

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott
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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a School District Extended
Area Service Petition Among the Exchanges of
Jeffers, Lamberton, Sanborn, and Storden

ISSUE DATE: September 12, 2001

DOCKET NO. P-551, 570/CP-97-1797

ORDER SETTING EAS RATE ADDITIVES
AND REQUIRING POLLING

PROCEDURAL HISTORY

On December 18, 1997, telephone subscribers in the Jeffers, Lamberton, Sanborn, and Storden exchanges filed a petition for School District Extended Area Service (EAS) between these four exchanges. These exchanges make up the Red Rock Central School District, Independent School District No. 2884. The Sanborn exchange is served by Western Telephone Company (Western); the other three exchanges are served by CenturyTel of Minnesota, Inc. (CenturyTel).

On November 16, 1998, the Commission issued its Order Requiring the Filing of Cost Studies and Proposed Rates. Among other things, that Order found that the petition met threshold requirements of adjacency and school district residency. The Order required the incumbent local exchange carriers serving the four exchanges to determine the costs of installing and operating the proposed EAS route and to file proposed rate additives that would recover these costs. The Commission would then poll the exchanges' subscribers to determine whether they wanted EAS at those rates.

The companies duly filed their cost studies and proposed rates, but the Commission did not proceed directly to polling. Instead, in a series of Orders issued between November 1998 and May 2001 in this and other EAS dockets, the Commission addressed a series of new issues posed by the need to adapt EAS to the competitive telecommunications market mandated by state and federal law. On May 1, 2001 the Commission issued an Order requiring the companies to file new cost studies and proposed rates reflecting Commission determinations on these issues.

The Order also upheld an earlier Commission decision to eliminate the existing Lamberton-Sanborn and Jeffers-Storden EAS routes, together with their rate additives, should the new School District EAS route be installed. Finally, the Order required the companies to include, as costs of the proposed EAS route, the net book value of existing facilities that would be used to provide the new service, including facilities currently used in the Lamberton-Sanborn and Jeffers-Storden routes.

The companies duly filed new cost studies and proposed rates. Instead of seeking rate recovery of the net book value of the facilities devoted to the two existing EAS routes, however, both companies sought rate recovery of their current EAS revenues from those routes.

On July 17, 2001, the Department of Commerce (the Department) filed comments supporting the cost studies, with minor adjustments. The Department also recalculated the EAS rates in light of the statutory requirement to apportion costs equally among the exchanges. Finally, the Department urged the Commission to clarify whether it was acceptable for the companies to use the EAS revenues from the existing routes as a proxy for the net book value of the facilities used to serve them.

On September 4, 2001, the case came before the Commission.

FINDINGS AND CONCLUSIONS

I. Factual and Legal Background

Extended area service is a service arrangement permitting neighboring telephone exchanges to become a single local calling area with toll-free calling. There are two kinds of EAS: standard EAS and school district EAS. Among other differences, the two have different adjacency, traffic, and polling requirements.

The criteria for establishing school district EAS routes, and the procedures for determining and allocating their costs, are set by statute.¹ Briefly, these criteria and procedures are as follows.

- (1) A petition for School District EAS must be signed by at least 15% of the subscribers in each exchange, or 600 subscribers in each exchange, whichever is less.
- (2) At least 10% of the customers in each exchange must be residents of the school district for which EAS is sought.
- (3) Each exchange must be contiguous to at least one other exchange in the petition.
- (4) The companies serving the exchanges must conduct traffic studies and cost studies to determine the cost of installing and operating the proposed EAS route.
- (5) The Commission must set EAS rates that apportion the costs equally among the exchanges, that do not disturb existing inter-class rate relationships, and that leave affected telephone companies income-neutral.
- (6) The Commission must poll subscribers in all the exchanges on whether they want EAS at the rates adopted by the Commission.

¹ Minnesota Laws 1997, Chapter 59.

- (7) A majority of the subscribers in each exchange who return their EAS ballots must vote in favor of the proposed route.

II. Commission Action

The Commission finds that the cost studies filed by the companies comply with the requirements of the School District EAS statute. They reflect actual, specific costs and sound accounting methods.

The Commission also approves the companies’ proposal to use the EAS revenues from their existing Lamberton-Sanborn and Jeffers-Storden EAS routes as proxies for the net book value of the facilities that would be transferred from serving these routes to serving the proposed new route. Not only do these revenues directly reflect the facilities’ value – since rates for the existing routes were based entirely on their embedded costs – but including these revenues as costs of the new route is the most straightforward and reasonable way to implement the statutory requirement that School District EAS rates be income-neutral.

The Commission has adjusted the proposed rates filed by the companies and by the Department to reflect (1) Century-Tel’s updated cost and rate filing; (2) the correction of an error in CenturyTel’s access rate figures; (3) the statutory requirement to apportion EAS costs equally among the customers of all the exchanges, subject to preserving pre-existing inter-class rate relationships; and (4) exchange-specific rate differentials for both facilities costs and lost access revenues.

These adjustments yield the rates set forth below.

Rates for Polling			
CenturyTel: Jeffers, Lamberton and Storden Exchanges			
	Facilities-Based EAS Rate	Lost Access Recovery	Monthly EAS Rate
Residence One Party	\$0.87	\$0.76	\$1.63
Business - One Party and Payphone	\$2.16	\$1.88	\$4.04
Western Telephone: Sanborn Exchange			
Residence One Party Business One Party Payphone	\$0.87	\$0.76	\$1.63
PBX Trunk	\$1.48	\$1.30	\$2.78

The last step in the School District EAS decision-making process is to poll subscribers in the affected exchanges to determine if a majority in each exchange favors installing EAS at the rates proposed. The Commission will proceed to polling. It will also direct the companies to provide the information and cooperation required for a fair and efficient poll. Finally, the Commission will require that both the polling materials sent to subscribers and any

tariffs ultimately filed separately itemize the portion of the EAS rate additive that recovers facilities costs and the portion that recovers lost access revenues. This information may be helpful in developing and implementing a universal service funding mechanism, which will replace, with explicit subsidies, subsidies that are now implicit.

The Commission will so order.

ORDER

1. The final cost studies filed by the companies are hereby accepted and approved.
2. All subscribers in the Jeffers, Lamberton, Sanborn, and Storden exchanges shall be polled on whether they favor installing the School District EAS route proposed at the rates approved herein, which are shown below.

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3. The EAS rate additives approved herein shall be itemized, in polling materials and in any tariffs ultimately filed, to show which portion of the rate additive will recover facilities costs (including the lost EAS revenues from pre-existing routes) and which portion will recover lost access revenues. The EAS rate additives shall not be itemized on customers' bills.
4. If the proposed School District EAS route is installed, the existing Lamberton-Sanborn and Jeffers-Storden EAS routes shall be eliminated, together with their rate additives.
5. Western Telephone Company and CenturyTel of Minnesota, Inc. shall provide cooperation and assistance to Commission staff and Commission contractors during the polling process. Such cooperation and assistance shall include, but need not be limited to, the following:
 - (a) providing usable, deliverable addresses for all access lines in a format and under time frames set by Commission staff;

(b) providing proof of the accuracy of customer lists as requested by Commission staff.

5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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