

P-421/CP-87-506; P-421/CP-86-571; P-421/CP-86-272 ORDER
CERTIFYING POLLING RESULTS, APPROVING RATE INCREASES, AND
REQUIRING FURTHER FILINGS

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 the Petition of Certain Subscribers in the Buffalo Exchange for Extended Area Service to the Minneapolis/St. Paul Metropolitan Calling Area

ISSUE DATE: January 14, 1993

DOCKET NO. P-421/CP-87-506

In the Matter of the Petition of Certain Subscribers in the Cambridge Exchange for Extended Area Service to the Minneapolis/St. Paul Metropolitan Calling Area

DOCKET NO. P-421/CP-86-571

In the Matter of the Petition of Certain Subscribers in the North Branch Exchange for Extended Area Service to the Minneapolis/St. Paul Metropolitan Calling Area

DOCKET NO. P-421/CP-86-272

ORDER CERTIFYING POLLING RESULTS, APPROVING RATE INCREASES, AND REQUIRING FURTHER FILINGS

PROCEDURAL HISTORY

On June 26, 1990, the Commission issued its ORDER AFTER RECONSIDERATION OF JUNE 20, 1989 ORDER IN LIGHT OF MINNESOTA STATUTE § 237.16 (1990) in the consolidated metropolitan extended area service (Metro EAS) case, Docket No. P-421, 405, 407, 430, 426, 520, 427/CI-87-76. In that Order, the Commission found that eight exchanges, including Buffalo, Cambridge and North Branch, were adjacent to the Minneapolis/St. Paul metropolitan calling area (MCA) and thus met the first criterion of Minn. Stat. § 237.161, the EAS statute.

On September 13, 1990, the Commission issued an ORDER REQUIRING COST STUDIES AND PROPOSED RATES AND ESTABLISHING A COMMENT PERIOD in each of the above-captioned dockets. In those Orders the Commission found that the three exchanges sustained sufficient traffic volume to the MCA to support EAS petitions. The Buffalo, Cambridge and North Branch petitions thus met the second criterion of the EAS statute.

On May 22, 1992, the Commission issued ORDERS ADOPTING RATES FOR POLLING in the Buffalo, Cambridge and North Branch dockets. In those Orders the Commission adopted for polling purposes the proposed EAS rate additives submitted by US WEST Communications, Inc. (US WEST), the local exchange company serving the three exchanges. Subscribers would be informed of the proposed rate additives so that they could make informed choices in the upcoming polling process. If a majority of exchange subscribers responding to the poll voted in favor of EAS, the third criterion of the EAS statute would be fulfilled and EAS would be implemented in the exchange.

Between October 9, 1992 and December 18, 1992, subscribers in the Buffalo, Cambridge and North Branch exchanges were polled regarding their opinion of EAS to the MCA. The results of the polls were as follows:

<u>Exchange</u>	<u>Votes In Favor</u>	<u>Percent In Favor</u>	<u>Votes Opposed</u>	<u>Percent Opposed</u>
Buffalo	2,487	66.2%	1,270	33.8%
Cambridge	2,979	78.2%	832	21.8%
North Branch	1,599	71.9%	625	28.1%

The results of the polls came before the Commission for consideration on December 29, 1992.

FINDINGS AND CONCLUSIONS

The Polling Results

The independent contractor who conducted the polling, Arnold/Sonnek, encountered some problems during the process. US WEST initially provided subscriber lists which had incomplete or incorrect name, street address, city, state or zip code information. It was also discovered that US WEST had only provided names, addresses and telephone numbers for primary telephone numbers, and not for additional access lines that are billed to another number.

These insufficiencies were eventually corrected by US WEST. In a letter dated November 30, 1992, US WEST stated that it was confident that it had now supplied complete and accurate subscriber lists for the polling process. The delays, however, caused the Commission to extend the deadline for the return of ballots from December 9, 1992, to December 18, 1992.

The Commission is aware of the problems encountered during the polling process. The Commission is also aware that the EAS petition procedure under the fairly new EAS statute is still in a

state of development. The Commission wishes to note that full and accurate information from local exchange companies is an essential part of the EAS polling process. All local exchange companies are urged to provide complete and accurate subscriber information when it is required in an EAS polling process.

The Commission notes that the problems encountered by the polling company during this process were eventually corrected. The Commission is satisfied that the polling results accurately reflect the wishes of the subscribers in the three exchanges. The Commission will certify the results of the poll.

