

P-421/EM-91-1002 ORDER INITIATING INVESTIGATION AND CONSOLIDATING
INVESTIGATION WITH ONGOING EVALUATION OF INCENTIVE REGULATION
PLAN

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
Cynthia A. Kitlinski
Dee Knaak

Chair
Commissioner
Commissioner
Commissioner

In the Matter of the Request of
U S WEST Communications, Inc. to
Restructure and Reprice Centron
and to Reprice and Restructure
PBX Trunk and Private Line Rates

ISSUE DATE: July 20, 1993
DOCKET NO. P-421/EM-91-1002

In the Matter of U S WEST
Communications, Inc.'s Filing to
Obsolete Centrex Rate Stability
Plan

DOCKET NO. P-421/EM-91-1000

In the Matter of U S WEST
Centron Price Change

DOCKET NO. P-421/EM-91-328

In the Matter of the Evaluation
of U S WEST Communications,
Inc.'s Current Incentive
Regulation Plan and Future
Regulatory Structures

DOCKET NO. P-421/EI-89-860
ORDER INITIATING INVESTIGATION
AND CONSOLIDATING INVESTIGATION
WITH ONGOING EVALUATION OF
INCENTIVE REGULATION PLAN

PROCEDURAL HISTORY

On July 13, 1993 the first three dockets listed above came before the Commission on parties' requests that they be dismissed for repeated failure to make adequate filings. The history of the three dockets, which have been pending since late 1991, is summarized below.

On December 20, 1991 U S WEST filed a petition to restructure and reprice Centrex, Centron, PBX Trunk, and Private Line services.¹ On December 23, 1991, US WEST filed notice of its intent to terminate the Centrex Rate Stability Plan, approved by the Commission in 1984, as contracts under the Plan expired.²

¹ In the Matter of the Request of U S WEST Communications, Inc. to Restructure and Reprice Centron and to Reprice and Restructure PBX Trunk and Private Line Rates, Docket No. P-421/EM-91-1002.

² In the Matter of U S WEST Communications, Inc.'s Filing to Obsolete Centrex Rate Stability Plan, Docket No. P-421/EM-91-1000.

On April 9, 1992 the Commission consolidated both filings, found that they were governed by Minn. Stat. §§ 237.63, subd. 4c and 237.075, subds. 1 and 2 (1990), and found that they were not complete. The Commission required the Company to make the filings whole within 45 days.

The Company made a new filing within 45 days, as required. The new filing, however, failed to include certain financial data required under the April 9 Order. The Commission again found the filing incomplete. The Commission also incorporated into the proceeding consideration of certain Centron price changes which had gone into effect subject to Commission revision and were part of the base rates in the Company's new filing.³

On October 30, 1992 the Company made another filing intended to replace the first two. On December 22, 1992 the Commission accepted the filing, suspended most of the rate changes it proposed, allowed others to go into effect on an interim basis, and referred the case to the Office of Administrative Hearings for contested case proceedings. The Office of Administrative Hearings assigned Administrative Law Judge Allen Giles to the case.

On March 11, 1993 Judge Giles certified to the Commission a Company motion for a continuance and suspension of the procedural schedule, or in the alternative, for permission to withdraw its filing. The Company stated the direct testimony of one of the intervenors had exposed serious flaws in its revenue impact calculations and additional time was needed to conduct new revenue studies. The Company also noted the rate design recommendations of two intervenors raised serious legal, business, and revenue issues that required thorough analysis.

The discovery of serious defects in the Company's October 30 filing caused serious practical and procedural problems for the parties and the Commission. By accepting the filing, the Commission had put the case on the ten-month time line of Minn. Stat. § 237.075 (1992); if the Commission did not issue a final Order within 10 months, the proposed rates would go into effect. The Commission had also authorized the Company to implement some of the proposed rates on an interim basis; the status of these rates would be unclear if the case were dismissed or withdrawn. Finally, a large number of parties had devoted substantial resources to the case.⁴ A new filing would require expensive duplication of effort.

³ In the Matter of U S WEST Centron Price Change, Docket No. P-421/EM-91-328.

