

P-407/CP-90-723 ORDER ADOPTING RATES FOR POLLING

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm	Chair
Tom Burton	Commissioner
Cynthia A. Kitlinski	Commissioner
Dee Knaak	Commissioner
Norma McKanna	Commissioner

In the Matter of a Petition for Extended Area Service From the Dodge Center to Claremont, the West Concord to the Claremont, and the Dodge Center to the West Concord Exchanges of GTE Minnesota	ISSUE DATE: August 21, 1992 DOCKET NO. P-407/CP-90-723 ORDER ADOPTING RATES FOR POLLING
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PROCEDURAL HISTORY

On December 17, 1991, the Commission issued its ORDER ESTABLISHING PROCEDURE TO CONSIDER COST STUDIES AND PROPOSED RATES. In this Order, the Commission directed GTE Minnesota, Inc. (GTE), the telephone company serving the three exchanges involved in this matter, to file revised cost studies and proposed rates based on the methodology developed in conjunction with the Minnesota Department of Public Service (the Department) 45 days after developing that methodology. The Order also directed the Department to file its report and recommendation within 45 days after GTE's filing. Parties were given 20 days following the filing of the Department's report and recommendation to file comments.

On May 6, 1992, GTE requested an extension in filing its cost studies and proposed rates.

On May 14, 1992, GTE filed its cost studies and proposed rates and corrected an error in that filing on June 15, 1992.

On June 29, 1992, the Department filed its report and recommendation regarding GTE's cost studies and proposed rates.

On August 11, 1992, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

This matter involves requests to establish extended area service between three exchanges: Dodge Center, Claremont and West

Concord. In a previous Order, the Commission rejected the proposed extended area service (EAS) route between Claremont and West Concord because it failed to meet the statutory EAS traffic standard. However, the Commission found adequate traffic along the Claremont to Dodge Center route and the West Concord to Dodge Center route to warrant proceeding with those two routes to the final criterion, subscriber support. Before polling the Claremont and West Concord subscribers to ascertain the level of subscriber support, the Commission will adopt EAS rates to appear on the ballots to inform subscribers regarding the rates that they will experience if EAS is approved.

The issues before the Commission in setting EAS rates to be used in polling the Claremont and West Concord subscribers are as follows: 1) whether USWC is an affected telephone company whose income, therefore, must remain unchanged by the installation of EAS and whose toll contribution must be taken into account when installing EAS rates and 2) what percentage of the cost of installing EAS should be recovered in the rates of the petitioning exchanges, Claremont and West Concord.

USWC is not an "Affected Telephone Company"

In this case, USWC does not serve any involved exchange as a local exchange company but simply provides intraLATA toll service between these companies. When the EAS statute is read properly, i.e. as a whole, it is clear that the legislature did not intend to apply the term "affected telephone company" to such a company nor to require that EAS rates be set to maintain the income neutrality of such a company. The statute focuses entirely on EAS as a local service. The term "interexchange company" appears nowhere in the entire statute. On the contrary, terms evincing a local focus appear throughout the statute, e.g. "exchange," "local calling area," "the telephone company serving the petitioning exchange," a list of costs incurred by a local exchange company installing EAS, "the petitioning exchange," "the telephone company serving the added exchange," "a local telephone exchange that is newly included," "a telephone company that provides local telephone service in an exchange that is included."

In these circumstances, it would be unreasonable to assume that the legislature abruptly switched focus in Section 3(b) and intended a characterizing phrase ("affected telephone company") to include a company whose sole relationship to the exchanges in question is as an IXC.¹

¹ The Commission reached a similar conclusion in In the Matter of a Petition for Extended Area Service From the Hokah Exchange to the La Crosse, Wisconsin Calling Area, Docket No. P-401/CP-89-951, ORDER DETERMINING STATUS OF INTEREXCHANGE CARRIERS

Accordingly, the Commission will require Loman's EAS rates to be calculated without regard to the income USWC has experienced as an IXC between these exchanges.

EAS Costs Should be Shared 50/50

With respect to the apportionment of EAS costs, the EAS statute divides EAS petitions into two groups: petitions for EAS to the metropolitan calling area and all other EAS petitions. For petitions to the metropolitan calling area (MCA) the statute mandates that the petitioning exchange rates defray 75% of the costs of providing EAS. For other petitions, however, the statute leaves to the sound discretion of the Commission what percentage (between 50 and 75%) of EAS costs the petitioning exchange will be required to defray in its rates.

