

P-407, 421, 430, 405, 520, 426, 427/CP-93-1027 ORDER REQUIRING COST STUDIES AND PROPOSED RATES

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 Watertown Exchange to the Minneapolis/St. Paul Metropolitan Calling Area

ISSUE DATE: June 23, 1994

DOCKET NO. P-407, 421, 430, 405, 520, 426, 427/CP-93-1027

ORDER REQUIRING COST STUDIES AND PROPOSED RATES

PROCEDURAL HISTORY

On October 12, 1993, the Commission received a petition for extended area service (EAS) from Watertown subscribers. Though the petition forms themselves did not list the Minneapolis/St. Paul metropolitan calling area (MCA) as the petitioned area, the cover letter enclosed with the petition forms stated that the petition was for EAS to the MCA.

On November 3, 1993, the Minnesota Department of Public Service (the Department) filed a letter recommending, based on its investigation, that the petition be accepted as a petition to the MCA.

On November 9, 1993, GTE Minnesota (GTE), the telephone company serving the Watertown exchange, filed a letter stating that it accepted the petition as requesting EAS to the MCA.

On March 8, 1994, the Commission met to determine whether traffic studies should be required. At the meeting, GTE stated that it could file traffic data "within a few days".

On March 16, 1994, GTE filed traffic data for the Watertown to Metro EAS route.

On March 24, 1994, the Department filed a letter recommending that the Commission order the affected telephone companies to file cost studies and proposed rates.

On June 7, 1994, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

I. Construction of the Petition

The filing is ambiguous with respect to what route was being requested. The cover letter enclosed with the petition forms stated that the petition was for EAS to the Minneapolis/St. Paul Metropolitan Calling Area (MCA), but the petition forms themselves did not list the MCA as the petitioned area.

Information provided by the Department, however, resolves the matter. The Department placed telephone calls to about 10 percent of the petitioners. The calls verified that the petitioners were indeed seeking EAS to the MCA. Accordingly, the Commission will treat the petition as a request for such.

II. Statutory Requirements

Minn. Stat. § 237.161 (1992) requires the installation of an EAS route when three criteria are met:

1. the petitioning exchange is contiguous or adjacent to an exchange or local calling area to which EAS 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 EAS 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.

A. Adjacency

The official exchange maps on file with the Department pursuant to Minn. Stat. § 237.16, subd. 2 (1992) show that the Watertown exchange shares a boundary with the MCA. For that reason, Watertown meets the adjacency requirement. See Minn. Stat. § 237.161, subd. 1 (a) (1) (1992).

B. Traffic

The statute requires that one or more calls be made to the petitioned calling area by at least half of the customers in the petitioning exchange. GTE filed extensive traffic studies (12 months of calendar year 1993) showing the calling by access line from Watertown to the MCA.

The Commission finds that the traffic from Watertown and the MCA exceeds one call per month for more than 50 percent of Watertown subscribers and, as such, is sufficient to meet the statutory traffic requirement.

C. Polling

The EAS statute's third and final requirement is that polling of Watertown subscribers must show that there is sufficient subscriber support for the proposed route. Before proceeding to poll Watertown subscribers, however, the Commission will determine EAS rates for the Watertown exchange and make that information available to Watertown subscribers as part of the balloting process.

In preparation to set these rates, the Commission will require the affected telephone companies¹ to file cost studies and proposed rates for EAS between Watertown and the MCA. In their cost studies and calculating proposed rates, the companies will be required to meet parameters set forth in the Ordering Paragraph 1.

1. Companies should use 12 months of traffic data upon which to base their cost studies and proposed rates. If 12 months of data are not available, the companies should annualize the data using the months they do have.
2. GTE's proposed rates for Watertown subscribers must be at least equal to, or higher than the rates in a neighboring MCA exchange. Such rates may require that more than 75%, and up to 100% of the total EAS costs be recovered from the Watertown exchange. The cost studies should indicate what percentage of the EAS costs are eventually proposed to be recovered from the Watertown exchange.
3. The proposed rates for existing MCA subscribers should meet the requirements of Minn. Stat.

¹ The affected telephone companies in this matter are: GTE, U S West Communications, Inc. (USWC), and the United, Vista, Scott-Rice, Sherburne County, and Eckles telephone companies.

§237.161 and shall use the companies' past practices for establishing EAS rate additives.

4. The cost studies and proposed rates should include costs for the exchanges recently added, or about to be added to the MCA. Those exchanges are Buffalo, Cambridge, Delano, Lindstrom, North Branch, and Zimmerman.

Following receipt of this information, recommendations by the Department, and final comments by the parties, the Commission will set the EAS rates and proceed to polling.

III. Lower-priced 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.

Accordingly, the Commission will direct GTE to file its proposed lower-priced alternative to EAS at the same time it files its cost studies and proposed rates. Information regarding the lower-priced alternative and the rates ultimately adopted by the Commission for that service will be made available to Watertown subscribers as part of the balloting process.

ORDER

1. Within 60 days from the date of this Order, GTE Minnesota (GTE), U S West Communications, Inc. (USWC), United Telephone Company (United), Vista Telephone Company (Vista), Scott-Rice Telephone Company (Scott-Rice), Sherburne County Rural Telephone Company (Sherburne), and Eckles Telephone Company (Eckles), the telephone companies serving Watertown and the MCA, shall file cost studies and proposed rates observing the following parameters:
 - a. Companies should use 12 months of traffic data upon which to base their cost studies and proposed rates. If 12 months of data are not available, the companies should annualize the data using the months they do have.
 - b. GTE's proposed rates for Watertown subscribers must be at least equal to, or higher than the rates in a neighboring MCA exchange. Such rates may require that more than 75%, and up to 100% of the total EAS costs be recovered from the Watertown exchange. The cost studies should indicate what percentage of the EAS costs are eventually proposed to be recovered from the Watertown exchange.
 - c. The proposed rates for existing MCA subscribers should meet the requirements of Minn. Stat. §237.161 and shall use the companies' past practices for establishing EAS rate additives.
 - d. The cost studies and proposed rates should include costs for the exchanges recently added, or about to be added to the MCA. Those exchanges are Buffalo, Cambridge, Delano, Lindstrom, North Branch, and Zimmerman.

The Companies shall serve the filings on the Department, petition sponsor, and other parties the same day they are filed with the Commission.

2. GTE shall file its proposed lower-priced alternative along with its cost studies, i.e. within 60 days from the date of this Order.
3. 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 recalculate the rates using its own assumptions.
4. Parties shall have 20 days following the filing of the Department's report to comment on it.

5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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