

P-413, 520, 421, 430, 407, 405, 426/CP-89-187 ORDER REQUIRING  
COST STUDIES AND PROPOSED RATES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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

In the Matter of the Petition of Certain Subscribers in the Waverly Exchange for Extended Area Service to the Minneapolis/St. Paul Metropolitan Calling Area	ISSUE DATE: October 18, 1993  DOCKET NO. P-413, 520, 421, 430, 407, 405, 426/CP-89-187  ORDER REQUIRING COST STUDIES AND PROPOSED RATES
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**PROCEDURAL HISTORY**

On March 28, 1989, customers within the Waverly exchange filed a petition requesting extended area service (EAS) to the Minneapolis/St. Paul metropolitan calling area (MCA). Lakedale Telephone Company (Lakedale) serves the Waverly exchange. The MCA is served by six telephone companies: US West Communications, Inc. (USWC), United Telephone Systems of the Midwest (United), GTE Minnesota (GTE), Vista Telephone Company (Vista), Scott-Rice Telephone Company (Scott-Rice), and Eckles Telephone Company (Eckles).

On April 27, 1990, the 1990 EAS law took effect which revised the standards and manner for processing EAS petitions.

On July 3, 1990, the Commission issued its ORDER DEFERRING ACTION. This Order suspended further processing of this petition because Waverly was not adjacent to the MCA, as required by the new EAS law. The Order stated that if one of the exchanges that lay between Waverly and the MCA (such as Buffalo, Watertown, Montrose or Delano) were added to the MCA, Waverly would become adjacent to the MCA and the Commission would again take up processing of the Waverly to MCA petition.

On January 14, 1993, the Commission issued its ORDER CERTIFYING POLLING RESULTS, APPROVING RATE INCREASES, AND REQUIRING FURTHER FILINGS in the Buffalo EAS case (Docket No. P-421 et al./CP-87-506). This Order, among other things, added the Buffalo exchange to the MCA. This action made Waverly adjacent to the MCA.

On August 10, 1993, the Commission issued its ORDER REQUIRING TRAFFIC STUDY. The Order found that Waverly is now adjacent to the MCA and required Lakedale to file traffic studies.

On September 24, 1993, Lakedale filed its traffic study for the Waverly to MCA route.

On September 30, 1993, the Minnesota Department of Public Service (the Department) advised that the traffic study shows that the Waverly petition meets the EAS traffic criterion and recommended that the Commission require cost studies and proposed rates.

On October 12, 1993, the Commission met to consider this matter.

## FINDINGS AND CONCLUSIONS

### Statutory Findings

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

1. the petitioning exchange is contiguous to an exchange or local calling area to which extended area service is requested in the petition;
2. 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. polling by the Commission shows that a majority of the customers responding to a poll in the petitioning exchange favor its installation, unless all parties and the Commission agree that no polling is necessary. Minn. Stat. § 237.161, subd. 1(a)(1-3) (1992).

The Commission has found in a previous Order that the Waverly exchange is contiguous or adjacent to the MCA.<sup>1</sup> In this Order, the Commission finds that Waverly also meets the second statutory criterion: adequate traffic. Lakedale's traffic studies show that more than 50 percent of Waverly subscribers made one or more calls per month to the petitioned area.

### Cost Studies and Proposed Rates

Before proceeding to poll Waverly subscribers to determine whether the third criterion (subscriber support) will be met, the Commission will adopt EAS rates for the proposed route and include that information on the EAS ballots to give Waverly subscribers a clearer picture regarding the rate impact of

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<sup>1</sup> See ORDER REQUIRING TRAFFIC STUDY in this matter dated August 10, 1993.

implementing EAS. To assist the Commission in establishing fair EAS rates for polling purposes, the Commission will require Lakedale, the telephone company serving the petitioning exchange and the telephone companies serving the exchanges comprising the MCA to file sound cost studies and proposed rates as specified in the Ordering Paragraphs of this Order.

#### Lower-cost Alternative

Under the EAS law, when the petitioning exchange has requested EAS to the MCA, the company serving the petitioning exchange is required to provide a lower cost alternative to EAS. Minn. Stat. § 237.161, subd. 1 (c) (1992). Accordingly, Lakedale will be required to file its proposed lower-priced alternative to EAS along with its cost studies and proposed rates.

#### Comments

Following the filing of these cost studies, proposed rates and proposed lower-priced alternative, the Department will file its report and recommendations. Thereafter, other interested parties will have an opportunity to comment, as provided in the Ordering Paragraphs.

#### **ORDER**

1. Within 90 days of this Order, Lakedale Telephone Company (Lakedale), the telephone company serving the Waverly exchange, and the six telephone companies serving the MCA [US West Communications, Inc. (USWC), United Telephone Systems of the Midwest (United), GTE Minnesota (GTE), Vista Telephone Company (Vista), Scott-Rice Telephone Company (Scott-Rice), and Eckles Telephone Company (Eckles)] shall file with the Commission cost studies and proposed rates and serve copies on the Minnesota Department of Public Service (the Department), the petition sponsor, and the other parties.
2. The cost studies and proposed rates filed pursuant to Ordering Paragraph 1 shall meet the following parameters:
  - a. The companies shall base their cost studies and proposed rates on 12 months of traffic data; if 12 months of data are not available, the companies shall annualize the data using the months they do have.
  - b. Eckles shall use its new, lower Carrier Common Line Charge (CCLC) and call recording rates that were established as a result of the Department's earnings investigation;

- c. Lakedale's proposed rates for Waverly subscribers shall be at least equal to, or higher than the rates in a neighboring MCA exchange; such rates may require that more than 75 percent, and up to 100 percent of the total EAS costs be recovered from the Waverly exchange; in comparing proposed rates for Waverly, the companies shall use the new rates for metropolitan exchanges that were established by the elimination of the USWC Metro Tier Rate structure; the cost studies shall indicate what percentage of the EAS costs are eventually recovered from the Waverly exchange;
  - d. the companies' proposed rates shall exclude USWC's toll contribution from ILEC to ILEC routes within the MCA;
  - e. the proposed rates for existing MCA subscribers shall meet the requirements of Minn. Stat. § 237.161 and shall use the companies' past practices for establishing EAS rate additives;<sup>2</sup>
  - f. the cost studies and proposed rates shall include costs for the exchanges recently added, or about to be added to the MCA: Belle Plaine, Buffalo, Cambridge, Cologne, Delano, Lindstrom, New Prague, North Branch, and Waconia.
- 4. Within 90 days of this Order, Lakedale shall file its proposed lower-priced alternative along with its cost studies.
  - 5. Within 45 days after the cost studies and proposed rates are filed, the Department shall file its report and recommendation. If the Department recommends changes in the assumptions used in the cost studies, it shall file recalculated rates using its own assumptions.
  - 6. Parties shall have 20 days following the filing of the Department's report to file comments on that report.
  - 7. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Susan Mackenzie  
Acting Executive Secretary

(S E A L)

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<sup>2</sup> This requirement does not imply that the Commission is approving any particular cost of money for any company; rather, that issue will be decided upon Commission action regarding the cost studies and proposed rates.