

P-548, 430/CP-93-854 ORDER ADOPTING STIMULATION FACTOR AND GRANTING
TIME EXTENSION

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
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In the Matter of a Petition for Extended Area Service from the Miltona Exchange to the Alexandria Exchange

ISSUE DATE: March 25, 1994

DOCKET NO. P-548, 430/CP-93-854

ORDER ADOPTING STIMULATION FACTOR AND GRANTING TIME EXTENSION

PROCEDURAL HISTORY

On August 30, 1993, the Lake Miltona Property Owners Association filed a petition for extended area service (EAS) from the Miltona exchange of Midwest Telephone Company (Midwest) to the Alexandria exchange of United Telephone.

On September 15, 1993, the Minnesota Department of Public Service (the Department) notified parties that any protests regarding the validity of the petition should be filed by October 20, 1993. The Department further requested Midwest to file a traffic study by November 4, 1993.

No filing contesting the validity of the petition was received.

On November 8, 1993, Midwest filed a traffic study for June through October 1993.

On November 18, 1993, the Department recommended that the Commission require Midwest and United to file cost studies and proposed rates.

On December 22, 1993, the Commission issued its ORDER REQUIRING COST STUDIES AND PROPOSED RATES in this matter.

On February 3, 1994, United submitted a request to the Commission to establish a stimulation factor in this case and to grant a 45 day extension of time to file cost studies and proposed rates.

On February 7, 1994, Midwest submitted the same requests.

On March 8, 1993, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

Stimulation Factor

No party offered empirical evidence directly related to the stimulation factor¹ that would be

¹ It is understood that the availability of EAS will stimulate subscribers in the affected exchanges to increase the number and duration of calls between those exchanges. The

appropriate in an outstate matter such as Miltona's petition for EAS to Alexandria. The only related empirical evidence is the Minneapolis/St. Paul metropolitan calling area (MCA) study which revealed a peak usage rate ranging up to 3.31. On the basis of those MCA-related studies, the Commission concluded that for the exchanges petitioning the MCA, the stimulation factor should be set at 4 to assure adequate facilities to handle the EAS stimulated traffic.²

Although the Department filed no comment in this case, the Department argued in related outstate EAS dockets that the stimulation factor for outstate EAS routes is different from the stimulation factor for metro routes. The Department reasoned that petitions involving small local calling areas and a smaller number of access lines would have relatively less usage stimulation after EAS. The Department cited two outstate exchanges in which the companies had used a stimulation factor of 2 or less.

The Commission agrees that EAS between outstate exchanges is likely to stimulate less traffic than EAS to the MCA. However, it is not clear that the stimulation rate for the exchanges at issue here will be as low as the Department suggests, 2.

The Commission holds the assurance of uninterrupted adequate service as a baseline concern. In that regard, the Department's proposed reliance on the dial service requirements rule (Minn. Rules, part 7810.5300) to assure continuous adequate quality of service is unacceptable. The rule provides, at best, a means to restore adequate service after it has fallen below the standard, in the rule's terms, "on a continuing basis." In view of the additional stress that EAS will unquestionably place upon the network, the Commission finds that the rule is not an adequate substitute for prudent action ahead of time to assure adequate facilities.³

The Commission prefers to calculate the stimulation factor for Miltona in the following manner. In response to recently completed metro stimulation studies, the Commission has adjusted the

percentage increase in such calling occasioned by the switch to EAS translates into an EAS **stimulation factor**. For example, an increase of 600 percent translates into a stimulation factor of 7. The EAS rate is set to recover, among other things, the expense of installing facilities and operating expenses that will be necessary to accommodate this increased calling.

