

P-407, P-421/CP-87-747 ESTABLISHING SCHEDULE FOR FILING COST STUDIES AND PROPOSED RATES

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 a Petition of the Iron Trail
United Communities for Extended Area
Service Between Communities on the Iron
Range of Northern Minnesota

ISSUE DATE: September 20, 1988

DOCKET NO. P-407, P-421/CP-87-747

ORDER ESTABLISHING SCHEDULE FOR
FILING COST STUDIES AND PROPOSED
RATES

PROCEDURAL HISTORY

On November 10, 1987, the Minnesota Public Utilities Commission received petitions for Extended Area Service (EAS) from the Iron Trail United Communities (ITUC), an association of Range Chamber of Commerce and civic associations. The ten petitioning exchanges requested EAS between various combinations of themselves and six other exchanges for a total of 74 separate EAS routes. The affected exchanges are served by either Northwestern Bell Telephone Company (NWB) or Contel Telephone of Minnesota, Inc. (Contel).

On April 20, 1988 the Commission issued its ORDER GRANTING VARIANCES FROM EXISTING EAS RULES. The Commission varied its EAS rules, Minn. Rules, parts 7815.0800 to 7815.1000, to review traffic and community of interest information before directing NWB and Contel to conduct cost studies and develop proposed rates. The Commission found that the variances would allow the companies and their ratepayers to avoid the cost of developing rates for proposed EAS routes which may be rejected on the basis of traffic studies and community of interest considerations alone.

On July 19, 1988, the Minnesota Department of Public Service (DPS or the Department) submitted its report and recommendation on the ITUC EAS petitions, as required by the Commission's April 20 Order.

In its report and recommendation, the DPS used two methods for determining which EAS routes should be further investigated. First, the DPS recommended that any route for which the traffic studies showed that at least 50 percent of the subscribers made three or more calls merited further investigation. Based on this standard, the DPS recommended that EAS from Greaney to Cook, Buhl to Virginia, Aurora to Virginia, and Greaney to Orr be further considered.

Second, using an average of 1.5 calls per main station as a standard, the DPS reviewed community of interest information submitted by NWB, Contel, and the ITUC. Based on that information, the DPS recommended that the following proposed EAS routes be further investigated: Bear River to Cook, Cook to Virginia, Greaney to Virginia, Hoyt Lakes to Virginia, Orr to Virginia, Palo to Hoyt Lakes, and Palo to Aurora.

The DPS also recommended that NWB and Contel send a customer billing notice describing each of their tariffed optional calling plans and specifying the plan currently available in that exchange.

On August 10, 1988, ITUC and Contel filed responses to the DPS report.

While Contel argued that the traffic study standard used by the DPS was unnecessarily low, Contel recognized that requiring a new study would be expensive and time consuming. Therefore, Contel concurred with the recommendation of the Department that the 11 specified routes were appropriate for the development of cost studies and proposed rates.

In response to the DPS report, the ITUC requested that the Commission consider three additional EAS routes: Hibbing to Virginia, Biwabik to Aurora, and Biwabik to Hoyt Lakes. The ITUC cited economic development, tourism, and school consolidations to support its request. The ITUC explained that the traffic study did not accurately reflect the calling interest of these communities because it did not recognize calls made over foreign exchange lines, 800 lines, and a state of Minnesota "tie line" that link these communities.

The Commission met on September 14, 1988 to consider this matter.

FINDINGS AND CONCLUSIONS

The Commission must first decide which of the proposed EAS routes merit further investigation and then establish a schedule for NWB and Contel to file cost studies and proposed rates for them.

Contel and the ITUC in written comments agreed that the 11 routes identified by the DPS merit further consideration. The Commission notes that NWB orally agreed to this at the September 14, 1988 meeting.

The Commission recognizes that the decision before it is not the final decision as to which of the routes should be granted, but a determination as to which routes merit further investigation. The Commission notes that the Department supported further investigation for 11 proposed routes and the ITUC would add three more routes.

The Commission has reviewed the traffic studies and community of interest information for these 11 routes and the ITUC's arguments for the three additional routes. The Commission finds that these 14 routes merit further consideration. The Commission believes that the standards employed by the DPS to measure calling interest are reasonable in this proceeding due to the number of petitioned routes and the routes recommended for further investigation by the DPS demonstrate a calling interest between the identified exchanges.

Further, the Commission finds that the three additional routes proposed by ITUC should be further investigated. The Commission notes that these routes tend to exhibit a two-way calling interest rather than a strong one-way calling interest from a small exchange to a large exchange which is the more typical EAS pattern. The Commission finds that the proposed routes demonstrate a calling interest and a community of interest strong enough to merit further investigation.

The Commission will direct NWB and Contel to file cost studies and proposed rates as required by Minn. Rules, part 7815.0900, subp. 2 for the 14 routes identified by the DPS and the ITUC. Where economies of scale exist with implementation of two or more of the routes under consideration, NWB and Contel should identify those cost savings. NWB and Contel will be ordered to submit this information to the Commission, the Department and the petition sponsor within 90 days of the service date of this Order. Parties will be given 30 days to submit comments on the companies' cost studies and proposed rates.

Finally the Commission will adopt the Department's suggestion that NWB and Contel be directed to send to their customers on the Iron Range a billing notice describing each of their optional calling plans and specifying the plan currently available in each exchange. This information will give ratepayers full information of the range of choices available to them at this time and will enable them to make a knowledgeable choice in the future.

ORDER

1. Within 90 days of the issue date of this Order, NWB and Contel shall file with the Commission, the Department, and the petition sponsor cost studies and proposed rates as required by Minn. Rules, part 7815.0900, subp. 2 for the 14 proposed EAS routes identified by the DPS and the ITUC as described above. Parties shall have 30 days to submit comments on the companies' cost studies and proposed rates.
2. NWB and Contel shall send a customer billing notice to each of their customers within the next two billing cycles which shall describe each of their tariffed optional calling plans and specifying the plan currently available in the customer's exchange.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)