

ISSUE DATE: July 14, 1999

DOCKET NO. P-418, 421/CP-97-1520

ORDER REQUIRING COST STUDIES AND PROPOSED RATES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Edward A. Garvey	Chair
Joel Jacobs	Commissioner
Marshall Johnson	Commissioner
LeRoy Koppendrayer	Commissioner
Gregory Scott	Commissioner

In the Matter of a Petition for Extended Area
Service from Kerkhoven to Willmar

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PROPOSED RATES

PROCEDURAL HISTORY

On October 12, 1997 telephone subscribers in the Kerkhoven exchange filed a petition seeking extended area service (EAS) to the neighboring exchange of Willmar. The Kerkhoven exchange is served by Mid-State Telephone; the Willmar exchange is served by U S WEST Communications, Inc.

On December 1, 1997 Mid-State Telephone filed a traffic study showing that an average of 58% of Kerkhoven subscribers made at least three calls per month to the Willmar exchange.

On September 29, 1998 the Department of Public Service filed comments recommending that the Commission order the affected telephone companies to file cost studies and proposed rates for the proposed EAS route.

On July 6, 1999 the matter came before the Commission.

FINDINGS AND CONCLUSIONS

I. The Legal Standard

Extended area service is a service arrangement permitting neighboring telephone exchanges to become a single local calling area with toll-free calling. The criteria for establishing EAS routes and the procedures for determining and allocating EAS costs were set by Commission Orders

following an industry-wide fact-finding and policymaking proceeding.¹ Briefly, these criteria and procedures are as follows.

- (1) A petitioning exchange must be adjacent to the exchange or local calling area to which it seeks EAS.
- (2) At least 50% of subscribers in the petitioning exchange must make at least three calls per month to the exchange or local calling area to which EAS is sought.
- (3) The companies serving the two exchanges or local calling areas must determine the cost of installing and operating the proposed EAS route, using Commission-approved costing methods, and file proposed rate additives to recover these costs.
- (4) The Commission must allocate between 50% and 75% of the cost of the EAS route to the petitioning exchange, adopt rate additives based on that percentage, and poll subscribers in the petitioning exchange on whether they want EAS at that price.
- (5) If 50% of subscribers responding to the poll vote yes, the EAS route must be installed.

II. Commission Action

A. Further Filings Required

The proposed Kerkhoven/Willmar EAS route meets the two EAS threshold requirements of adjacency and traffic volume. The Kerkhoven exchange is adjacent to the Willmar exchange. The traffic study filed by Mid-State Telephone shows that over 50% of Kerkhoven subscribers make three or more calls per month to Willmar. The Commission must therefore require the cost and rate information necessary to poll Kerkhoven subscribers on whether they want EAS to Willmar.

Between 50% and 75% of the cost of an EAS route must be allocated to the petitioning exchange. The Commission will therefore require the telephone companies to file three sets of proposed rates, allocating 75%, 60%, and 50% of EAS costs to Kerkhoven. The Commission can then allocate costs and set rates with complete information. In their cost studies and rate calculations the companies should use a stimulation factor of three, the one typically employed in non-metropolitan EAS ratesetting.

¹ In the Matter of an Investigation into the Appropriate Local Calling Scope, in Accordance with Minn. Stat. 237.161 (1994), Docket No. P-999/CI-94-296, ORDER REACTIVATING THE PROCESSING OF EAS PETITIONS (October 24, 1995) and ORDER AFTER RECONSIDERATION (February 23, 1996).

Finally, the Commission will establish a 45-day comment period on the companies' filings, followed by a 20-day reply comment period. When the record is complete, the Commission will establish rates for the proposed routes and poll Kerkhoven subscribers on whether they want EAS at those rates.

B. Central Office Issue Resolved

Mid-State Telephone pointed out that about 50 of its Willmar customers are served by its Murdock central office and that about 13 of its Murdock customers are served by its Kerkhoven central office. Simply requiring the installation of EAS between the Kerkhoven and Willmar exchanges would result in the 50 Willmar customers not having EAS to Kerkhoven and in the 13 Murdock customers having it.

The Department recommended requiring Mid-State to offer Kerkhoven/Willmar EAS service to the 50 Kerkhoven customers and to permit the 13 Murdock customers to opt out of Kerkhoven/Willmar EAS.

The Commission agrees that residents of the same municipality should have access to the same local calling area. After all, the main policy rationale for extended area service is that exchange boundaries, which tend to be static, can cease to reflect communities of interest, which tend to change. This policy of matching local calling areas with communities of interest would be directly undermined by creating different local calling areas for businesses and households within the same municipality.

ORDER

1. Within 60 days of the date of this Order, Mid-State Telephone and U S WEST Communications, Inc. shall file cost studies on the cost of installing and operating the proposed EAS route, using a stimulation factor of three.
2. Within 60 days of the date of this Order, Mid-State Telephone and U S WEST Communications, Inc. shall file three sets of proposed rates for the proposed EAS route, allocating 75%, 60%, and 50% of EAS costs to the Kerkhoven exchange.
3. Mid-State Telephone and U S WEST Communications, Inc. shall provide any supporting information requested by Commission staff.

4. The comment period on the companies' filings shall be 45 days from the date of the last company's filing.
5. The reply comment period shall be 20 days from the last day of the comment period established in paragraph 5.
6. The Commission delegates to the Executive Secretary the authority to vary the time periods established in this Order.
7. Mid-State Telephone shall offer Kerkhoven/Willmar EAS service to the 50 Kerkhoven customers served from the Murdock central office and shall permit the 13 Murdock customers served from the Kerkhoven central office to opt out of Kerkhoven/Willmar EAS.
8. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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