

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 Continental Telephone  
Company of Minnesota, Inc., Pursuant to  
Minn. Rules, Parts 7827.0100 to 7827.0600  
Relating to Rate Adjustments Due to the Tax  
Reform Act of 1986

ISSUE DATE: September 9, 1988

DOCKET NO. P-407/M-87-431

ORDER APPROVING REFUND PLAN

PROCEDURAL HISTORY

On October 29, 1987, the Minnesota Public Utilities Commission (the Commission) issued an Order approving a stipulation between Continental Telephone Company of Minnesota, Inc. (Contel or the Company), the Department of Public Service (DPS), and the Residential Utilities Division of the Office of the Attorney General (RUD-OAG). That stipulation required the Company to refund excess revenues attributable to tax savings under the Tax Reform Act of 1986 (TRA) within 120 days of the conclusion of the 582 toll access charge case. In the Matter of a Summary Investigation into IntraLATA Toll Access Compensation for Local Exchange Carriers, Docket No. P-999/CI-85-582 (the 582 case). (This deadline was subsequently extended pending the development of access rates in the 582 case.) The Commission ordered the Company to refund the full amount of the TRA excess revenues collected from July 1, 1987 until the date that the 582 case access rates were implemented. The Commission found that the TRA reduced the Company's annual revenue requirement and the Commission allowed the Company to offset the revenue requirement reduction due to the TRA against the lowered access revenue from the 582 case in setting on-going rates.

On June 27, 1988, Contel filed a refund proposal which it updated on August 10, 1988 to reflect the date the 582 case access rates were implemented, August 1, 1988. In that filing, the Company demonstrated that the loss in revenues from the 582 case was greater than the savings from the TRA.

No party commented on Contel's refund proposal.

FINDINGS AND CONCLUSIONS

The Commission must decide whether the Company's TRA refund proposal is in the public interest and ensures that Contel's rates for telephone service are just and reasonable in light of the TRA.

The Commission recognizes that its October 29, 1988 Order approved a stipulation whereby Contel would make a refund of its overcollections due to the TRA from July 1, 1987 to the date access rates from the 582 case became effective (August 1, 1988). The October 29, 1988 Order also contemplated that there would be an on-going local rate decrease due to the TRA after offset by the 582 case access rates.

Separate from the refund proposal, Contel requested authority to increase the minimum refund amount for disconnected customers from \$1 to \$5 explaining that this would minimize administrative costs.

The Commission finds that a \$1 minimum refund is reasonable and administratively feasible. The Commission believes that overcharges should be returned to the customers who paid them and will deny the Company's request.

The Commission finds that the Company complied with the Commission's October 29, 1987 Order in developing its refund plan for the 13-month period from July 1, 1987 through July 31, 1988. The Commission finds that the refund plan provides timely distribution of the excess funds with interest to customers in proportion to the basic local service rates paid. The Commission concludes that Contel's refund proposal is in the public interest and ensures that the Company's rates for telephone service are just and reasonable in light of the TRA. The Commission will approve the Company's refund plan with refunds to begin in November, 1988.

The Company also stated in its July 1, 1988 filing that it should not be required to implement an on-going local rate decrease due to the TRA, because the savings resulting from the TRA are more than offset by lost access revenues resulting from the 582 case.

In its October 29, 1987 Order at p. 3,4, the Commission stated:

[T]he Commission finds that it is reasonable to allow only ongoing rate adjustments in this docket where the benefits of the TRA exceed the revenue losses resulting from the 582 Case, since the stated purpose of the tax rules is to ensure that the Company's rates are just and reasonable in light of the TRA. If the access revenue reduction resulting from the 582 Case exceeds the TRA benefits, the Company may follow the rate adjustment procedures prescribed in the Commission's orders in the 582 Case.

After thorough review of the Company's July 1, 1988 filing, the Commission finds that for this Company the access revenue reduction resulting from the 582 case exceeds the TRA benefits. The Commission will not order an ongoing rate adjustment.

### ORDER

1. The Commission hereby approves Continental Telephone Company of Minnesota, Inc. proposed

refund plan to be implemented in November, 1988.

2. Within 30 days of the completion of the refund, Continental Telephone Company of Minnesota, Inc. 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.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen  
Executive Secretary

(S E A L)