

P-405, 421/CP-91-503 ORDER ADOPTING RATES FOR POLLING

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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

In the Matter of a Petition for
Extended Area Service From the
Arlington Exchange to the
Gaylord Exchange

ISSUE DATE: July 26, 1993

DOCKET NO. P-405, 421/CP-91-503

ORDER ADOPTING RATES FOR POLLING

PROCEDURAL HISTORY

On July 8, 1991, subscribers in the Arlington exchange filed a petition for extended area service (EAS) to the Gaylord exchange.

On November 20, 1991, the Commission issued its ORDER DENYING PETITION AND CLOSING DOCKET based on traffic studies showing inadequate traffic from Arlington to Gaylord.

On December 11, 1991, the petition sponsor, the City of Arlington, requested that traffic studies be completed for the months September, October, and November 1991.

On January 22, 1992, the Commission issued its ORDER REOPENING DOCKET AND REQUIRING FURTHER FILINGS. The Order required the telephone company serving the Arlington exchange, Vista Telephone Company (Vista), to file additional traffic studies.

On February 4, 1992, Vista refiled traffic studies which included data for every month in 1991.

On May 21, 1992, the Commission found that the Arlington-Gaylord EAS route met the traffic criterion and issued an Order requiring Vista and the telephone company serving the Gaylord exchange, U S West Communications, Inc. (USWC), to file cost studies and proposed rates.

On July 16 and 17, 1992, respectively, Vista and USWC filed their cost studies and proposed rates.

On August 26, 1992, the Minnesota Department of Public Service (the Department) filed its report and recommendation.

On July 20, 1993, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

Allocation of EAS Costs Between the Petitioning Arlington Exchange and the Petitioned Gaylord Exchange

The EAS statute divides EAS petitions into two groups with respect to this issue: 1) petitions for EAS to the metropolitan calling area (MCA) and 2) all other EAS petitions. For petitions to the MCA, the statute mandates that the petitioning exchange rates defray 75 percent of the costs of providing EAS. For other petitions, such as the petition at issue in this docket, the statute leaves to the sound discretion of the Commission what percentage (between 50 and 75 percent) of EAS costs the petitioning exchange will be required to defray in its rates. Minn. Stat. § 237.161, subd. 3 (a) (1992).

The Department and USWC argued that because the EAS implementation process allows Arlington subscribers to vote whether EAS will be installed but denies the same opportunity to subscribers in the petitioned exchange, it is fair that Arlington subscribers defray the maximum statutory amount of EAS costs, i.e. 75 percent of those costs.

The opportunity to vote is a consideration, but as indicated in previous dockets where the Department has made this argument, the Commission does not find this consideration dispositive.¹ The legislature did not establish a presumption that the petitioning exchange, because it gets to vote, must pay 75 percent of the costs. According to the statutory process, subscribers in the petitioning exchange are always the only subscribers polled in all cases. Knowing this, the legislature clearly stated that rates for non-metro petitions could be set between 50 and 75 percent, thereby indicating that other factors must be considered in deciding what percentage of cost to be allocated to the petitioning exchange.

In choosing what percentage (between 75 and 50 percent) of EAS costs it will impose on the petitioning exchange, the Commission's discretion is guided by Minn. Stat. § 237.161, subd. 3 (b) (1992). That statute requires the Commission to consider the interests of all parties when determining a fair and equitable EAS rate. The Commission's ultimate goal, then, is to select a cost allocation that results in fair and equitable rates for both the petitioning and petitioned exchanges.

¹ For a similar discussion and analysis see: 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 this case, the Commission notes that the involved exchanges are virtually the same size: the petitioning Arlington has 1,375 subscribers while the petitioned Gaylord exchange has 1,394. Hence, shifting the percentage of costs allocated between the two exchanges does not result in vast savings for the petitioning exchange as has occurred in other dockets where the petitioned exchange was much larger than the petitioner. To demonstrate: increasing Gaylord's costs from the minimum 25 percent to the maximum 50 percent would reduce Arlington rates by approximately \$1.20 per month but raises Gaylord's rates by almost the same amount. The fact that Arlington petitioned for EAS to Gaylord and not vice versa suggests that Arlington stands to benefit more from the EAS than Gaylord. In these circumstances, it appears appropriate that Arlington subscribers bear the maximum share of the EAS costs.

In these circumstances, the Commission finds that it is fairer to allocate to Gaylord the lower end of the discretionary range, i.e. 25 percent of the costs of installing and providing the requested EAS. The Commission will adopt rates based on such an allocation.

Cost of Money

The Department continued its objection to the cost of money figure used by USWC in calculating proposed EAS rates but did not recommend that the Commission require refiled cost studies and proposed rates because the Department's revised return on equity and cost of money figures did not result in rates different from those proposed by the telephone companies.

Regarding the merits of the Department's objection, the Department's position has been thoroughly analyzed and rejected in previous cases, most recently in the Order denying the Department's request for reconsideration of the issue in the Monticello EAS case.² Accordingly, the Commission will approve USWC's use of a 13.4 percent return on equity figure in calculating the rates in this case.

² See, e.g., In the Matter of a Petition for Extended Area Service Between the Monticello Exchange and the Minneapolis/St. Paul Metropolitan Calling Area, Docket No. P-404, 421, 430, 407, 405, 520, 426/CP-89-1039, ORDER DENYING RECONSIDERATION AND REQUIRING REFILED COST STUDIES AND PROPOSED RATES (June 15, 1993), pages 2-3.

ORDER

1. The Commission hereby adopts the following EAS rate additives for the EAS route proposed between Arlington and Gaylord:

ARLINGTON

GAYLORD

Class of Service

Class of Service

Residential

One-party	\$3.65
Two-party	3.10
Rural	
four-party	3.76

Residential

One-party	\$1.16
Two-party	0.88

Business

One-Party	\$8.17
Two-Party	6.35
Trunk	12.00
Semi-public	8.17
Customer-owned coin phone	8.17

Business

One-party	\$2.88
Trunk	3.33
Semi-public	2.88

School Service

One-party	\$6.17
Trunk	9.01

2. Vista Telephone Company shall cooperate with Commission Staff to provide customer lists (one deliverable address for reach access line) and other information needed to poll the Arlington exchange.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)