

P-430, 421, 407, 405, 426, 520/CP-92-1131 ORDER ADOPTING RATES FOR POLLING

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 Norwood to the Twin Cities
Metropolitan Calling Area

ISSUE DATE: September 13, 1994

DOCKET NO.P-430, 421, 407, 405, 426,
520/CP-92-1131

ORDER ADOPTING RATES FOR POLLING

PROCEDURAL HISTORY

On September 22, 1992, customers in the Norwood exchange petitioned for extended area service (EAS) to the Minneapolis/St. Paul Metropolitan Calling Area (MCA). Norwood is served by United Telephone Company (United). The Norwood EAS petition was assigned to the current docket, P-430, 421, 407, 405, 426, 520/CP-92-1131.

On February 1, 1993, the Commission issued its ORDER REQUIRING COST STUDIES AND PROPOSED RATES in this matter.

On October 15, 1993, the Commission issued its ORDER EXTENDING TIME LINES.

On March 29, 1994, the Commission issued its ORDER ADOPTING A STIMULATION FACTOR, REQUIRING REFILED COST STUDIES AND PROPOSED RATES, AND APPROVING A LOWER COST ALTERNATIVE PROPOSAL.

Between May 2, 1994 and May 19, 1994 the affected telephone companies refiled their cost studies and proposed rates.

On May 23, 1994, the Minnesota Department of Public Service (the Department) filed its Comments regarding the cost studies and proposed rates.

On June 20, 1994, Commission Staff requested that the parties make any corrections to cost studies and proposed rates and file those corrections by June 28, 1994, and that the Department file comments if it had them, by July 8, 1994.

During June United and GTE Minnesota (GTE) filed revised cost studies and the Department filed comments on July 6, 1994.

On August 17, 1994, the Department filed comments inclusive of all known changes.

On August 30, 1994, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

In this Order, the Commission will address several issues affecting the establishment of rates for EAS between Norwood and the metropolitan calling area (MCA). Then, the Commission will adopt rates consistent with its treatment of those issues. Finally, the Commission will address GTE's lower priced alternative to the proposed EAS.

1. Rate Impacts Due to the Addition of Zimmerman and Monticello to the MCA

For every toll call between the Norwood exchange and the MCA, the interexchange (long distance) carriers (IXCs) pay a toll access charge to GTE, the local exchange company (LEC) serving Norwood and to the LEC that serves the exchange where the call terminates. Access charges are payments to the LECs for the use of their facilities for originating and terminating such calls.

Due to polling results confirmed in recent months, the Zimmerman and Monticello exchanges have become a part of the MCA. If the current Norwood petition is likewise successful, that exchange will also join the MCA. As a consequence, calls from Norwood to Zimmerman and Monticello that were formerly toll calls will become local calls for which no toll access charge, of course, would be paid.

While there must be a cutoff point in adjusting rates to reflect changing circumstances, those changes (in this case the inclusion of recently balloted exchanges in the MCA) should be included if they are reasonable and can be made without an undue delay in the proceedings. In this case, adjusting the rates to account for the inclusion of Zimmerman and Monticello will not delay the proceedings because the Department and the Company have agreed on the effect of including all known expansions of the MCA and have already filed rates accordingly.

The Commission has reviewed those rates and finds them reasonable. Therefore, the rates approved by the Commission in this matter can and will reflect the inclusion of the Zimmerman and Monticello exchanges in the MCA.

2. GTE and United Earnings Investigations

On April 18, 1994, the Department reached a settlement with GTE concerning the level of GTE's earnings for its Minnesota operations. The Commission approved the settlement in its July 11, 1994 ORDER ADOPTING SETTLEMENT AND REDUCING RATES AND REQUIRING NOTICE TO CUSTOMERS AND FILING OF TARIFFS in Docket No. P-407/CI-94-366. In the settlement, GTE agreed to a 9.42 percent overall rate of return and reductions to several of its access rates.

On May 24, 1994, the Department reached a settlement with United concerning the level of United's earnings. In the settlement, United agreed to a 10.05 percent overall rate of return and a reduction to its rate for local transport. The Commission approved the settlement in its July 19, 1994 ORDER ADOPTING SETTLEMENT REDUCING RATES AND REQUIRING NOTICE TO CUSTOMERS in Docket No. P-430/CI-94-483.

Minn. Stat. § 237.161, subd. 3 (b) 1992 requires that the Commission "establish rates that are income neutral for each affected telephone company at the time at which the Commission

determines the extended area service rates." The question is whether these developments, which occurred *after* the companies had prepared their cost studies and proposed rates should be taken into account in adopting Norwood's EAS rates.

The Commission believes that changes based on new circumstances should be included if they are reasonable and can be included without an undue delay in the proceedings. In its August 15, 1994 filing, the Department included proposed rates that incorporate the results of the GTE and United rates investigations. Specifically, the Department substituted GTE's new rate of return (ROR) and access rates and United's new ROR and local transport rate in the cost studies filed by the companies and submitted revised rates based on those changes.

Because the changes resulting from resolution of the GTE and United earnings investigations can be incorporated without delaying the processing of this petition, they will be reflected in the rates approved by the Commission in this Order.

3. Rates for Polling

The rate additives resulting from the foregoing changes are as follows:

R1	\$15.97
B1	31.94
Semi Pub	31.94
Trunk	40.08

4. Lower Priced Alternative

The proposed lower cost alternative is a measured service option, in which customers must convert their telephone service totally to measured service. The Commission finds that this proposal, including the rate levels at which it would be offered, is reasonable and will approve it.

5. Rates for the Petitioned Exchanges

The Commission will require affected telephone companies to file proposed rates for all petitioned exchanges, i.e. the existing MCA exchanges plus newly added MCA exchanges: Delano, Lindstrom, and Zimmerman, and Monticello. The Commission will further require that the companies file these rates within 45 days of the Order. Commission Staff will bring these rates to the Commission for approval if the vote of Norwood customers is affirmative.

ORDER

1. The following extended area service (EAS) additives to local rates are approved for Norwood:

R1	\$15.97
B1	31.94
Semi Pub	31.94
Trunk	40.08
LMS--residential	\$ 5.11 plus usage rates
LMS--business	12.53 plus usage rates
LMS trunk rates	15.05 plus usage rates

Customers in the Norwood exchange shall be balloted at these rates.

2. GTE shall cooperate fully with Commission Staff and Commission contractors to expedite the polling of Norwood customers. As part of this cooperation, USWC shall provide Commission Staff and Commission contractor upon request with accurate

customer lists for the Norwood exchange and associated information in a timely manner.

3. Within 45 days of this Order, affected telephone companies shall file rates for the petitioned areas. Such rates shall reflect 1) the inclusion of Norwood, Lindstrom, Delano, Zimmerman, and Monticello and 2) the earnings investigations of United and GTE.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)