Because a majority of those responding in each exchange favored EAS to the MCA, the final statutory criterion for the implementation of EAS has been met. EAS to the MCA will be implemented in the Buffalo, Cambridge and North Branch exchanges. The EAS rate additives approved in the Commission's May 22, 1992 Orders will be adopted for the three exchanges. The Commission will require that US WEST inform all subscribers in the three exchanges of the results of the polling.

Rate Increases for Existing MCA Subscribers

Six local exchange companies (LECs) serve the existing MCA: US WEST, GTE, Scott-Rice, United, Eckles and Vista. These LECs filed proposed rate increases for the inclusion of Buffalo, Cambridge and North Branch in the MCA. Each of the LECs developed specific rate additives for its subscribers for service from the MCA to each of the three new exchanges. Each additive was calculated to the third decimal place, the three additives were added together, and the total was then rounded to the second decimal place. The proposed additives, listed by company and customer class for each of the three exchanges and in total, are shown at Attachment A to this Order.

The Commission will approve the proposed rate additives for present MCA subscribers, to take effect at the time EAS is implemented for the Buffalo, Cambridge and North Branch exchanges. The Commission will require the affected LECs to notify their subscribers of the upcoming expansion of the MCA and the resulting rate increases.

Non-Recurring Costs

Telephone companies who go through the EAS polling process and the implementation of EAS accrue certain one-time costs. The costs include expenses associated with the polling process, and labor and equipment expenses incurred in the conversion of the network from toll to EAS.

Minn. Stat. § 237.161, subd. 3 (b) states that "the Commission shall establish [EAS] rates that are income neutral for each affected telephone company at the time at which the commission determines the extended area service rates." The statute does not specify what non-recurring charges may be recovered from

ratepayers by a telephone company in order to maintain income neutrality. In other EAS dockets¹, the Commission has found that non-recurring charges for polling costs, network conversion costs, and in some cases, traffic stimulation study costs, may be recovered from ratepayers in a one-time surcharge.

The Commission will allow US WEST recovery of appropriate non-recurring costs associated with the implementation of EAS in the Buffalo, Cambridge and North Branch exchanges. The Commission will require US WEST to submit proposed non-recurring charges, if any, to the Department and the Commission for review prior to any possible recovery. Any allowed recovery of non-recurring costs must be explained in the customer notice sent from US WEST to its subscribers in the three exchanges.

ORDER

1. The polling results set forth in the body of this Order are certified as true and correct.
2. The LECs serving the Buffalo, Cambridge and North Branch exchanges and the existing MCA shall make the necessary changes to include the three exchanges into the MCA.
3. US WEST shall coordinate with the other five LECs serving the MCA to develop a plan for the implementation of EAS between Buffalo, Cambridge and North Branch and the MCA. US WEST shall file the agreed upon implementation plan with the Commission within 60 days of the date of this Order. US WEST shall file an updated implementation schedule with the Commission within 90 days of the filing of the initial plan, and every 90 days thereafter, until EAS is fully implemented.
4. Within 10 days of the date of this Order, US WEST shall submit for Commission review a proposed notice of polling results and of plans for the implementation of EAS. When the notice is approved by the Commission, US WEST shall issue it as a billing insert to all its Buffalo, Cambridge and North Branch subscribers in the next possible billing cycle.

¹ See, for example, In the Matter of the Petition of Certain Subscribers in the Belle Plaine Exchange for Extended Area Service to the Minneapolis/St. Paul Metropolitan Calling Area et al, Docket No. P-405, 421/CP-86-55, et al, ORDER SETTING SURCHARGES (June 8, 1992).

5. The rate increases proposed by Eckles, GTE, Scott-Rice, United, US WEST and Vista for EAS between their existing MCA subscribers and subscribers in Buffalo, Cambridge and North Branch (see Attachment A) are approved. The six LECs shall file revised tariff pages to reflect the inclusion of the Buffalo, Cambridge and North Branch exchanges in the MCA. These revised tariff pages must be filed with the Department at least 10 days prior to the effective date of the new rates, which is also the date that the expanded EAS is implemented.
6. At least 120 days prior to the scheduled effective date of the expanded EAS, US WEST shall file its proposed non-recurring costs, if any. Any proposal shall include recovery from the Company's subscribers in the Buffalo, Cambridge and North Branch exchanges through a one-time surcharge the first month the EAS comes into effect.
7. In their billing cycles during the month prior to implementation of the expanded EAS, US WEST and the other five affected LECs shall notify their subscribers of the expanded EAS and the associated rate increase. In this second notice to subscribers in Buffalo, Cambridge and North Branch, US WEST shall also include an explanation of any one-time surcharge for recovery of non-recurring charges which will appear on the bill the first month the expanded service is in effect. US WEST shall also include a description of the lower cost alternative to EAS.
8. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)