Minn. Stat. § 237.161, subd. 3 (a) (1990) states in pertinent part:

When the proposed extended service area is not the metropolitan calling area, the commission shall determine the apportionment of costs, provided that between 50 and 75 of the costs must be allocated to the petitioning exchange.

In making its determination on this issue, the Commission considers the interests of all parties to determine a fair and equitable rate, as required by Minn. Stat. § 237.161, subd. 3 (b) (1990). In so doing, the Commission considers such factors as the comparative benefits that installation of EAS will bring to the exchanges in question, the comparative burden borne by the exchanges under various apportionment plans. As noted in previous Orders considering this question, the benefits to be derived from the proposed EAS are not totally one-sided. After all, toll free calling from Claremont or West Concord to Dodge Center would not simply benefit the calling party. It would also

UNDER MINN. STAT. § 237.161, SUBD. 3 (B) (1990) (November 26, 1991) and ORDER DENYING PETITIONS FOR RECONSIDERATION (January 29, 1992). See also: In the Matter of a Petition for Extended Area Service From the Loman Exchange to the International Falls, Ericsburg, and Ranier Exchanges, Docket No. P-407/CP-90-547, ORDER ADOPTING RATES FOR POLLING (March 25, 1992); In the Matter of the Petition of Certain Subscribers in the Winnebago Exchange for Extended Area Service to the Blue Earth Exchange, Docket No. P-403/CP-89-930, ORDER GRANTING PETITIONS TO INTERVENE AND FOR CLARIFICATION AND ADOPTING RATES FOR POLLING (July 2, 1992); and In the Matter of a Petition for Extended Area Service From the Easton Exchange to the Wells Exchange, Docket No. P-519, 403/CP-89-703 (July 6, 1992).

benefit the Dodge Center recipients of those calls. Further, analysis of the benefit must take into account not only the location of subscribers currently placing calls between the petitioning exchange and Dodge Center, but must also consider the value to Dodge Center of the additional calls from the petitioning exchange that EAS will stimulate. Finally, it is likely that the proposed EAS will also stimulate additional calling from the petitioned exchange to the petitioning exchanges.

In this case, however, the critical factor inclining the Commission to adopt a 50/50 split is the fact that all three exchanges have indicated a strong interest in securing EAS for their area and an intense community of interest exists among the communities due to the school consolidation affecting the three exchanges.

Weighing the benefits and burdens of the proposed EAS within the statutory framework, the Commission concludes that with respect to both proposed routes (Claremont to Dodge Center and West Concord to Dodge Center) a 50/50 allocation of EAS expenses between the petitioning exchange and the petitioned exchange (Dodge Center) results in fair and equitable rates. The Commission will adopt rates for polling that are structured on that basis.

The Commission will now proceed to poll the Claremont subscribers to see if a majority of those responding to the poll support the installation of EAS between Claremont and Dodge City and to poll the West Concord subscribers to see if a majority of those responding to the poll support the installation of EAS between West Concord and Dodge City. The EAS rates adopted for Claremont will appear on the ballots distributed to Claremont subscribers and the EAS rates adopted for West Concord will appear on the ballots distributed to West Concord subscribers.

ORDER

1. The Commission hereby adopts for polling extended area service (EAS) rates for the Claremont exchange and the West Concord exchange that
 - a. maintain GTE Minnesota, Inc. income neutral without taking into account USWC's toll contribution; and
 - b. absorb 50% of the costs of providing the proposed EAS; and
 - c. comply with Minn. Stat. § 237.161 (1990) in all other respects as well.

2. For the EAS route proposed between Claremont and Dodge Center the EAS rate additives are:

CLAREMONT

DODGE CENTER

Residential

Residential

\$3.70

\$1.25

Business

Business

\$7.40

\$2.50

3. For the EAS route proposed between West Concord and Dodge Center the EAS rate additives are:

WEST CONCORD

DODGE CENTER

Residential

Residential

\$2.50

\$1.45

Business

Business

\$5.00

\$2.90

4. GTE Minnesota, Inc. (GTE) shall cooperate fully with Commission Staff and Commission contractors to expedite the polling of Claremont and West Concord subscribers. As part of this cooperation, GTE shall provide Commission Staff upon request with a customer list for the Claremont and West Concord exchanges and associated information in a timely fashion.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)