² 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, Docket No. P-405, 421/CP-86-55, ORDER APPROVING STIMULATION FACTOR FOR SETTLE UP FILING (January 27, 1994); In the Matter of the Petition of Certain Subscribers in the New Prague Exchange for Extended Area Service to the Minneapolis/St. Paul Metropolitan Calling Area, Docket No. P-520, 421/CP-86-537, ORDER APPROVING STIMULATION FACTOR FOR SETTLE UP FILING (January 27, 1994); In the Matter of a Commission Investigation into Extended Area Service Between Cologne and the Minneapolis/St. Paul Metropolitan Calling Area, Docket No. P-430, 421, 407, 405, 426/CI-90-441, ORDER APPROVING STIMULATION FACTOR FOR SETTLE UP FILING (January 27, 1994); In the Matter of the Petition of Certain Subscribers in the Waconia Exchange for Extended Area Service to the Minneapolis/St. Paul Metropolitan Calling Area, Docket No. P-430, 421/CP-86-5, ORDER APPROVING STIMULATION FACTOR FOR SETTLE UP FILING (January 27, 1994). Upon reconsideration, the Commission reaffirmed the conclusions and reasoning of these Orders. See e.g. Belle Plaine, ORDER DENYING RECONSIDERATION, Docket No. P-405, 421/CP-86-55 (March 23, 1994).

³ For similar reasoning and decision, see e.g. Belle Plaine, Docket No. P-405, 421/CP-86-55, ORDER DENYING RECONSIDERATION (March 23, 1994) at page 3.

previous metro stimulation factor downward from 7 to 4 in several dockets.⁴ Making an analogous downward adjustment for the outstate stimulation factor would result in reducing that factor from 5 to 2.85, or 3.

The Commission will continue to gather empirical evidence regarding the EAS stimulation actually experienced in outstate exchanges but will do so with a practical eye to the ultimate impact upon EAS rates. True-ups previously ordered by the Commission in the routes of Hinckley to Pine City, Mora, and Sandstone will include stimulation studies.⁵

In view of the desirability of moving forward with this matter and the relatively minor role that stimulation factors play in calculating EAS rates, the Commission finds that a stimulation factor of 3 for Miltona would be reasonable and, more importantly, contribute to fair and equitable rates, as required by Minn. Stat. § 237.161, subd. 3 (b) (1992).

Time Extension

The companies' request for a time extension was not opposed by any party and will not harm the interests of any party. Rather, granting the extension will permit the companies the time necessary to prepare cost studies and proposed rates in keeping with the Commission's stimulation factor decision in this Order.

Commission Action

On the basis of the foregoing analyses, the Commission will adopt a stimulation factor of 3 for the Miltona exchange and grant the companies additional time to file cost studies and proposed rates that reflect that new stimulation factor.

ORDER

1. Within 45 days of the date of this Order, Midwest Telephone Company (Midwest), the company serving the petitioning Miltona exchange, and United Telephone Company (United), the company serving the Alexandria and Carlos exchanges, shall file cost studies and proposed rates using a stimulation factor of **3** and based on at least six months, and preferably 12 months of traffic data. If 12 months of data is unavailable, the companies shall annualize the data. The proposed rates must be based on all five of the Alexandria prefixes: 760, 762, 763, 766, and 846. Three sets of proposed rates shall be filed: one set should assign 75 percent of the costs to the Miltona exchange; another set, 60 percent to Miltona; and, the third set, 50 percent of the costs to the Miltona exchange. The companies shall serve copies of these filings on the Department and the petition sponsor the same day they file them with the Commission.

⁴ Belle Plaine (Docket No. P-405, 41/CP-86-55); Cologne (Docket No. P-430, 421, 407, 405, 426/CP-90-441); Waconia (Docket No. P-430, 421/CP-86-5); New Prague (Docket No. P-520, 421/CP-86-537); Lonsdale (Docket No. P-542, 421, 430, 407, 520/CP-92-30); Cannon Falls (P-407,421/CP-87-216); and Northfield (P-421/CP-87-352).

⁵ A wider range of such studies does not appear warranted. The Commission is concerned that it not require stimulation study expenditures in excess of the value of such studies to consumers. As the Commission has noted in previous Orders, the stimulation factor plays a relatively minor role in determining EAS rates. Any savings achieved by using a finely-tuned stimulation factor can be quickly overcome by stimulation study expenses, which, of course, are recoverable in EAS rates.

2. Within 60 days after the Companies have filed their cost studies and proposed rates, the Department shall file its report and recommendations.

If the Department recommends any changes to the cost studies or rates, it shall file the rates resulting from its proposed changes. It shall use the same 75-60-50 percent cost split and include its calculations.

On the same day it files its report and recommendations with the Commission, the Department shall serve copies of its report on the petition sponsor and the telephone companies.

3. Parties will have 20 days after the Department files its report and recommendations to comment on the Department's filing.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)