

P-501, 421/CP-92-41 ORDER REQUIRING FURTHER FILINGS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition for Extended Area
Service from Cotton to Duluth

ISSUE DATE: April 13, 1994

DOCKET NO. P-501, 421/CP-92-41

ORDER REQUIRING FURTHER FILINGS

PROCEDURAL HISTORY

On January 16, 1992, customers in the Cotton exchange filed a petition seeking extended area service (EAS) to the Duluth exchange. Cotton is served by Arrowhead Communications (Arrowhead); Duluth is served by US WEST Communications, Inc. (US WEST).

On October 21, 1992, the Commission issued its ORDER REQUIRING COST STUDIES AND PROPOSED RATES. In that Order the Commission found that the petition met the adjacency and traffic volume requirements of Minn. Stat. § 237.161. The Commission ordered Arrowhead and US WEST to file cost studies and proposed rates for future polling.

On November 3, 1993, the Commission issued its ORDER REQUIRING REVISED COST STUDIES AND PROPOSED RATES USING STIPULATED COST OF MONEY FIGURE. In that Order the Commission required the companies to file revised figures using a cost of money for US WEST of 10.64%. This figure had been stipulated to by US WEST and the Department of Public Service (the Department) and was now accepted by the Commission for EAS purposes.

Revised cost studies and proposed rates were filed by the companies between November 12, 1993, and December 6, 1993.

On December 3, 1993, the Department requested a time extension to file its report.

The matter came before the Commission for consideration on April 5, 1994.

FINDINGS AND CONCLUSIONS

The Commission recently adopted a stimulation factor of 3 in ten outstate EAS petitions. In the Matter of a Petition for EAS from Freeport to Melrose, etc., Docket No. P-500, 415/CP-93-1057, etc., ORDER ADOPTING STIMULATION FACTOR AND REQUIRING COST STUDIES AND PROPOSED RATES (March 25, 1994). In that Order the Commission noted that no empirical evidence directly related to the outstate stimulation factor has yet been offered. In the absence of such evidence, the Commission made a downward adjustment to 3 from the original outstate stimulation factor of 5. This adjustment corresponded with a previous downward adjustment from 7 to 4 for the metro stimulation factor, based on stimulation studies.

The Commission finds that the facts of this case are sufficiently similar to the facts of the ten outstate petitions to render a stimulation factor of 3 reasonable. The Commission will therefore adopt a stimulation factor of 3 for this EAS proceeding. The Commission will require US WEST and Arrowhead to refile cost studies and proposed rates using the adopted stimulation factor.

ORDER

1. Within 30 days of the date of this Order, US WEST and Arrowhead shall refile cost studies and proposed rates using a stimulation factor of 3.

In their filings, the companies shall provide three sets of proposed rates, reflecting alternative revenue requirement assignments of 75/25, 60/40, and 50/50.

The filings shall include a 10.64% cost of money for US WEST.

2. Within 30 days of the refile of cost studies and proposed rates, the Department shall file a report regarding the filings. If the Department recommends changes, it shall provide rates reflecting the changes, including alternative revenue requirement assignments of 75/25, 60/40, and 50/50.
3. Any party who wishes to file comments in response to the Department's report shall do so within 20 days of its filing.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)