

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

|                     |              |
|---------------------|--------------|
| Gregory Scott       | Chair        |
| Edward A. Garvey    | Commissioner |
| Marshall Johnson    | Commissioner |
| LeRoy Koppendrayner | Commissioner |
| Phyllis A. Reha     | Commissioner |

In the Matter of a Request for Service in  
Qwest's Tofte Exchange

ISSUE DATE: August 29, 2002

DOCKET NO. P-421/CP-00-686

ORDER REQUIRING PROPOSAL

**PROCEDURAL HISTORY**

On May 31, 2000, a petition, signed by approximately 70 persons with property on several lakes north of Lutsen, in rural Cook County, was filed with the Commission. The petitioners requested wireline service to homes on several lakes north of Lutsen, Minnesota. The lakes are within the Tofte telephone exchange service territory, which is assigned to Qwest Corporation (Qwest). Qwest is also designated an Eligible Telecommunications Carrier (ETC) in this area.

On December 14, 2000, Qwest filed its response to the request for service in the Tofte area. Qwest estimated the cost to provide basic telephone service to 68 unserved residences in Qwest's Tofte exchange was approximately \$2.2 million, using a buried cable design.

On February 22, 2002, the Department of Commerce (DOC) filed comments discussing the results of a survey the DOC had sent to petitioners. The DOC recommended that the Commission find that reasonably adequate telephone service is not available to Petitioners and that Qwest be required to provide service to Petitioners and all others within its exchange at the same recurring and non-recurring charges as those charged to customers in the City of Tofte.

On March 20, 2002 Qwest filed comments objecting to the DOC's recommendation on grounds that it did not provide meaningful cost recovery for Qwest. Meaningful recovery, in Qwest's view, would include assessing charges for line extension and construction.

On March 20, 2002, the Residential and Small Business Utilities Division of the Office of the Attorney General (RUD-OAG) filed comments supporting the petitioners' request for service at the same recurring and non-recurring rates that Qwest currently charges customers in the City of Tofte.

On June 21, 2002, the Commission issued its ORDER REQUIRING SERVICE TO THE UNSERVED AREA OF QWEST'S TOFTE EXCHANGE AND REQUIRING CUSTOMER CONTRIBUTION. Among other things, the Order required Qwest to provide service in the unserved area of the Tofte exchange and required petitioners to share in the cost of extending service to the unserved area by paying a one-time charge of \$55.00 per line and \$0.51 per foot from the point where Qwest's service line passes the property of a customer wanting service (assumed to be the local access road). The Order also set forth a schedule for engineering and installation, and required a minimum transmission rate of 14.4 kbs.

On July 1, 2002, Qwest filed a request for Reconsideration, Request for Stay and Request for Clarification.

On July 11, 2002 the DOC filed comments opposing Qwest's requests.

The matter came before the Commission on August 22, 2002.

### **FINDINGS AND CONCLUSIONS**

This Order addresses only the Commission's decision to require a specific proposal from Qwest within two weeks from the August 22, 2002 meeting. It does not address the substantive issues that are the subject of reconsideration.

#### **I. Qwest's Proposal**

In an oral presentation to the Commission, Qwest stated it was not Qwest's position that 100 percent of the cost of any service extension to this unserved area should be paid by the petitioners. Qwest indicated that even after a reasonable investment towards the costs by Qwest, there would still be costs that would be the petitioners' responsibility. Qwest requested that the Commission give it two weeks to come forward with a proposal that would address the specific amounts that Qwest would pay and the amounts that would be the petitioners' responsibility.

#### **II. The DOC's Position**

The DOC, at the Commission meeting, argued that Qwest has had sufficient time to work out a solution with the petitioners and others similarly situated. Qwest did little to move forward to provide service to petitioners, and the petitioners finally had to come to the Commission to ask for the Commission's assistance. The DOC recommended that the Commission affirm its prior decision, with clarification of certain issues raised, and not grant Qwest the opportunity to submit a further proposal.

### **III. The Position of RUD-OAG**

The RUD-OAG supported the position set forth in the Commission's June 21, 2002 Order.

### **IV. The Petitioners**

An individual owning property on Lake Clara (one of the lakes in the unserved area of the Tofte exchange) appeared at the meeting to support the Commission's prior decision to require service to the unserved areas of the Tofte exchange.

### **V. Commission Action**

The Commission grants Qwest's request for reconsideration. However, after hearing arguments by the parties, the Commission will defer action on the substantive issues raised pending the submission by Qwest of a proposal that includes the price of extending service to residents in the unserved area of the Tofte exchange and the number of people in the unserved area that are willing to sign up for service at that price.

Further, the Commission will take no action at this time on Qwest's Request for Stay and Request for Clarification.

The Commission recognizes that it may be beneficial to explore alternative pricing mechanisms. For this reason, it will grant Qwest's request and give Qwest the opportunity to propose alternative pricing mechanisms.

The Commission will require that Qwest submit its proposal within two weeks from the date of this Commission meeting. Although the Commission is concerned about delaying this matter further, given that no construction can go forward until Qwest receives the necessary permits, which Qwest advises could take about one year, the Commission is satisfied that giving Qwest two weeks to develop a specific proposal will not cause unnecessary delay.

Further, the information provided by Qwest in its proposal will clearly put the Commission in a better position to make a well informed decision on the substantive matters before it. The information provided to date by Qwest has not been specific as to the cost to individual property owners, as to how total costs would be divided between new customers, nor as to Qwest's participation in the cost of providing such service.

### **ORDER**

1. Qwest shall submit a proposal which sets forth proposed prices for extending service to residents in the unserved areas of the Tofte exchange and the number of people in that area that are willing to sign up for service at those prices.

2. Qwest's proposal shall be submitted within two weeks from August, 22, 2002.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

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