

ISSUE DATE: January 12, 2000

DOCKET NO. P407/CP-99-1298

ORDER REQUIRING COST STUDIES AND PROPOSED RATES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott
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Chair
Commissioner
Commissioner
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Commissioner

In the Matter of a Petition for Extended Area
Service from Kabetogama/Ray to International
Falls Exchange.

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PROCEDURAL HISTORY

On September 7, 1999 telephone subscribers in the Lake Kabetogama/Ray exchange filed a petition seeking extended area service (EAS) to the International Falls exchange. These exchanges are served by GTE Minnesota.

On October 22, 1999 GTE filed a traffic study with the commission showing that an average of 51% to 65% of Lake Kabetogama /Ray subscribers made at least three calls per month to the International Falls local calling area.

On January 4, 2000 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

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).

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 Kabetogama/Ray/International Falls EAS route meets the two EAS threshold requirements of adjacency and traffic volume. The Kabetogama /Ray exchange is adjacent to the International Falls local calling area. The traffic study filed by GTE shows that over 50% of Kabetogama/Ray subscribers make three or more calls per month to the International Falls local calling area. The Commission must therefore require the cost and rate information necessary to poll Kabetogama/Ray subscribers on whether they want EAS to the International Falls local calling area.

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

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 Lake Kabetogama/Ray subscribers on whether they want EAS at those rates.

B. Adjacency Issue Resolved

The Lake Kabetogama /Ray exchange is not contiguous with the International Falls exchange as the Ericsburg exchange lies between them. The International Falls exchange and the Ericsburg exchange form a local calling area which is adjacent to the Lake Kabetogama /Ray exchange. The petition filed with the Commission requests extended area service area from the Lake Kabetogama/Ray exchange to the International Falls exchange. To meet the adjacency requirement the petition will be taken as a request for extended area service between the Lake Kabetogama/Ray exchange and the International Falls local calling area, including the Ericsburg exchange.

ORDER

1. Within 60 days of the date of this Order, GTE Minnesota 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, GTE Minnesota shall file three sets of proposed rates for the proposed EAS route, allocating 75%, 60%, and 50% of EAS costs to the Lake Kabetogama/Ray exchange.
3. GTE Minnesota 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 4.
6. The Commission delegates to the Executive Secretary the authority to vary the time periods established in this Order.
7. This Order shall become effective immediately.

BY ORDER OF THE COMMISSIONER

Burl W. Haar
Executive Secretary

(S E A L)

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