

ISSUE DATE: October 20, 1997

DOCKET NO. P-405/EM-95-1301

ORDER APPROVING PROPOSED RATE REDUCTIONS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Edward A. Garvey
Joel Jacobs
Marshall Johnson
Gregory Scott
Don Storm

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Filing by Frontier
Communications of Minnesota, Inc. to Reduce
its Carrier Common Line Rates for Calendar
Year 1996

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PROCEDURAL HISTORY

On September 1, 1995 Frontier Communications of Minnesota, Inc. (Frontier or the Company) filed a proposal to restructure the local transport rate element of its access charges. The Company said the Federal Communications Commission had required the restructuring for interstate purposes, and consistency required that interstate and intrastate rate elements be the same.

On November 28, 1995 the Company filed a proposal to reduce its access charges under the terms of a December 20, 1994 Commission Order requiring such reductions.¹

On March 8, 1996 and March 26, 1996 the Department of Public Service (the Department) filed comments stating it believed both filings complied with the terms of the December 20, 1994 Order and should be approved.

On September 30, 1997 the matter came before the Commission.

¹In the Matter of the Commission Solicitation of Comments Regarding Access Charges, Docket No. P-999/C-93-90, ORDER ADOPTING SETTLEMENT AGREEMENT REGARDING LOCAL EXCHANGE COMPANY ACCESS CHARGES FOR GTE, UNITED, AND VISTA, WITH ONE MODIFICATION (December 20, 1994).

FINDINGS AND CONCLUSIONS

I. The Original Order

On December 20, 1994 the Commission issued an Order approving and adopting a settlement involving nine of the parties to an industry-wide Commission investigation into intrastate access charges,² the fees local exchange carriers charge intrastate toll carriers for using the local network. The purpose of the investigation was to review the facts and policy trade-offs which had led to access charges being set at their then-current levels and to determine whether new realities, such as competitive toll markets, demanded that these levels be reexamined.

The parties to the settlement, which included three local exchange carriers, major toll carriers, and the Department of Public Service, were unable to agree on the principles underlying access pricing. They did agree, however, that access charges should be reduced incrementally over the course of three to four years, that local rates should be increased to offset the lost revenues, and that the toll carriers who were parties to the proceeding should reduce their rates dollar-for-dollar to reflect access charge reductions.

The three local exchange carriers who were parties to the settlement were Frontier (then Vista Telephone Company of Minnesota), United Telephone Company of Minnesota, and GTE Minnesota, Inc. The settlement included target composite rates for each company for each year of the settlement, as well as formulas for calculating the actual rates to be put into effect.

II. Commission Action

The Commission agrees with the Company and the Department that Frontier has properly calculated its access charges under the December 20, 1994 Order. Not only do the Company's calculations comply with the literal meaning of the settlement formula; they also square with the parties' understanding of its intent.

Both the Department and the Company agree that the formula adopted for Frontier in the December 20 Order was based on the assumption that the Company's total transport mileage would soon increase due to U S WEST's abandonment of certain high cost, low volume routes in Frontier's territory. The formula adjusted for the financial effects of the mileage increase by freezing demand units, including transport mileage, at the same levels used for ratemaking in the Company's 1993 general rate case. This prevented the additional mileage from offsetting the effects of the mandated access charge reductions.

²In the Matter of the Commission Solicitation of Comments Regarding Access Charges, Docket No. P-999/C-93-90, ORDER ADOPTING SETTLEMENT AGREEMENT REGARDING LOCAL EXCHANGE COMPANY ACCESS CHARGES FOR GTE, UNITED, AND VISTA, WITH ONE MODIFICATION (December 20, 1994).

The Commission agrees with the parties that Frontier's access charge reduction calculations comply with the meaning and intent of the settlement. They will be approved.

ORDER

1. Frontier's access charge filings of September 1, 1995 and November 28, 1995 are accepted and approved.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

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