

ISSUE DATE: May 19, 1999

DOCKET NO. P-414,416,421/CP-97-44

ORDER ACCEPTING COST STUDIES AND ESTABLISHING RATES FOR POLLING

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Edward A. Garvey
Joel Jacobs
Marshall Johnson
LeRoy Koppendrayner
Gregory Scott

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition for Extended Area
Service from Nicollet to Mankato, St. Peter and
Cambria

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PROCEDURAL HISTORY

On January 10, 1997, subscribers in the Nicollet exchange submitted a petition for extended area service (EAS) from Nicollet to the Mankato, St. Peter, and Cambria exchanges. US WEST Communications, Inc. (US WEST) serves the Nicollet and St. Peter exchanges; Mankato Citizens Telephone Company (Mankato) serves the Mankato exchange; and Mid-Communications, Inc. (Mid-Comm) serves the Cambria exchange. The petition sponsor requested a 50%/50% revenue requirement allocation between Nicollet and the petitioned exchange or exchanges. The sponsor cited the large number of Nicollet seniors on fixed incomes and the fact that the wider subscriber base in Mankato and St. Peter will absorb costs more easily than the relatively small number of subscribers in Nicollet.

On August 22, 1997, the Commission issued its ORDER REQUIRING COST STUDIES AND PROPOSED RATES. In that Order the Commission found that the Nicollet filing had fulfilled the first two criteria for a successful EAS petition: Nicollet is adjacent to all three petitioned exchanges; and sufficient traffic volume exists between the petitioning and petitioned exchanges. The Commission ordered the petition to proceed to the third and final EAS determination: polling of subscribers to find if a majority of respondents favor EAS.

The Commission directed the affected telephone companies to file cost studies and proposed rates for four possible EAS routes: 1) Nicollet to Mankato; 2) Nicollet to the Mankato/St. Peter local calling area; 3) Nicollet to the Mankato/Cambria local calling area; and 4) Nicollet to the Mankato/St. Peter/Cambria local calling area. The Commission also directed the parties to submit comments and recommendations regarding the best means of polling Nicollet subscribers in a fair and understandable fashion.

Between February 20 and 23, 1998, the affected telephone companies filed cost studies and proposed rates. The filings showed a small cost savings if an EAS route were offered between Nicollet and the three petitioned exchanges--Mankato, St. Peter, and Cambria--considered as one

local calling area. US WEST also submitted comments regarding polling methods. On May 26, 1998, the petition sponsor filed a request that EAS route options be confined to two: Nicollet to Mankato; and Nicollet to Mankato/St. Peter/Cambria. According to the petition sponsor, limiting the number of options would minimize subscriber confusion and facilitate the customer education process.

On May 28, 1998, the Department of Public Service (the Department) filed comments and recommendations. The Department recommended that the Commission accept the cost studies, allocate 60% of the revenue requirement to the Nicollet exchange, and adopt the "access line" method of allocating costs among the petitioned exchanges. The Department agreed with the petition sponsor that two EAS options should be presented to subscribers in the polling process: Nicollet to Mankato; and Nicollet to Mankato/St. Peter/Cambria.

On April 20, 1999, the matter came before the Commission for consideration.

FINDINGS AND CONCLUSIONS

I. EAS ROUTE ALTERNATIVES

US WEST recommended that Nicollet subscribers vote on four alternative EAS routes: Nicollet to Mankato; Nicollet to Mankato/St. Peter; Nicollet to Mankato/Cambria; and Nicollet to Mankato/St. Peter/Cambria. The petition sponsor and the Department recommended that Nicollet subscribers vote for two EAS options: Nicollet to Mankato; and Nicollet to Mankato/St. Peter/Cambria. Both the sponsor and the Department felt that limiting the options to two would minimize subscriber confusion and help to focus voter education efforts.

The Commission will accept the recommendations of the petition sponsor and the Department and will proceed with two EAS alternatives: Nicollet to Mankato; and Nicollet to Mankato/St. Peter/Cambria. Nicollet to Mankato is the most basic option that still includes the community most frequently called--Mankato. The Nicollet to Mankato/St. Peter/Cambria option offers subscribers the most comprehensive and cost-effective toll-free calling plan. Confining voting to these options will provide the essential alternatives while avoiding the confusion associated with four somewhat overlapping EAS options.

II. ALLOCATION OF COSTS BETWEEN THE PETITIONING EXCHANGE AND PETITIONED EXCHANGES

The companies provided EAS rate additives with alternative allocations of 75%/25%, 60%/40%, and 50%/50%.

Although the Department often recommends a 75%/25% allocation between the petitioning exchange and the petitioned exchange, the Department in this case advocated a 60%/40% allocation. The Department favored the latter allocation because a shift from a 75%/25% allocation to a 60%/40% allocation results in a relatively small increase in the EAS additives for the petitioned exchanges and a relatively significant decrease to Nicollet's EAS additives. The Department did not agree with the petition sponsor's recommended 50%/50% allocation because the Department believes that the petitioning exchange--the only entity with the right to vote in an EAS proceeding--should shoulder the greater part of EAS costs.

In this case, the Commission will adopt the Department’s recommended 60%/40% revenue allocation between the petitioning and the petitioned exchanges. The Department’s analysis of relative costs is helpful. The allocation is consistent with previous Commission decisions in similar sets of facts. The choice of allocation allows the petitioning exchange to assume the greater part of the burden as it gains the benefits of access to a significantly larger toll-free calling area. At the same time, the 60%/40% allocation allows a fair share of the burden to be placed upon the relatively large number of subscribers in Mankato and Mankato/St. Peter/Cambria.

