

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of the Stipulated Settlement Regarding the Rates of Mankato Citizens Telephone Company Pursuant to Minn. Rules, Parts 7827.0100 to 7827.0600 Relating to Rate Adjustments Due to the Tax Reform Act of 1986

ISSUE DATE: July 11, 1988

DOCKET NO. P-414/M-87-433

ORDER APPROVING RATE CHANGE AND REFUND PLAN

PROCEDURAL HISTORY

On October 29, 1987, the Minnesota Public Utilities Commission (the Commission) issued its ORDER APPROVING STIPULATION in this matter. The Commission found that the effects of the Tax Reform Act of 1986 (TRA) would lower Mankato Citizens Telephone Company's (Mankato or the Company) annual revenue requirement by \$401,026, beginning July 1, 1987. The Commission also allowed the Company's overcollection of rates caused by the TRA to be offset by Mankato's access revenue reduction resulting from the Commission's decision in In the Matter of a Summary Investigation into IntraLATA Toll Access Compensation for Local Exchange Carriers, Docket No. P-999/CI-85-582 (582 Case). The Commission ordered Mankato to refund the full amount of the TRA savings from July 1, 1987 until the date that the 582 Case is implemented. At that time, Mankato was required to implement lower rates which would reflect the TRA savings offset by the decreased revenues resulting from the 582 Case.

On June 1, 1988, the Company submitted its compliance filing in this proceeding. Mankato indicated its intention to implement lowered local rates reflecting the TRA savings, offset by the 582 Case revenue reduction, effective July 1, 1988. Mankato would refund the amounts overcollected due to the TRA from July 1, 1987 to July 1, 1988 during August, 1988.

On June 30, 1988, Mankato, the Minnesota Department of Public Service (DPS) and the Residential Utilities Division of the Office of the Attorney General (RUD-AG) jointly submitted a proposal, which was finalized on July 5, 1988, to the Commission to allow Mankato to implement its rate changes effective July 1, 1988 and to begin refunding in August even though the changes in access charges resulting from the 582 Case were not likely to be implemented by July 1, 1988.

FINDINGS AND CONCLUSIONS

The Commission must decide whether the proposed joint agreement is in the public interest and ensures that Mankato's rates for telephone service are just and reasonable in light of the TRA and the 582 Case.

The Commission recognizes that its October 29, 1987 Order approved a stipulation whereby Mankato would decrease rates due to the TRA as offset by the 582 Case access revenue reduction when the 582 Case decisions were implemented. That agreement contemplated a single refund.

In their joint agreement the parties indicated that the 582 Case implementation had been delayed several times and that a further delay was probable due to Northwestern Bell Telephone Company filing its 582 Case compliance filing on June 30, 1988.

The Commission notes that the 582 case was not implemented by July 1, 1988.

In the joint agreement, the parties proposed that because of the length of the 582 Case and because Mankato has committed itself to July 1, 1988 as the date to implement its rate adjustments, Mankato be allowed to:

1. Reduce local service rates effective July 1, 1988 to the level reflecting the TRA savings as offset by the loss of access revenues due to the 582 Case;
2. Refund the excess revenues accumulated due to the TRA from July 1, 1987 to July 1, 1988 in billing cycles beginning August 1, 1988; and
3. Conduct another refund for excess revenues collected for period after July 1, 1988.

The parties indicated that Mankato's annual revenue requirement reduction due to the TRA was \$401,026 and that the Company's reduction in access revenue due to the 582 Case was \$280,968 on an annual basis resulting in a net reduction in annual revenue requirement of \$120,058.

The Company proposed to reduce local service rates by applying a uniform percentage reduction of approximately 5% to incorporate the \$120,058 revenue requirement reduction effective July 1, 1988. The Company supplied tariff pages reflecting this proposal.

Mankato proposed to refund the annual TRA saving of \$401,026 for the period from July 1, 1987 to July 1, 1988, together with interest computed using the average prime rate, for a total of approximately \$421,124. The refund is proposed as a one-time credit to customers bills beginning with billing cycles beginning August 1, 1988. The refund would be distributed to customers on a uniform basis as a percent of the monthly service rate. The refund would be approximately 212% of the customer's basic monthly rate.

Mankato recognized that if the 582 Case was not implemented July 1, 1988 it would overcollect at the annual rate of \$280,968 after July 1, 1988. The Company proposed that a separate refund for this period be implemented after the 582 Case is effective.

The Commission recognizes that the Company is proposing to make two refunds to its ratepayers, one to recognize the TRA, another to recognize the 582 Case offset. The Commission believes that it is reasonable and in the public interest to do so.

The Commission finds that the Company has appropriately calculated and allocated the proposed rate reduction. Mankato's proposed refund calculations and methods reasonably return the excess amounts collected due to the TRA to the ratepayers. Further, the Company has indicated that it has spent a significant amount of money preparing for the July 1, 1988 implementation of the rate change and refund. The Commission finds that the Company would incur additional costs if it is required to delay refunds due to the TRA until the 582 Case becomes effective. The Commission recognizes imposing additional costs for refunding on this Company which serves fewer than 30,000 customers would be administratively burdensome. Therefore, the Commission concludes that it is in the public interest for this Company to implement its TRA rate reduction and corresponding refund at the earliest possible date.

Regarding a future refund resulting from the 582 Case, the Commission will require the Company to use the same methodology approved in this case and to conduct the refunding within 60 days of the date the 582 Case becomes effective.

ORDER

1. The joint agreement submitted by the Minnesota Department of Public Service, the Residential Utilities Division of the Office of the Attorney General, and Mankato Citizens Telephone Company on June 30, 1988 and finalized on July 5, 1988 is approved.
2. Mankato Citizens Telephone Company shall implement rate reductions due to the Tax Reform Act of 1986 effective July 1, 1988.
3. The Commission hereby approves Mankato Citizens Telephone Company's revised tariff pages and proposed refund methodology.
4. Within 30 days of the completion of the refund, Mankato Citizens Telephone Company shall file with the Commission and serve on all parties to this proceeding, its report showing the computation of and the actual amounts refunded by class and the interest applied. Parties shall file comments with the Commission within 20 days of the filing of the Report.
5. Within 60 days of the date the 582 Case becomes effective, Mankato Citizens Telephone Company shall refund amounts due to that case to its ratepayers using the same methodology approved in this Order.
6. Within 30 days of the completion of the 582 CAse refund, Mankato Citizens Telephone Company shall file with the Commission and serve on all parties to this proceeding, its report showing the computation of and the actual amounts refunded by class and any interest applied. Parties shall file comments with the Commission within 20 days of the filing of the Report.
7. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)