM 38.5.1315*) serves to determine the rate adjustments required to offset the costs to implement EAS.

Procedural History

3. On August 21, 2003, the Western Montana Local Calling Coalition (Coalition - Members of the Coalition are Ronan Telephone Company (Ronan), Hot Springs Telephone Company (Hot Springs), the Confederated Salish and Kootenai Tribes, and the Western Montana Telecommunications Consumers, Inc.) filed before the Montana Public Service Commission (PSC or Commission) an application for a western Montana EAS region. The "application" for telephone EAS was presented as a request for "joinder" (or the equivalent) to a then pending Blackfoot Telephone Cooperative, Inc. (Blackfoot) application for EAS with the Qwest Missoula EAS region, Docket No. D2003.1.8.

4. On October 28, 2003, the Commission denied the Coalition's request for joinder, and subsequently converted the Coalition filing to a separately docketed application (*Docket No. D2003.12.170*). As a consequence of the Commission's denial for joinder, Ronan and Hot Springs filed separate applications for EAS with Qwest's Missoula EAS region, Docket No. D2004.2.17 and Docket No. D2004.2.22, respectively.
5. On January 7, 2004, the Commission served a notice in the western Montana EAS proceeding that initiated the combined community of interest (Phase I) and cost analysis/rate design (Phase II) of the EAS procedures (*ARM 38.5.1313 and 38.5.1315*).
6. On January 26, 2004, the Commission approved a joint motion and stipulation filed by the Coalition and Blackfoot that essentially resolved several pending disagreements and a withdrawal of objections among these parties. The stipulation contemplated best, good faith, efforts to simultaneously implement the Blackfoot (*Docket No. D2003.1.8*), Ronan (*Docket No. 2004.2.17*) and Hot Springs (*Docket No. D2004.2.22*) applications for EAS with Qwest's Missoula EAS region. The Coalition's western Montana EAS application was effectively suspended while the above telecommunications carriers focused their time and efforts towards successfully completing the simultaneous implementation of EAS with the Qwest Missoula EAS region. Interest in the Coalition's western Montana EAS application did not resume until March of 2005.
7. By March 30, 2005, all of the affected telecommunications carriers (Ronan, Hot Springs, Blackfoot, CenturyTel, and Qwest) completed and filed with the Commission their call usage studies for the proposed western Montana EAS region. The analysis of the Phase 1 call usage studies clearly indicated that the proposed western Montana EAS region did not meet the numerical criteria necessary to establish a far-reaching all-encompassing community of interest. The call usage studies did indicate that there was sufficient calling traffic to explore possible alternative extended local calling plans for targeted exchanges situated on the Flathead Indian Reservation.
8. On May 24, 2005, the Commission directed PSC staff to convene a procedural and substantive meeting with the affected telecommunications carriers, the Montana Consumer Counsel, and other interested persons (Confederated Salish and Kootenai Tribe, Western Montana Telecommunications Consumers, Inc., Montana Independent Telecommunications Systems, and the Montana Telephone Association).

9. On June 16, 2005, PSC staff convened a meeting with the affected telecommunications carriers and other interested persons as directed by the Commission. The primary discussion points centered around any barriers that may preclude the development and implementation of an alternative local calling arrangement between and among targeted exchanges that are situated on the Flathead Indian Reservation and currently participating in either of two existing EAS regions, specifically the CenturyTel Flathead Valley-wide region that includes northern Reservation exchanges and the Qwest Missoula EAS region that includes central and southern Reservation exchanges.
10. On August 10, 2005, the Coalition filed a Stipulation and Agreement (the Stipulation) signed by Ronan, Hot Springs, Blackfoot, CenturyTel, the Confederated Salish and Kootenai Tribe, and the Western Montana Telecommunications Consumers, Inc., (the Parties) providing for the parties to file rate design proposals by August 26, 2005 with respect to the proposed Flathead Indian Reservation EAS region (Reservation-wide EAS) that will partially overlap the two existing EAS regions. The proposed Reservation-wide EAS region will consist of the following exchanges (Qwest will not be affected):
 - CenturyTel exchanges in Elmo, Finley Point, and Polson;
 - Blackfoot exchanges in Arlee, Charlo, Dixon, and St. Ignatius;
 - Ronan exchanges in Ronan and Pablo; and
 - Hot Springs exchange in Hot Springs.
11. By September 6, 2005, all of the parties to the Stipulation filed Phase II cost analysis and rate designs that reflected the impacts of the proposed Reservation-wide EAS region.
12. At the designated technical hearing, held in Pablo on November 7, 2005, Ronan, Hot Springs, Blackfoot, CenturyTel and other participants who obtained formal party status submitted testimony, exhibits, and comments. At hearing, the Stipulation along with all Phase I call usage data, Phase II cost analysis and rate design data, discovery and responses to discovery, and all other previously filed communications were admitted to the record without objections.
13. In addition to the technical hearing in Pablo, public hearings were also held on the same day at the following locations and times:
 - Hot Springs, 1:30 p.m., Senior Center, 101 Main Street;
 - Polson, 3:45 p.m., Lake County Court House;
 - Ronan, 5:30 p.m., Community Center, 300 3rd Avenue NW.

