

P-3010/NA-89-197 ORDER APPROVING REFUND PLAN

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Darrel L. Peterson	Chair
Cynthia A. Kitlinski	Commissioner
Dee Knaak	Commissioner
Norma McKanna	Commissioner
Patrice M. Vick	Commissioner

In the Matter of an Application Filed by U.S. Operators, Inc. d/b/a USO, Inc. for Authority to Resell Intrastate Toll Telephone Service Including Operator Services; and for Interim Authority to Provide Alternative Operator Services	ISSUE DATE: May 2, 1991  DOCKET NO. P-3010/NA-89-197  ORDER APPROVING REFUND PLAN
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**PROCEDURAL HISTORY**

On March 6, 1990, the Commission issued its ORDER GRANTING AUTHORITY TO RESELL INTRASTATE TOLL TELEPHONE SERVICES, GRANTING INTERIM AUTHORITY TO PROVIDE ALTERNATIVE OPERATOR SERVICES, DEFERRING ACTION ON REQUEST FOR AUTHORITY TO PROVIDE ALTERNATIVE OPERATOR SERVICES, AND REQUIRING REFUND in the current docket. In that Order the Commission required U.S. Operators, Inc. (USO or the Company) to refund revenues derived from providing intrastate telephone service prior to certification. The refund was to be provided to affected end-users. In the case of revenues from alternative operator services (AOS), the affected end-users are transients calling from hotels, hospitals and similar sites. Because these end-users could not be traced, the Commission ordered the Company to develop a plan whereby pre-certification AOS refunds would be given to the counties wherein the calls were placed.

Problems developed in the implementation of the AOS refund plan. Some county governments were prevented by their local rules from accepting refunds. Other counties found they would be overburdened by paperwork requirements for the acceptance of a minimal sum. Although the Company offered to give the refunds to other public interest groups if a county could not accept them, there were unanswered questions regarding the propriety of providing windfall revenues to selected public interest groups.

On June 13, 1990, the Commission ordered the Company to submit a revised refund plan. The Commission directed the Company to provide for refunds through a prospective rate reduction for USO customers.

On July 24, 1990, USO filed a proposed refund plan pursuant to the Commission's June 13 Order. The plan did not provide for interest on the sum collected before certification. On September 6, 1990, the Company submitted a modified plan which provided for interest. On March 23, 1991, the Company submitted a letter to the Commission describing a further revised plan.

The matter came before the Commission on April 23, 1991.

### FINDINGS AND CONCLUSIONS

#### The Company Refund Proposal

USO billed Minnesota residents for pre-certification alternative operator services from July through December, 1988. The Company has held the amount of this revenue from January 1, 1989 to the present. The Company now proposes to reduce its current tariffed rates for its customers by 10%, or \$0.04 per minute, until the entire principal amount of the refund plus interest are offset. The Company estimates that fully implementing the refund will take approximately 39 months. USO proposes to submit periodic reports to the Commission until the refund is fully paid.

The current refund principal amount grew from July 1988 through December 1988, remained stable from January 1, 1989 through the present, and will gradually be reduced when the refund is being implemented. Because of this fluctuation in amount, the Commission finds that interest should be calculated as follows:

1. July 1988 through December 1988. The period the Company continued to collect pre-certification AOS revenues.

Interest at 10% will be applied to one-half of the principal (the **average** amount held during the period) and calculated for six months.

2. January 1, 1989 until the beginning of the refund period.

Interest will be applied to the full principal at 10% for this period.

3. The refund period.

Interest at 10% will be applied to one-half of the principal (the **average** amount held during the period) until the full refund amount is reached.

### Commission Action

The Commission finds that a refund calculated in the above manner and provided through a rate reduction for USO customers is an equitable means of refunding pre-certification AOS revenues. The exact AOS end-users cannot be located. It is fair to provide the benefit of the refund to the general populace of USO customers, who may or may not have been AOS customers. Unlike the counties or public interest groups, this cross-section of customers can receive the refund without hindrance or controversy. The Company can easily implement the refund by temporarily lowering the customers' rates. The means of refunding can be readily calculated and reported to the Commission. The Commission has chosen this method of refund in other similar cases. The Commission will approve the Company's proposed refund plan.

### ORDER

1. U.S. Operators, Inc. shall provide a refund of pre-certification AOS revenues to its customers through a prospective rate reduction with interest as calculated in this Order.
2. Within ten days of the date of this Order, the Company shall file revised tariff pages reflecting the reduced rate.
3. Within six months of the date of this Order, and each six months thereafter, the Company shall report to the Commission regarding the progress of the refund. The report shall include calculations and the amount refunded as well as a projection of how much longer the refund will be in place.
4. At the end of the refund period, the Company shall report to the Commission the final amount refunded.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster  
Executive Secretary

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