The resulting Nicollet EAS additives are as follows:

Route	Class of Service	Base Rate*	60%
Nicollet to Mankato	Residential Flat	\$14.35	\$ 7.74
	Business Flat	\$35.55	\$ 19.19
	Trunk (Centrex/Centron)	\$37.87	\$ 20.17
	Payphone	\$35.55	\$ 19.19
Nicollet to Mankato, St. Peter, & Cambria	Residential Flat	\$14.35	\$ 11.43
	Business Flat	\$35.55	\$ 28.34
	Trunk (Centrex/Centron)	\$37.87	\$ 29.78
	Payphone	\$35.55	\$ 28.34

*Nicollet's Base Rate includes EAS to New Sweden.

III. PROPOSED RATES FOR THE PETITIONED EXCHANGES; ALLOCATION OF COSTS AMONG THE PETITIONED EXCHANGES

A. The Nicollet to Mankato EAS Route Alternative

The Commission has chosen a 60%/40% revenue allocation between the petitioning exchange and the petitioned exchange/exchanges.

The proposed rates for Mankato in the Nicollet to Mankato EAS alternative are as follows¹:

Route	Class of Service	Base Rate*	40%
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¹ Because Mankato and Mid-Comm rebalanced and raised their basic local rates since filing their cost studies, Commission Staff recalculated the EAS rate additives for Mankato and Cambria based on the companies' slightly adjusted rates. Mankato and Mid-Comm had no objections to the recalculated rates.

Nicollet to Mankato	Residence One Party	\$9.95	\$	0.12
	Res. Centrex Trk. Equiv.	\$9.95	\$	0.12
	Business One Party	\$13.50	\$	0.16
	Bus. Centrex Trk. Equiv.	\$13.50	\$	0.16
	Payphone	\$13.50	\$	0.16
	PBX	\$33.33	\$	0.40

* Mankato's Base Rate includes EAS to Amboy, Cambria, Eagle Lake, Garden City, Good Thunder, Lake Crystal, Madison Lake, Mapleton, Pemberton, St. Clair, St. Peter and Vernon City.

B. The Nicollet to Mankato/St. Peter/Cambria EAS Route Alternative

Because the Nicollet to Mankato/St. Peter/Cambria EAS route alternative contains multiple petitioned exchanges, the Commission must allocate the 40% EAS revenue requirement among the petitioned exchanges in this alternative.

In past EAS proceedings, the Commission has determined revenue allocation on the basis of the relative number of access lines in each petitioned exchange (the access line method) and on the basis of the proportionate traffic load between the petitioning exchange and each petitioned exchange (the traffic volume method).²

In this case, the Commission agrees with the Department that the revenue requirement should be allocated among the petitioned exchanges on the basis of the number of access lines in each exchange. As the Department noted, the access line method results in the lowest overall rate impact for the three petitioned exchanges.

The Commission will allocate the revenue requirement among Mankato, St. Peter, and Cambria on the basis of access lines, resulting in the following rate additives:

Route	Class of Service	Base Rate*	40%	(total)
Mankato				

² The Commission has also previously considered the stand alone method of allocation among petitioned exchanges in EAS petitions. Under the stand alone method, costs are allocated as if there were separate routes from the petitioning exchange to each of the petitioned exchanges. Neither the Department nor the affected companies analyzed the current EAS petition under the stand alone method. The Commission is not considering this alternative in this petition.

Nicollet to Mankato, St. Peter and Cambria	Residence One Party	\$9.95	\$	0.14
	Res. Centrex Trk. Equiv.	\$9.95	\$	0.14
	Business One Party	\$13.50	\$	0.20
	Bus. Centrex Trk. Equiv.	\$13.50	\$	0.20
	Payphone	\$13.50	\$	0.20
	PBX	\$33.33	\$	0.49
St. Peter				
	Residential Flat	\$17.13	\$	0.12
	Business Flat	\$42.51	\$	0.30
	Trunk (Centrex/Centron)	\$44.68	\$	0.10
	Payphone	\$42.51	\$	0.30
Cambria				
	Residential	\$10.95	\$	0.15
	Business	\$14.90	\$	0.20
	Payphone	\$14.90	\$	0.20
	PBX Trunk	\$23.53	\$	0.32

* Mankato's Base Rate includes EAS to Amboy, Cambria, Eagle Lake, Garden City, Good Thunder, Lake Crystal, Madison Lake, Mapleton, Pemberton, St. Clair, St. Peter and Vernon City. St. Peter's Base Rate includes EAS to Mankato. Cambria's Base Rate includes EAS to Amboy, Eagle Lake, Garden City, Good Thunder, Lake Crystal, Madison Lake, Mankato, Mapleton, Pemberton, St. Clair, and Vernon City.

ORDER

1. The Commission accepts the cost studies submitted by US WEST, Mankato, and Mid-Comm.
2. The Commission approves a 60%/40% revenue allocation between the Nicollet exchange and the Mankato exchange and between the Nicollet exchange and the Mankato/St. Peter/Cambria local calling area. The rate additives for the Nicollet exchange are shown in the body of this Order.
3. The Commission adopts the access line method of revenue allocation among the petitioned exchanges of Mankato, St. Peter, and Cambria. The rate additives for the petitioned exchanges are shown in the body of this Order.
4. The Commission orders US WEST to cooperate fully with Commission Staff and contractors to conduct a poll of US WEST subscribers in the Nicollet exchange regarding two EAS options: Nicollet to Mankato; Nicollet to Mankato/St. Peter/Cambria. US

WEST should provide the following items to assist in the polling process:

- usable, deliverable addresses for all access lines in a format and according to a schedule established by Commission Staff
 - proof of the accuracy of the customer list as requested by Commission Staff
 - a list of Nicollet customers as of the date specified by Commission Staff for polling customers in the Nicollet exchange
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

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