

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott
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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition for Extended Area
Service from the St. Martin Exchange to the
Albany Exchange

ISSUE DATE: March 26, 2002

DOCKET NO. P-500, 415/CP-00-206

ORDER REQUIRING COST STUDIES AND
PROPOSED RATES

PROCEDURAL HISTORY

On February 22, 2000, telephone subscribers in the St. Martin and Albany exchanges filed a petition for school district extended area service (EAS) between the exchanges. However, the petition was signed by only one resident of the Albany exchange and therefore did not meet the requirement that there be signatures of 15 percent of the customers in each affected exchange. St. Martin is served by Melrose Telephone Company and Albany is served by Albany Mutual Telephone Company.

On February 24, 2000, the Department of Commerce (DOC) informed Melrose Telephone Company that since the petition could not be processed under the School District EAS law¹, it would be processed as a standard EAS petition². The DOC required Melrose Telephone Company to file traffic studies.

On March 9, 2000, the petition sponsor notified the Commission that it supported the DOC recommendation of changing the School District EAS petition to a standard EAS petition. The sponsor, however, reserved the option to continue with the School District EAS process if the standard EAS did not fulfill its needs.

¹ Minnesota Session Laws 1997, Chapter 59.

² Procedures for establishing EAS were set by Commission Orders. See 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).

A traffic study was filed by Melrose Telephone Company on November 6, 2000 and supplemented on December 5, 2000. Both studies indicated that under 50 percent of the St. Martin customers made three or more calls per month to the Albany exchange.

On January 8, 2001, the DOC filed comments. The DOC noted that the petition for standard EAS did not meet the traffic requirements and should not go forward. However, the DOC, relying on the sponsor's reservation of its option to continue to process the EAS petition under the School District EAS law that was in effect at the time the petition was originally filed, recommended that the Commission suspend further action for 60 days to give the petition sponsor the opportunity to submit the information necessary to process the petition under the School District EAS law.

On January 31, 2001, the Commission issued an Order suspending action on the current petition for 60 days from the date of the Order and requiring this docket to be closed if the sponsor was unable to satisfy the requirements of the School District EAS law within the 60 days.

On April 2, 2001, the Commission granted the petition sponsor an extension to file the information required.

On May 3, 2001, the petition sponsor filed the information required.

On February 21, 2002, the DOC filed comments. The DOC recommended that the Commission proceed with the School District EAS process since the petition now has signatures from more than 15 percent of customers in the St. Martin and Albany exchanges.

On March 21, 2002, 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. 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.³ 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 Minnesota Laws 1997, Chapter 59.

- (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.
- (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

This petition meets the threshold requirements to advance to rate-setting and polling. Over 15 percent of the customers in each exchange signed the petition. Over 10 percent of the customers in each exchange live in the school district (Albany Area School District # 745) for which EAS is sought. The St. Martin exchange is adjacent to the Albany exchange. The Commission must therefore require the cost and rate information necessary to poll the customers of the two exchanges on whether they want school district EAS.

The Commission will require cost studies, and proposed rates from the two affected telephone companies. The Commission can then allocate costs and set rates with complete information.

The Commission will direct the companies to allocate EAS costs equally among the customers of all the exchanges, with any adjustments required to preserve pre-existing inter-class rate relationships. The Commission has long read the statutory requirement to allocate costs equally among the exchanges as requiring inter-exchange equity – that is, as requiring the same per-customer contribution from each exchange, subject to preserving pre-existing ratios between customer classes.

Finally, the Commission will request the DOC to file a report and recommendation regarding the proposed rates within 60 days of the filing of cost studies and proposed rates by the companies. Comments on the DOC report will be due within 20 days of the report. When the record is complete, the Commission will establish rates for the proposed route and poll subscribers in the two exchanges on whether they want school district EAS at those rates.

The Commission will so order.

ORDER

1. Within 90 days of the date of this Order, Melrose Telephone Company and Albany Mutual Telephone Company shall file cost studies, and proposed rates for a potential St. Martin to Albany school district EAS route. The proposed rates shall allocate costs equally among the customers in the two exchanges, with any adjustments necessary to preserve pre-existing ratios between customer classes.
2. Melrose Telephone Company and Albany Mutual Telephone Company shall provide any supporting information requested by Commission staff.
3. The Commission requests the DOC to file a report and recommendation regarding proposed rates within 60 days following the filing of cost studies and proposed rates by the companies.
4. Comments on the DOC report shall be filed within 20 days of the filing of the report.
5. The Commission delegates to the Executive Secretary the authority to vary the above deadlines if the Executive Secretary deems necessary.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

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