

P-421, 407/CP-87-747 ORDER ESTABLISHING FINAL EAS RATES FOR THE PALO,
BIWABIK AND VIRGINIA EXCHANGES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition for Extended Area
Service from Iron Trail United Communities

ISSUE DATE: May 6, 1994
DOCKET NO. P-421, 407/CP-87-747

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RATES FOR THE PALO, BIWABIK AND
VIRGINIA EXCHANGES

PROCEDURAL HISTORY

On May 25, 1993, the Commission issued its ORDER ADOPTING RATES FOR POLLING in this multi-routed matter. In that Order the Commission adopted rates for 13 different Iron Trail United Communities (ITUC) EAS routes, some of which included multiple petitioned exchanges.

The rates adopted for the *petitioned* exchange Palo in the Aurora to Palo-Biwabik-Virginia route were as follows:

Res	\$ 5.85
Bus	\$11.70

The rates for the *petitioning* exchange Palo in the Palo to Aurora route were slightly lower:

Res	\$ 5.75
Bus	\$11.50

Polling of customers in the Aurora, Buhl, Greaney, Palo, Bear River, Cook, Orr and Finlayson exchanges took place between September 21 and November 5, 1993.

On December 7, 1993, the Commission issued its ORDER CERTIFYING POLLING RESULTS, GRANTING CERTAIN PETITIONS, DENYING CERTAIN PETITIONS, AND REQUIRING FURTHER FILINGS. Among other things, the Commission found that the Palo customers had rejected establishing EAS to Aurora and dismissed the petition for that route. At the same time, however, the Commission found that the Aurora customers had approved the installation of EAS to a local calling area that included Palo (the Palo/Biwabik/Virginia LCA) and ordered installation of that route.

As a result of those votes, Palo customers would be required to pay for EAS to Aurora (as customers in the successfully petitioned Palo exchange) despite having voted to reject EAS between the two exchanges. Ironically, if the votes and rates had been implemented without modification, Palo customers would pay *more* for the EAS that they rejected than they would

have paid for the same EAS if they had voted to install it.

Realizing this anomaly, the Commission on its own motion undertook to reconsider its determination of EAS rate additives for the Palo/Biwabik/Virginia LCA . The Commission suspended determination of final rates for the EAS route between Aurora and the Palo/Biwabik/Virginia LCA. Specifically, the Commission directed GTE Minnesota (GTE) and U S West Communications, Inc. (USWC) to refile proposed rates for the petitioned exchanges in the Aurora to Palo/Biwabik/Virginia LCA on the basis of the number of access lines and on the basis of relative traffic.

On January 7 and 19, 1994, respectively, USWC and GTE filed recalculated rates.

On January 31, 1994, the Department filed a letter stating that revisions in the companies' filings were required.

On February 15 and 18, 1994, respectively, GTE and USWC filed revised rates and the Department filed its recommendation on February 28, 1994.

On May 3, 1994, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

The Commission has not reconsidered its decision to split the cost of installing and maintaining this EAS route (Aurora to the Palo/Biwabik/Virginia LCA) between the petitioning exchange (Aurora) and the petitioned LCA. The issue at hand is how to split the LCA's 50 percent among its constituent exchanges: Palo, Biwabik, and Virginia.

In its original rate setting Order, the Commission allocated the costs among the three exchanges using the stand alone method. Rates were calculated for this route as if it were really three separate routes: Aurora to each of the exchanges constituting the LCA.

There are two alternate methods that the Commission has considered in this case: the relative minutes of use and the relative access lines. The Department recommended adopting rates based on the relative number of access lines.

The Commission finds that both methods reallocate costs from the Palo exchange. However, the relative minutes of use method reduces Palo's rates much less than the relative access lines method and actually results in slightly reducing Virginia's rates at Biwabik's expense. Since Virginia contains by far the largest number of access lines of the three petitioned exchanges, relatively small increases in its rates (achieved only by using the relative access lines method) produces large changes in the Palo and Biwabik rates.

In these circumstances, the Commission finds that rates calculated using the relative access lines method are fair and equitable for all concerned and will adopt them.

ORDER

1. Final rates for the three exchanges constituting the petitioned LCA on the Aurora to Palo/Biwabik/Virginia LCA route are adopted as follows:

	Palo	Biwabik	Virginia
Residence	\$ 0.51	\$ 0.47	\$ 0.42
Business	1.02	1.18	1.05

2. Within 10 days of this Order, GTE and USWC shall file proposed bill insert/customer notices for their Palo, Biwabik and Virginia exchanges, informing their customers of the final EAS rate additives for the Palo, Biwabik and Virginia exchanges adopted in this Order.
3. After the notices have been approved by Commission Staff, the companies shall include those notices as bill inserts in the earliest possible billing cycle.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)