Commission Analysis and Decisions

14. The proposed Reservation-wide EAS rates are designed to offset the costs of EAS implementation, including increased calling volumes, and foregone Switched Access and toll or MTS revenues. Each subscriber will have a choice between an Unlimited Local Calling Plan and a Measured Local Calling Plan. In the case where a residence or business has multiple telephone lines, the selected local calling plan will apply to all the lines located in these premises. Toll Restricted and Lifeline customers will not be offered the Measured Local Calling Plan option. Qualifying Lifeline customers will continue to be eligible for applicable Tier 1, Tier 2, Tier 3, and Tier 4 support mechanisms. Eligible customers on Tribal lands will continue to receive support reducing their monthly payment to \$1.00 plus taxes for the Unlimited Local Calling Plan.
15. The following table illustrates the total revenue effects of the proposed Reservation-wide EAS region for each of the affected telecommunications carriers.

Description	CenturyTel	Blackfoot	Ronan	Hot Springs
Incremental EAS Revenues	\$328,389	\$19,000	\$239,127	\$23,136
Incremental EAS Network Costs	(\$89,447)	Netted above	(\$4,400)	(\$2,028)
Net EAS Revenues	\$238,942	\$19,000	\$234,727	\$21,108
Foregone Carrier Access Revenues	(\$238,911)	(\$65,000)	(\$245,594)	(\$22,528)
Net Revenue Effects	\$31	(\$46,000)	(\$10,867)	(\$1,420)

All costs and revenue effects are annualized estimates. In order to minimize the impacts to its respective subscriber base, the affected telecommunications carriers agree to absorb any negative net revenue effects.

16. The proposed Reservation-wide EAS local calling plans and rates are as follows:

CenturyTel has developed the following service offerings available and applicable to its Polson, Elmo, and Finley Point subscribers only:

Measured (Basic):

- Proposed: Residential - \$13.55/Month, Business - \$26.11/Month
 Current: Residential - \$11.95/Month, Business - \$24.51/Month
 Increase: Residential - \$1.60/Month, Business - \$1.60/Month
- For all intra-exchange and inter-exchange traffic to exchanges participating in CenturyTel's Valley-wide Region, including West Glacier, there will be no additional charge for the first thirty (30) calls within this area.
 - Each additional call beyond thirty (30) will be charged at \$0.15 per call.
 - All inter-exchange traffic to other exchanges participating in the Reservation-wide EAS Region will be charged at \$0.07 per minute.

Unlimited (Reservation-wide Region only):

- Proposed: Residential - \$16.74/Month, Business - \$29.30/Month
 Current: Residential - \$11.95/Month, Business - \$24.51/Month
 Increase: Residential - \$4.79/Month, Business - \$4.79/Month
- For all intra-exchange and inter-exchange traffic to exchanges participating in CenturyTel's Valley-wide Region, including West Glacier, there is no additional charge for the first thirty (30) calls within this area.
 - Each additional call beyond thirty (30) will be charged at \$0.15 per call.
 - Flat-rate service for all inter-exchange traffic to other exchanges participating in the Reservation-wide EAS Region.

Unlimited (Valley-wide Region only):

- Proposed: Residential - \$16.74/Month, Business - \$37.20/Month
 Current: Residential - \$15.14/Month, Business - \$35.60/Month
 Increase: Residential - \$1.60/Month, Business - \$1.60/Month
- Flat-rate service for all intra-exchange and inter-exchange traffic to exchanges participating in CenturyTel's Valley-wide Region, including West Glacier.
 - All inter-exchange traffic to other exchanges participating in the Reservation-wide EAS Region will be charged at \$0.07 per minute.

Unlimited (Both Valley-wide and Reservation-wide Regions):

- Proposed: Residential - \$19.93/Month, Business - \$40.39/Month
 Current: Residential - \$15.14/Month, Business - \$35.60/Month
 Increase: Residential - \$4.79/Month, Business - \$4.79/Month
- Flat-rate service for all intra-exchange and inter-exchange traffic to exchanges participating in CenturyTel's Valley-wide Region, including West Glacier.
 - Flat-rate service for all inter-exchange traffic to other exchanges participating in the Reservation-wide EAS Region.