⁴ The parties to the case were the following: Minnesota Department of Public Service; Minnesota Department of Administration; City of Minneapolis; Hennepin County; Telecommunications Consortium of Olmsted County (made up of the City of Rochester, Olmsted County, and Independent School District No. 535); Minnesota Business Utility Users Council; MCI Telecommunications Corporation; Enhanced Telemanagement, Inc.; and Centex Telemanagement, Inc.

Faced with a range of procedural options, the parties agreed on the procedural treatment they considered most palatable and filed a stipulation asking the Commission to adopt it. On March 25, 1993 the Commission issued an Order accepting and adopting the stipulation. Under its terms the Commission rescinded its earlier acceptance of the October 30 filing, allowed portions of the new rate structure which had gone into effect on an interim basis to remain in effect, and required the Company to make a new, complete filing, or explain its inability to do so, within ten weeks.

On June 4, 1993 the Company made its filing under the March 25 Order. In that filing the Company stated it intended to make an additional, later filing in which it would propose a different rate design, as well as other rate changes. The Department of Public Service, the Department of Administration, and the Minnesota Business Utility Users Council filed comments urging the Commission to dismiss the case and sanction the Company for wasting other parties' and the public's resources.

On July 14 the Commission requested further comments from all parties on the effects of dismissing the case. The Commission also took up the issue of whether the Commission should exercise its supervisory power over U S WEST to investigate the reasons for its repeated failure in this case to make a complete and accurate filing.

FINDINGS AND CONCLUSIONS

The Commission is very concerned about the way the Company has handled this case. The June 4 filing was its fourth attempt in nineteen months to make a coherent, comprehensive presentation on how Centron, PBX, and Private Line rates should be structured. The Company has presented one inaccurate and underdeveloped filing after another; the June 4 filing follows the same pattern. Such filings waste the resources of the parties and of the public, which funds the regulatory process.

The Company explains that its internal system of checks and balances, including those imposed by the federal divestiture court, have complicated this filing process. The Commission appreciates the organizational challenge posed by complex filings involving multiple areas of expertise. This challenge is no doubt compounded by the fact that the Company serves 14 states and tries to treat them consistently. It seems likely, though, that if timely and adequate regulatory filings are a key corporate goal, these challenges can be met. The fact that they have not been met leads the Commission to believe an investigation is necessary.

The Commission notes that the Company has reduced its work force -- including the number of specialists working on cost of service, pricing, and rate design issues -- as part of its commitment to maximize operating efficiencies under its incentive

plan. It is important to determine whether the Company currently has on hand, at both the state and regional levels, the resources necessary to make prompt, complete, and accurate filings with this Commission.

The Commission has already opened an investigation to evaluate U S WEST's incentive regulation plan.⁵ That proceeding would be the logical vehicle for examining the adequacy of the Company's regulatory resources. The Commission will therefore add that issue to those already under consideration in the incentive plan evaluation.

ORDER

1. Within 20 days of the date of this Order the Company shall make a filing in the incentive plan evaluation proceeding, Docket No. P-421/EI-89-860, explaining in detail how work force reductions, other economy measures, shifts in priorities, and changes in management structures or practices since the adoption of its incentive plan have affected its preparation of filings for this Commission. The explanation shall include a list of all eliminated or unfilled state or regional positions having any responsibility for cost of service analysis, pricing, rate design, ratemaking, or regulatory affairs.
2. Interested parties are invited to comment on the Company's filing under this Order as part of their September 3, 1993 comments in Docket No. P-421/EI-89-860.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)

⁵ In the Matter of the Evaluation of U S WEST Communications, Inc.'s Incentive Regulation Plan and Future Regulatory Structures, Docket No. P-421/EI-89-860, ORDER ESTABLISHING PROCESS FOR EVALUATING THE CURRENT INCENTIVE REGULATION PLAN OF U S WEST COMMUNICATIONS, INC. AND POSSIBLE REGULATORY STRUCTURES FOR FUTURE CONSIDERATION (June 29, 1993).