

P-999/CI-93-1176 ORDER APPROVING UNITED TELEPHONE COMPANY'S
MODERNIZATION PLAN AND REQUIRING PROGRESS REPORTS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Commission Initiated
Investigation to Establish Requirements for the
Telecommunications Infrastructure in
Minnesota

ISSUE DATE: February 21, 1995

DOCKET NO. P-999/CI-93-1176

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PROCEDURAL HISTORY

On May 19, 1994, the Commission issued its ORDER APPROVING SHORT-TERM AND INTERMEDIATE INFRASTRUCTURE RECOMMENDATIONS AS MODIFIED AND ESTABLISHING A COMMENT PERIOD in Docket No. P-999/CI-93-1176. In this Order, the Commission approved modified short and intermediate term infrastructure requirement recommendations of the Minnesota Telefutures Study Group (MTSG) as provided in the MTSG's Final Report filed with the Commission on November 19, 1993. The Order established a comprehensive plan for the modernization of local exchange carrier (LEC) facilities and established a time table for compliance filings to address specific concerns.¹

Additionally, the Commission's Order required that all LECs file a plan with the Commission by October 1, 1994 for providing interLATA equal access by January 1, 1997. In addition to interLATA presubscription, the remaining short term measures call for full digital switch deployment by January 1, 1998, and the provision of first generation custom calling services by two alternative dates, January 1, 1996 and January 1, 1997.

On October 3, 1994, United Telephone Company (United or the Company) filed an extension request and proposed an alternative modernization plan in response to the remaining short term measures established by the Commission in its May 19 Order. The Company's request is summarized in Attachment A. In its request, United indicated that although the responses to the remaining short term measures are not yet due, United's ability to comply with all of the modernization requirements must, of necessity, follow the same schedule.

On November 17, 1994, the Minnesota Department of Public Service (the Department) filed a response to United request and proposed plan.

On February 7, 1995, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

¹ In this Order the Commission established several dates for compliance filings. The first filing required by the Commission was that all LECs file a plan by July 1, 1994 for the provision of one-party service upon request customer request by January 1, 1995 and a plan to eliminate a separate charge for touchtone service by January 1, 1995. United complied with these requirements on June 30, 1994.

A. United's Proposal

United filed three separate modernization plans:

- **May 19, 1994 Order Plan:** a plan to meet the Commission's ordered schedule
- **BFR Plan:** a plan to meet all the bona fide requests (BFRs) submitted by AT&T and MCI and
- **United's Modernization Plan:** this plan follows United's present digital switch conversion schedule and assumes upgrade of existing equal access capable switches during 1995 and 1996. Under this plan, 100 percent of all conversions would be complete by December 31, 1998.

United requested that the Commission allow it to proceed in accordance with its Modernization Plan (UM Plan) and extend the time for completing the short term measures ordered in the Commission's May 19, 1994 Order in some respects. United argued that although the UM Plan does not convert all exchanges to equal access by January 1, 1997 nor meet the dates specified for other short term measures in the May 19 Order, it allows the Company to implement the desired modernization program as rapidly as is economically and technically feasible, with only slight deviation from the Commission's directives. United stated that the UM Plan is the most effective use of human and capital resources in completing the desired level of modernization while maintaining a high level of customer service and satisfaction.

In sum, United requested the following time extensions to complete certain modernization requirements established in the Commission's Order in Docket No. P-999/CI-93-1176:

- several months for five central office switch conversions
- one year for InterLATA equal access
- two years for first generation custom calling services to complete certain modernization requirements established in the Commission's Order in Docket No. P-999/CI-93-1176

United projected costs for the three plans as follows:

	<u>UM Plan</u>	<u>Ordered Plan</u>	<u>BFR Plan</u>
Actual Expenditures			
Four Year Total	\$13,261,500	\$15,126,600	\$16,187,200
Premium		1,865,100	2,925,700
Premium %		14%	22%
Present Value	\$10,848,300	\$12,987,500	\$14,771,000
Premium		2,139,200	3,922,700
Premium %		20%	36%

As presented, the plan necessary to meet the Commission's May 19, 1994 Order and the plan necessary to meet all the BFR requests are considerably more expensive than United's Plan. United explained that the Ordered Plan and the BRF Plan would be more expensive because they would require additional engineering and installation requirements, the use of contractors, and other less efficient means of completing the required activity.

To put the level of time extension in context, United stated that currently 85 percent of all access lines have digital switching, digital interexchange facilities, one-party service availability, touch-tone service availability, custom calling service availability, and interLATA equal access. United indicated that four additional exchanges will be upgraded to these levels in 1995, bringing the service level described above to over 88 percent of all access lines.² In addition, United indicated that Altura, Lewiston, and Granite Falls are currently served by digital switches which provide all features except equal access. On a going forward basis, all digital switch conversions will provide an exchange with custom calling features and both intra- and interLATA equal access.

Finally, United stated that while it does not anticipate needing to increase local exchange rates for the implementation of its proposed Plan, the other two plans could impact United's ability to maintain rates at existing levels.

B. The Department's Comments

The Department stated that it has reviewed United's proposal and agrees with the Company's conclusions. The Department supported the Company's requested time extensions.

C. Commission Action

The Commission is reluctant to delay the implementation of equal access for the remaining 15 percent of United's access lines. Equal access service is a precondition of competition between toll providers. All Minnesota telephone customers should have whatever benefit that competition can provide as soon as possible.

At the same time, the Commission acknowledges that the Company has made valid points regarding the desirability of a cost effective implementation timetable for the remaining 15 percent of its service lines. The Commission finds that the Company's Modernization Plan represents a reasonable attempt to balance the highly desirable goal of complete modernization with other legitimate goals: minimizing the overall cost of implementation and rate pressure while maintaining a high level of customer service and satisfaction.

Accordingly, the Commission will grant the requested extensions and allow the Company to proceed according to its Modernization Plan. The Commission will, however, strongly encourage the Company to make every reasonable effort to complete the modernization in advance of the deadlines established in that Plan. Further, to keep the Commission apprised of the Company's progress and to serve as additional encouragement to expedite the process, the Commission will require United to file progress reports on June 30 and December 31 of each year until the plan is fully implemented and completed.

ORDER

1. United's request for an extension of time to comply with certain portions of the Commission's May 19, 1994 MTSG Order is approved. The Company is authorized to proceed with modernization of the remaining 15 percent of its access lines pursuant to the Modernization Plan it has proposed in this matter as indicated in Attachment A.
2. On June 30 and December 31 of each year until the plan is fully implemented and completed, United shall file progress reports.
3. This Order shall become effective immediately.

² United indicated that all current second generation digital switches will be upgraded with intraLATA equal access in 1995 and 1996.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)