

P-421, 567/CP-92-322 ORDER REQUIRING COST STUDIES AND PROPOSED RATES

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  
Beardsley to Ortonville,  
Clinton, Graceville, and Browns  
Valley

ISSUE DATE: February 1, 1993

DOCKET NO. P-421, 567/CP-92-322

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**PROCEDURAL HISTORY**

On April 22, 1992 and updated on May 29, 1992, customers in Beardsley filed a petition for extended area service (EAS) to the Ortonville, Clinton, Graceville, and Browns Valley exchanges.

On July 3, 1992, U S West Communications, Inc. (USWC) filed traffic studies in response to a June 3, 1992 request from the Minnesota Department of Public Service (the Department).

On August 18, 1992, the Department filed a letter recommending that the Commission accept the routes for Beardsley to Browns Valley and Beardsley to Graceville. The Department recommended that the Commission deny the Beardsley to Ortonville and Beardsley to Clinton routes for inadequate traffic.

On October 14, 1992, the Department filed another letter recommending that the Commission find that the Beardsley to Ortonville route did meet the traffic requirement. The Department stated that, upon receipt of a request of the petition sponsor, it had reconsidered the calls made to the Ortonville exchange based on 12 month moving averages.

On January 26, 1993, the Commission met to consider this matter.

**FINDINGS AND CONCLUSIONS**

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

1. Adjacency: the petitioning exchange is contiguous to an exchange or local calling area to which extended area service is requested in the petition;
2. Adequate Traffic: 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. Subscriber Support: a poll of subscribers in the petitioning exchange shows that a majority of the customers responding to a poll conducted by the Commission favor the installation of the proposed EAS, unless all parties and the Commission agree that no polling is necessary. Minn. Stat. § 237.161, subd. 1 (a) (1-3) (1990).

#### Adjacency

The petition in question involves four potential EAS routes: Beardsley to Ortonville; Beardsley to Clinton; Beardsley to Graceville and Beardsley to Browns Valley. The petitioning Beardsley exchange shares a common boundary with each of the petitioned exchanges: Ortonville, Clinton, Graceville, and Browns Valley. Hence, all four proposed routes meet the statute's adjacency criterion.

#### Adequate Traffic

The traffic studies show that more than 50 percent of the Beardsley subscribers make one or more calls to both the Graceville and Browns Valley exchanges. This meets the statutory traffic criterion. Therefore, the Commission will continue the consideration of these two routes.

Equally clearly, the study of traffic between Beardsley and Clinton shows that less than 50 percent of Beardsley subscribers make one or more calls to the Clinton exchange. Therefore, the Commission will deny Beardsley's petition for EAS to Clinton.

With respect to the Beardsley to Ortonville route, the initial traffic study also showed that route failing to meet the statutory traffic test. However, when USWC calculated several 12 month moving averages for the months December 1990 to May 1992, the traffic exceeded the statutory standard more times than not. In these circumstances, the Commission will find that the Beardsley to Ortonville route meets the statute's traffic criterion and continue consideration of this route.

## Subscriber Support

The next step for the three routes that have met the adjacency and traffic criteria is to set rates for polling. These rates will then be used in polling subscribers in the Beardsley exchange to determine whether the final criterion for each route (adequate subscriber support) will be met.

To provide a basis for adopting such rates, the Commission will require the companies serving those exchanges<sup>1</sup> to file cost studies and proposed rates. For these routes, the Commission will require the companies to propose three sets of rates: one that apportions 75 percent of the costs of installing EAS on the route in question to the petitioning exchange, one that apportions 60 percent, and a third that apportions 50 percent of those costs to the petitioning exchange.

### ORDER

1. The following proposed EAS routes meet the adjacency and traffic criteria of Minn. Stat. § 237.161, subd. 1 (1990) and, therefore, merit further consideration: Beardsley to Graceville, Beardsley to Browns Valley, and Beardsley to Ortonville.
2. The petition for EAS between Beardsley and Clinton is denied.
3. Within 60 days of this Order, USWC and the Valley Telephone Company shall file cost studies and proposed rates for the approved routes that they serve.
  - a. The cost studies shall be consistent with previous Commission decisions for non-metropolitan area EAS routes.
  - b. The proposed rates shall show the petitioning exchange, Beardsley, bearing 75 percent, 60 percent, and 50 percent of the EAS revenue requirement.

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<sup>1</sup> USWC serves the petitioning exchange, Beardsley, and two petitioned exchanges, Ortonville and Graceville. The third petitioned exchange, Browns Valley, is served by the Valley Telephone Company.

4. Within 45 days following the filing of cost studies and proposed rates by the companies, the Department shall file a report and recommendation concerning the proposed rates. If the Department recommends changes, it shall file the new proposed rates assuming a 75 percent, 60 percent, and 50 percent allocation to the petitioning exchange.
5. Parties shall have 20 days to respond to the report of the Department.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster  
Executive Secretary

(S E A L)