Blackfoot has developed the following service offerings available and applicable to its Arlee, Charlo, Dixon, and St. Ignatius subscribers only:

Measured (Basic):

- Proposed: Residential - \$19.00/Month, Business - \$35.30/Month
Current: Residential - \$19.00/Month, Business - \$35.30/Month
Increase: Residential - \$0.00/Month, Business - \$0.00/Month
- All inter-exchange traffic to participating exchanges in the Missoula EAS Region will be charged at \$0.05 per minute.
 - All inter-exchange traffic to other exchanges participating in the Reservation-wide EAS Region will be charged at \$0.05 per minute.

Unlimited (Reservation-wide Region only): Not available

Unlimited (Missoula Region only):

- Proposed: Residential - \$25.00/Month, Business - \$45.90/Month
Current: Residential - \$25.00/Month, Business - \$45.90/Month
Increase: Residential - \$0.00/Month, Business - \$0.00/Month
- Flat-rate service for all intra-exchange and inter-exchange traffic to exchanges participating in the Missoula EAS Region, except to Ronan, Pablo, and Hot Springs.
 - All inter-exchange traffic to Ronan, Pablo, and Hot Springs will be charged at \$0.07 per minute.

Unlimited (Both Missoula and Reservation-wide Regions):

- Proposed: Residential - \$30.00/Month, Business - \$50.90/Month
Current: Residential - \$25.00/Month, Business - \$45.90/Month
Increase: Residential - \$5.00/Month, Business - \$5.00/Month
- Flat-rate service for all intra-exchange and inter-exchange traffic to exchanges participating in the Missoula EAS Region.
 - Flat-rate service for all inter-exchange traffic to other exchanges participating in the Reservation-wide EAS Region.

Hot Springs has developed the following service offerings available and applicable to all of its Hot Springs subscribers:

Measured (Basic):

Proposed:	Residential - \$14.00/Month, Business - \$22.00/Month
	Zones 1,2,3 - \$17.00/Month, Business - \$25.00/Month
Current:	Residential - \$11.00/Month, Business - \$19.00/Month
	Rural Zone 1 - \$13.00/Month, Business - \$21.00/Month
	Rural Zone 2 - \$15.00/Month, Business - \$23.00/Month
	Rural Zone 3 - \$17.00/Month, Business - \$25.00/Month
Increase:	Residential - \$3.00/Month, Business - \$3.00/Month
	Rural Zone 1 - \$4.00/Month, Business - \$4.00/Month
	Rural Zone 2 - \$2.00/Month, Business - \$2.00/Month
	Rural Zone 3 - \$0.00/Month, Business - \$0.00/Month

- All intra-exchange and inter-exchange traffic to exchanges participating in the Missoula EAS Region will be charged at \$0.015 per minute.
- All inter-exchange traffic to other exchanges participating in the Reservation-wide EAS Region will be charged at \$0.015 per minute.

Unlimited (Reservation-wide Region only): Not available

Unlimited (Missoula Region only): No longer available

Unlimited (Missoula and Reservation-wide Regions):

Proposed:	Residential - \$23.00/Month, Business - \$35.00/Month
	Zones 1,2,3 - \$26.00/Month, Business - \$38.00/Month
Current:	Residential - \$20.00/Month, Business - \$32.00/Month
	Rural Zone 1 - \$22.00/Month, Business - \$34.00/Month
	Rural Zone 2 - \$24.00/Month, Business - \$36.00/Month
	Rural Zone 3 - \$26.00/Month, Business - \$38.00/Month
Increase:	Residential - \$3.00/Month, Business - \$3.00/Month
	Rural Zone 1 - \$4.00/Month, Business - \$4.00/Month
	Rural Zone 2 - \$2.00/Month, Business - \$2.00/Month
	Rural Zone 3 - \$0.00/Month, Business - \$0.00/Month

- Flat-rate service for all intra-exchange and inter-exchange traffic to exchanges participating in the Missoula EAS Region.
- Flat-rate service for all inter-exchange traffic to other exchanges participating in the Reservation-wide EAS Region.

Ronan has developed the following service offerings available and applicable to all of its Ronan and Pablo subscribers:

Measured (Basic):

- Proposed: Residential - \$10.75/Month, Business - \$19.75/Month
- Current: Residential - \$7.00/Month, Business - \$16.00/Month
- Increase: Residential - \$3.75/Month, Business - \$3.75/Month
- All intra-exchange and inter-exchange traffic to exchanges participating in the Missoula EAS Region will be charged at \$0.015 per minute.
- All inter-exchange traffic to other exchanges participating in the Reservation-wide EAS region will be charged at \$0.015 per minute.

