

P-407, 421/CP-91-250 ORDER DENYING SANDSTONE PETITION AND
REQUIRING COST STUDIES AND PROPOSED RATE IN FINLAYSON PETITION

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
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Commissioner
Commissioner

In the Matter of a Petition for
Extended Area Service From the
Sandstone Exchange to the
Finlayson Exchange

ISSUE DATE: December 17, 1991
DOCKET NO. P-407, 421/CP-91-250

In the Matter of a Petition for
Extended Area Service From the
Finlayson Exchange to the
Sandstone Exchange

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PETITION

PROCEDURAL HISTORY

On April 1, 1991, petitioners in the Finlayson exchange filed a petition for extended area service (EAS) to the Sandstone exchange. Finlayson is served by GTE Minnesota (GTE).

On the same day, petitioners in the Sandstone exchange filed a petition for EAS to the Finlayson exchange. Sandstone is served by U S West Communications, Inc. (USWC).

On May 24 and 28, 1991, USWC and GTE, respectively, filed traffic studies for their exchanges.

On May 30, 1991, the Department filed letters in both dockets. The Department requested USWC to file additional traffic data regarding the Sandstone/Finlayson route and recommended the Commission order the companies to file cost studies and proposed rates for the Finlayson/Sandstone route.

On July 22, 1991, USWC filed traffic data for the twelve months ended April 1991. Consistently less than 50% of the Sandstone subscribers placed one or more calls per month to the Finlayson exchange.

On July 30, 1991, the Department recommended that the Sandstone to Finlayson petition be denied for failure to meet the statutory traffic requirement.

On November 13, 1991, GTE filed traffic data for March through August 1991 for the Finlayson to Sandstone route. Consistently more than 50% of the Finlayson subscribers placed one or more calls per month to Sandstone.

On November 20, 1991, the Department recommended that the Commission order GTE and USWC to provide cost studies and proposed rates for the Finlayson to Sandstone EAS route.

On December 10, 1991, the Commission met to consider these two petitions.

FINDINGS AND CONCLUSIONS

The EAS statute provides that the Commission shall grant a request to install EAS when the following three criteria have been met:

1. the petitioning exchange is contiguous to an exchange or local calling area to which extended area service is requested in the petition;
2. at least 50 percent of the customers in the petitioning exchange make one or more calls per month to the exchange or local calling area to which extended area service is requested, as determined by a traffic study; and
3. polling by the Commission shows that a majority of the customers responding to a poll in the petitioning exchange favor its installation, unless all parties and the Commission agree that no polling is necessary. Minn. Stat. § 237.161, subd. 1(a)(1-3) (1990).

The Sandstone EAS Petition: Docket No. P-407, 421/CP-91-250

The petitioning Sandstone exchange is contiguous to the petitioned Finlayson exchange and therefore meets the statute's first criterion, adjacency. Minn. Stat. § 237.161, subd. 1 (a) (1) (1990). However, traffic data shows that less than 50% of Sandstone subscribers make one or more calls per month to the Finlayson exchange. Therefore, the petition does not meet the second statutory criterion (adequate traffic) and the Commission will dismiss it.

The Finlayson EAS Petition: Docket No. P-407, 421/CP-91-246

The petitioning Finlayson exchange is contiguous to the petitioned Sandstone exchange and therefore meets the statute's first criterion, adjacency. Minn. Stat. § 237.161, subd. 1 (a) (1) (1990). In addition, traffic data shows that more than 50% of Finlayson subscribers make one or more calls to the Sandstone exchange. Therefore, the Finlayson petition also meets the second statutory criterion (adequate traffic). Minn. Stat. § 237.161, subd. 1 (a) (1) (1990). Accordingly, the Commission will continue to process this petition.

Before proceeding to poll Finlayson subscribers to determine whether the third criterion (ratepayer support) will be met, the Commission will adopt EAS rates for the proposed route to promote a more informed response to the poll by Finlayson subscribers. To assist it in establishing just EAS rates for this EAS route, the Commission will require the telephone companies serving the petitioning exchange (GTE) and the petitioned exchange (USWC) to file sound cost studies and proposed rates.

To expedite this matter and promote the reliability of the cost studies and the comparability of the proposed rates, the Commission will require the companies to meet with the Department and adopt, within 10 days of this Order, a methodology and time period that the companies will use to develop the cost studies and proposed rates. To assure compliance with this requirement, the companies will be required to include with the filing of the cost studies and proposed rates a narrative description of the process used to arrive at a methodology acceptable to all parties. The companies and the Department may agree to use the time period for the traffic studies already filed and may agree to use the methodology they agreed to use in the Iron Trail EAS case.

Within 30 days after agreeing with the Department on a uniform cost study methodology, the companies will be required to file cost studies and proposed rates that are indeed based on the agreed methodology. The studies and proposed rates, of course, must also meet the requirements of Minn. Stat. §237.161 (1990) by, for example, including only lost toll contribution, as opposed to lost toll revenue. **Consistent with the Commission's November 26, 1991 ORDER DETERMINING THE STATUS OF INTEREXCHANGE CARRIERS UNDER MINN. STAT. §237.161 SUBD. 3 (B) (1990), the proposed rates may not include any costs incurred by USWC in its capacity as an intraLATA toll carrier (IXC) between these exchanges.** Alternative rate schedules are also necessary to provide a clear picture of the rate alternatives authorized by Minn. Stat. § 237.161, subd. 3 (1990): one schedule placing 50% of the costs on Finlayson, the petitioning exchange, and another placing 75% of the costs on that exchange. In addition, cost studies should include data regarding GTE's non-recurring polling costs, less postage, and the proposed rates should be calculated to recover those costs. Further, as it agreed in the Iron Trail EAS case, the companies should calculate their projected traffic using a 400% stimulation factor. Finally, in calculating the proposed rates it is only reasonable to use 1992 cost elements, including the 0% gross receipts factor that will be in effect at the time the cost studies are filed.

Comment by the Department and other interested parties will be as provided in the Ordering Paragraphs.

ORDER

1. The Sandstone petition for extended area service (EAS) to the Finlayson exchange is denied. Docket No. P-407, 421/CP-91-250.
2. The Finlayson petition for EAS to the Sandstone exchange meets the adjacency and traffic requirements of Minn. Stat. § 237.161 (1990) and will be processed as further detailed in this Order.
3. Within 10 days of the date of this Order, GTE Minnesota (GTE) and U S West Communications, Inc. (USWC) shall consult with and adopt in conjunction with the Minnesota Department of Public Service (the Department) a methodology and time period that the companies will use to develop cost studies and proposed rates.
4. Within 30 days after the companies and the Department agree upon a cost study methodology, the companies shall file cost studies and proposed rates for the Finlayson to Sandstone EAS route.
5. The cost studies and proposed rates filed pursuant to Ordering Paragraph 4 shall meet the requirements set forth in the text of this Order and include a narrative description of the process used to arrive at the cost study methodology that was acceptable to the companies and the Department.
6. Within 45 days after the companies file their cost studies and proposed rates, the Department shall file with the Commission and serve upon the companies and the petition sponsor its report and recommendations regarding the cost studies and proposed rates, including a recommendation regarding the rates that should be included on the ballots.
7. Parties shall have 20 days after the Department files its report to file comments.
8. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

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