

P-421/GR-83-600ACCEPTING REFUND PLAN

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 Application of Northwestern Bell Telephone Company, Minneapolis, Minnesota for Authority to Change Its Schedule of Telephone Rates for Customers Within the State of Minnesota

ISSUE DATE: May 4, 1989

DOCKET NO. P-421/GR-83-600

ORDER ACCEPTING REFUND PLAN

PROCEDURAL HISTORY

Northwestern Bell Telephone Company (NWB or the Company) filed this general rate case on September 29, 1983. On July 27, 1984, the Minnesota Public Utilities Commission (the Commission) issued its FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER which authorized a \$57.5 million rate increase.

On April 2, 1987, the Commission issued its ORDER AFTER INVESTIGATION AND VACATING JULY 27, 1984 ORDER in In the Matter of the Minnesota Public Utilities Commission's Initiation of a Summary Investigation of the Nature and Extent of Contacts Between Public Utilities and Telephone Companies and Former Minnesota Public Utilities Commissioners, Docket No. U-999/CI-86-177. In that Order the Commission voided its July 27, 1984 Order and reopened this case for further deliberation and a new decision and Order.

On April 3, 1987, the Commission issued its ORDER AFTER REDELIBERATION which authorized a \$45.6 million rate increase and required NWB to reduce its rates by \$11.9 million.

On June 30, 1987, the Commission issued its ORDER GRANTING STAY AND ACCEPTING AGREEMENT TO REFUND in this matter. That Order accepted the Company's June 15, 1987 request for a stay of the Commission's previous Orders in this docket and Docket No. U-999/CI-86-177. On page 4 of the June 30, 1987 Order, the Commission wrote:

NWB's proposed agreement to refund states in part that in the event the Commission grants a stay and the Commission's orders are affirmed on appeal in a manner upholding the prospective rates ordered by the Commission, the Company will make refunds calculated from the effective date of the affirmed rates. Based on the April 3 Order, the Commission finds that the effective date for the revised rates resulting from that Order and the effective

date for any refund of those rates resulting from a stay of those rates shall be no later than May 13, 1987, unless otherwise determined by the Courts. Further, the Commission finds that NWB would be unlawfully enriched if the Company did not pay interest on any ratepayer funds that are held by NWB as a result of granting a stay of rates and that are ultimately refunded to customers. Therefore, the Commission will accept NWB's Agreement to Refund effective no later than May 13, 1987 and subject to the requirement that NWB pay interest at the average daily prime interest rate for the period the rates required by the April 3 Order in Docket No. P-421/GR-83-600 are stayed.

On July 2, 1987, the Company appealed the Commission's previous orders in Docket Nos. U-999/CI-86-177 and P-421/GR-83-600 to the Minnesota Court of Appeals.

On September 10, 1987, NWB's rates were lowered to reflect the deregulation of inside wire in In the Matter of the Deregulation of the Installation and Maintenance of Inside Wire, Based on the Second Report and Order in FCC Docket 79-105 Released February 24, 1986, Docket No. P-999/CI-86-747 (inside wire case).

On December 10, 1987, the Commission issued its ORDER REVISING APRIL 3, 1987 RATE DESIGN which essentially reaffirmed the Commission's April 3, 1987 ORDER AFTER REDELIBERATION.

On December 29, 1987, the Court of Appeals filed a decision on the Company's appeals (C7-87-1296 and C9-87-1297). The Court of Appeals reversed the Commission's decision on certain rate design and financial issues. The Court's decision increased the Commission-allowed \$45.6 million rate increase to \$48.4 million.

NWB subsequently appealed the December 29, 1987 Court of Appeals decision to the Minnesota Supreme Court.

On February 10, 1988 in its ORDER ACCEPTING OFFER OF SETTLEMENT in In the Matter of a Petition by the U.S. Department of Defense, the General Services Administration, and all Other Federal Executive Agencies of the United States Challenging the Reasonableness of the Rates Charged by Northwestern Bell Telephone Company, Docket No. P-421/CI-86-354 (DOD case), the Commission accepted a settlement which required a reduction in NWB's local rates. That Order approved a schedule of rates, effective February 11, 1988, to supercede the rates approved in this rate case.

The Minnesota Supreme Court denied further review of the Company's appeals in Docket Nos. U-999/CI-86-177 and P-421/GR-83-600 on March 18, 1988 and denied the Company's petition for reconsideration on April 4, 1988.

On January 26, 1989, the Commission issued its ORDER CLARIFYING RATE DESIGN FOR REFUND PURPOSES AND REQUIRING FILING in this docket.

On March 7, 1989, NWB filed a refund plan for the May 13, 1987 to February 10, 1988 rate period. The plan would refund approximately \$9.1 on an annual basis.

On March 29, 1989, the Department of Public Service filed a letter recommending that the Commission adopt the Company's refund plan.

### FINDINGS AND CONCLUSIONS

The Commission must decide whether to accept the proposed refund plan.

Under the plan, NWB will refund approximately \$9.1 million on an annual basis, the difference between the rates customers actually paid during the refund period and the rates which were authorized by the Commission's Orders in this case plus interest and taxes. This is the full amount of the Commission-ordered rate reductions allowed by the courts.

The Company will distribute customer-specific refunds to current and former customers who received telephone service between May 13, 1987 and February 10, 1988. For current customers, the Company will issue a credit on July, 1989 bills. The Company will issue refund checks to former customers. The refunds will include all taxes relating to the refunds and interest at the average daily prime interest rate. Interest will be paid through July 16, 1989 for current customers. For former customers, interest will be paid for 10 days beyond the date refund checks are prepared.

Finally, the Company proposed to send a refund notice to all customers with their monthly bills and to submit a report to the Commission within 45 days of the completion of the refund showing the total amount refunded to customers including interest and taxes.

The Commission finds that the Company has proposed a fair and reasonable refund procedure. The Company's proposal is consistent with earlier Commission Orders in this matter and will be approved for the May 13, 1987 to February 10, 1988 refund period.

### ORDER

1. Northwestern Bell Telephone Company's refund plan, filed March 7, 1989, is approved.
2. Refunds approved herein shall be implemented as described above.
3. Within 45 days of the completion of the refund process, the Company shall submit to the Commission a report of the amounts actually refunded including taxes and interest paid to customers.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen  
Executive Secretary

(S E A L)