Unlimited (Reservation-wide Region only): Not available

Unlimited (Missoula Region only): No longer available

Unlimited (Missoula and Reservation-wide Regions):

- Proposed: Residential - \$24.00/Month, Business - \$37.00/Month
- Current: Residential - \$18.00/Month, Business - \$31.00/Month
- Increase: Residential - \$6.00/Month, Business - \$6.00/Month
- Flat-rate service for all intra-exchange and inter-exchange traffic to exchanges participating in the Missoula EAS Region.
- Flat-rate service for all inter-exchange traffic to other exchanges participating in the Reservation-wide located within the Reservation-wide EAS Region.

17. The above proposed Reservation-wide EAS local calling plans and rates are available to each of the affected telecommunication carriers' subscribers served by exchanges that are situated on, and participating in, the proposed Reservation-wide EAS region.
18. Although factual and legal requirements must be met before EAS can be ordered, to a large extent EAS is a matter of policy. Resolution of EAS issues is dependent on a correct assessment of what is fair and equitable to all consumers and in the best public interest. When the community of interest criterion is met between exchanges or among exchanges in a region there is a strong indication that EAS may be appropriate. The PSC has compared and judged EAS applications from the standpoint that the public interest is related to community of interest (*Docket No. D95.10.146, Order No. 5889b*).
19. The Commission has fully considered the initial application of the Coalition, the subsequent Stipulation (attached), the call usage studies, the cost analyses and rate design proposals, the proposed interconnection and compensation arrangements, and all evidence and comments filed or presented at hearing, including public comments.

20. The Commission determines that the application, studies, and proposals comply with all applicable laws (*see, ARM 38.5.1305 through 38.5.1315*).
21. The Commission determines that the proposed Reservation-wide EAS region stipulated by the parties is an appropriate alternative extended local calling plan arrangement under the circumstances.
22. The Commission determines that the parties should implement the EAS arrangement within 180 days of the service date of this order.

Conclusions of Law

23. Ronan, Hot Springs, and CenturyTel are public utilities subject to regulation by the Commission. Blackfoot is a cooperative and, except by necessity in regard to certain proceedings and as expressly set forth in MCA 69.3.831 through 69.3.849 of the “Montana Telecommunications Act”, cooperatives transacting business in Montana pursuant to the “Rural Electric and Telephone Cooperative Act” are exempt in all respects from the jurisdiction and control of the Commission (*MCA 35.18.104(1)* and *MCA 69.3.823*).
24. The Commission has jurisdiction over the Coalition’s application and the Stipulation for a proposed Reservation-wide EAS region. Jurisdiction is as provided by Title 69, Ch. 3, MCA.

Order

25. IT IS HEREBY ORDERED that the affected telecommunications carriers shall establish a Reservation-wide EAS region to include the exchanges identified above. The affected telecommunications carriers shall establish rates to reflect the rate designs detailed above. Compliance tariffs reflecting the rates approved in this order must be filed by the regulated public utilities. The establishment of the Reservation-wide EAS region is approved, and shall be implemented subject to the following conditions;
26. Filing a proposed or estimated implementation plan with the PSC within 45 days of the service date of this order, to include the schedule for full implementation, a description of how the available EAS local calling plans will be presented to customers for selection, and a description of the agreed upon interconnection and compensation arrangements.
27. Since the proposed Reservation-wide EAS region will partially overlap the two existing EAS regions, the affected telecommunications carriers shall include appropriate

protective language concerning bridging or arbitrage in either the negotiated interconnection and compensation arrangements and/or in the compliance tariffs.

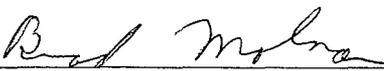
28. Implementation is to begin no later than 90 days, and be completed no later than 180 days, from the service date of this order.

29. Customers shall be allowed to change their selected EAS local calling plan without charge within 90 days after implementation of this EAS arrangement.

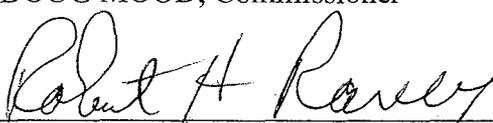
Done and dated this 13th day of December, 2005, by a vote of 5-0.

