

P-999/CI-87-695 AUTHORIZING STUDY

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 an Investigation into  
IntraLATA Toll Access Compensation Plans

ISSUE DATE: November 15, 1988

DOCKET NO. P-999/CI-87-695

ORDER AUTHORIZING STUDY

PROCEDURAL HISTORY

On November 2, 1987, the Minnesota Public Utilities Commission (the Commission) issued its FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER AND ORDER INITIATING SUMMARY INVESTIGATIONS in In the Matter of a Summary Investigation Into IntraLATA Toll Access Compensation for Local Exchange Carriers Providing Telephone Service Within the State of Minnesota, Docket No. P-999/CI-85-582.

In that Order, the Commission adopted the Designated Carrier Plan (DCP) as a temporary mechanism to compensate local exchange carriers (LECs) for intraLATA toll access. The Commission also established the Intrastate IntraLATA Toll Access Compensation Study Committee (Committee), to research and evaluate options for a permanent compensation plan and report to the Commission by January 11, 1989. The Commission invited representatives from the telecommunications industry, the Department of Public Service, and the Residential Utilities Division of the Office of the Attorney General to serve on the Committee. The Committee's work would be part of a summary investigation initiated by the Commission in Docket No. P-999/CI-87-695.

On September 26, 1988, the Committee submitted an interim report. That report asked the Commission to authorize further study of a plan it had designed, the Optional Carrier Compensation Plan; encourage LECs to participate in the study; allow LECs to recover expenses for the study from ratepayers; and establish a reasonable timetable for the traffic study and the report on it.

No comments were received on the interim report.

The Commission met on October 25, 1988 to consider the Committee's interim report.

## FINDINGS AND CONCLUSIONS

The Committee has requested authorization to study the Optional Carrier Compensation Plan. That plan would allow any LEC to choose to be a primary carrier for a particular service area or continue to provide only access to a toll carrier. It is a blend of the DCP and the Originating Responsibility Plan (ORP).

The DCP provides toll service through a single designated carrier. The LEC bills intraLATA toll customers for toll service but gives all the revenue received to the designated carrier. The designated carrier sets toll rates and pays originating and terminating access charges.

Under ORP, the LEC where a toll call originates becomes the designated carrier for its exchanges and sets toll rates, collects toll charges, pays transport charges to all intermediate carriers and terminating access charges to the LEC where the call terminates.

The Committee stated that a comprehensive traffic study is necessary to provide a quantitative comparison between the OCCP, the ORP and the DCP. The study would use all toll data from every individual exchange within each LATA. The study would provide reports for each LEC of the destination of all originating traffic, the origin of all terminating traffic, and the current costs of terminating access under an OCCP. The study would be the basis for the Committee's evaluation of the financial impact of any intercompany compensation plan on each LEC and on Northwestern Bell Telephone Company.

Further, the Committee requested that the Commission authorize LECs to recover from ratepayers the expenses incurred in providing and analyzing the traffic study data. The Committee argued that it is appropriate to charge the costs of the traffic study to the ratepayers because there is no evidence of a specific shareholder benefit from the adoption of the OCCP. The analysis of the three plans is a Commission-ordered activity which may or may not provide a public good. The Committee estimated that the total cost of the traffic study would be between \$300,000 to \$450,000.

Finally, the Committee submitted a proposed schedule for completion of the traffic study and submission of the Committee's final report and recommendation. The collection of traffic data would begin November 15, 1988 and be completed by August 15, 1989. Analysis of the traffic data would be completed by October 15, 1989 and the Committee's final report and recommendation would be submitted to the Commission by January 11, 1990.

The Commission will approve the traffic study plan proposed by the Committee. The Commission believes that meaningful analysis of an alternative to the present interim DCP requires point-to-point traffic studies. These studies will reveal the access costs each primary carrier would pay to other LECs for terminating the primary carrier's traffic and provide pricing information to the primary carrier.

The Commission anticipates that all LECs will cooperate with the Committee's traffic study. However, if the Committee were unable to secure sufficient participation in the study, the Commission expects the Committee to seek further Commission involvement. Data provided or created pursuant to the study shall be safeguarded by the terms of a proprietary Order prepared by the Committee and submitted to the Commission for its approval.

The Commission is sympathetic to the Committee's request for authorization to collect the costs of the traffic studies from ratepayers. However, this Commission cannot bind future Commissions in their decisions on this issue. The careful analysis afforded cost recovery in rate cases benefits all participants, the companies, the shareholders, and the ratepayers.

Finally, the Commission finds that the schedule proposed by the Committee allows sufficient time for the collection and analysis of traffic data, while it is consistent with the August 1, 1990 expiration of the present interim Designated Carrier Plan. The Commission will approve the schedule as proposed.

ORDER

1. The proposal to conduct a point-to-point traffic study as requested by the Intrastate IntraLATA Toll Access Compensation Study Committee in its September 26, 1988 Interim Report is hereby approved.
2. All Local Exchange Companies in Minnesota are hereby authorized to conduct the traffic study proposed by the Committee.
3. The proposed schedule for the study and the submission of the Committee's report and recommendation is hereby approved.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen  
Executive Secretary

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