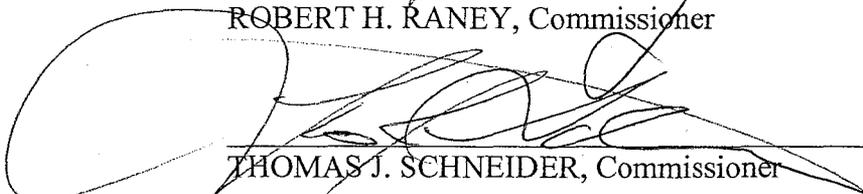
BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION


GREG JERGESON, Chairman

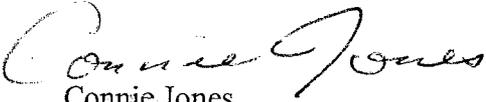

BRAD MOLNAR, Vice Chairman


DOUG MOOD, Commissioner


ROBERT H. RANEY, Commissioner


THOMAS J. SCHNEIDER, Commissioner

ATTEST:


Connie Jones
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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PUBLIC SERVICE
COMMISSION

IN THE MATTER OF WESTERN)	UTILITY DIVISION
MONTANA LOCAL CALLING)	
COALITION, Application for Western)	DOCKET NO. D2003.12.170
Montana Telephone Extended Area)	
Service Region)	

STIPULATION

WHEREAS, the parties in this case have conferred to discuss a compromise in the above entitled Docket that would permit the expedited consideration of an Extended Area Service Region that would permit local, toll-free calling throughout the Flathead Indian Reservation.

The undersigned parties have reached the following Stipulation whereby the affected carriers will file a new rate design in this proceeding that will allow Commission consideration of a Reservation-wide EAS region in this Docket:

1. Subject to the provisions of this Stipulation, and a Commission Order approving the same, the carriers propose for the Commission's consideration in this Docket an alternative EAS Region that would effectively establish local/EAS encompassing the Flathead Indian Reservation, as follows:

A new EAS Region would be established, which overlaps in part the existing Missoula EAS Region and the CenturyTel Valley-wide EAS Region with respect to the following exchanges located on the Flathead Indian Reservation. Specifically, local calling would be

established between the CenturyTel exchanges of Polson, Elmo, and Finley Point, and all other exchanges on the Reservation: Hot Springs, Ronan, Pablo, Arlee, Dixon, St. Ignatius, and Charlo.

2. Each of the affected carriers (CenturyTel, Blackfoot, Ronan and Hot Springs) will make a rate design filing with the Commission for the proposed new EAS Region described above, on or before August 26, 2005.

3. The parties acknowledge that local telephone exchange boundaries do not precisely match the geographical boundaries of the Flathead Indian Reservation, and therefore, there are a very small number of consumers which are located on Reservation land, but outside of an exchange included in this EAS proposal (e.g. a small portion of the CenturyTel Yellow Bay exchange). As such instances would be relatively minor, the parties submit that the proposal contained herein would effectively establish a Flathead Indian Reservation-wide EAS region.

4. This new proposal would create "overlapping" EAS regions, and due to the resulting arbitrage possibilities, the carriers anticipate requesting appropriate protective language in the Commission final order and/or their Tariffs.

5. Following the filing of the new rate design proposals as provided herein, the carriers request expedited consideration by the Commission. It is expressly acknowledged that any party to this Stipulation that is not rate-regulated by the Commission will file its rate design as set forth herein, but reserves all rights to alter, amend, or withdraw such rate design.

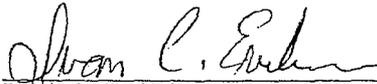
6. Qwest Communications exchanges would not be affected or included in the new EAS Region proposed herein, and it is therefore unnecessary for Qwest to file a new rate design, since Qwest's rates would be unaffected by the new proposal. Qwest is therefore not a signatory to this Stipulation.

7. Each party to this Stipulation reserves the right to survey and/or ballot its customers regarding this new EAS region, and each such carrier may withdraw from this Stipulation

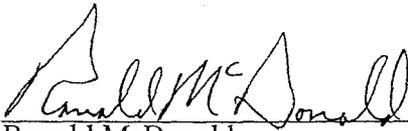
subsequent to such survey/ballot if, in the company's sole discretion, implementation of this Stipulation is not in its customers'/members' best interests.

DATED: August 9, 2005

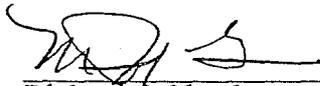
Respectfully Submitted,



Ivan C. Evilsizer
Attorney for Ronan Telephone Company
and Hot Springs Telephone Company



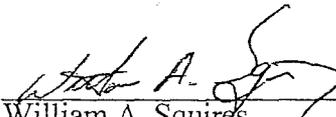
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