

Service Date: October 2, 1980

DEPARTMENT OF PUBLIC SERVICE REGULATION

MONTANA PUBLIC SERVICE COMMISSION

IN THE MATTER of the Application of)	UTILITY DIVISION
MOUNTAIN STATES TELEPHONE AND)	
TELEGRAPH COMPANY for authority to)	DOCKET NO. 6652
establish increased rates for telephone)	
service.)	ORDER NO. 4585b

BACKGROUND

1. On July 16, 1980, the Commission issued Order No. 4585a in Docket No. 6652, Mountain Bell's general rate case.

2. On July 28, 1980, Mountain Bell filed its Motion to Reconsider Order No. 4585a asking that the Commission reconsider its action in the following areas:

- a) Service Charges
- b) Rate of Return
- c) Double Leverage
- d) Hypothetical Imputation of Interest
- e) License Contract
- f) Rural Telephone Service

The Motion also asked that the Commission stay that portion of the order relating to service charges and hear oral argument on the same.

3. On August 4, 1980, the Commission voted to stay that portion of Order No. 4585a relating to service charges pending oral argument on that issue.

4. On August 11, 1980, the Commission voted to deny reconsideration of all issues raised in the motion with the exception of the service charge issue which was later set for oral argument.

5. On September 8, 1980, the Commission heard oral argument on the issue of service charges.

DISCUSSION

6. Findings of Fact Nos. 118 through 127 in Order No. 4585a address the rate structure issue of service charges. Therein the Commission attempted to implement a

restructure and re-pricing of service charges generally reducing the charges for initial main station installation while increasing charges for main station moves.

7. Mountain Bell in its Motion to Re-consider first pointed out an inconsistency in Order No. 4585a concerning installation charges for RJ1 jacks. In Order No. 4585, the Commission granted interim increases of \$570,000 for miscellaneous and supplemental equipment. This included a \$363,187 increase in installation charges for RJ1 jacks. Paragraph 99 of Order No. 4585a purported to make all interim increases final. However, Paragraph 124, Schedule 5 of the final order had the effect of eliminating the jack charges.

8. The RJ1 jack charge was \$1.00 under the old rates, \$5.20 under the interim rates and would be \$0.00 under Order No. 4585a. If the service 4585a (Schedule 5, Finding No. 124) were implemented it would increase revenues from RJ1 jack charges by \$449,660 (\$86,473 under the old rates plus the additional \$363,187 granted in Order No. 4585).

9. Mountain Bell pointed out in its motion that under the service charge scheme set out in Order No. 4585a, a typical telephone move would cost \$36.84 whereas the same service could be installed new for \$15.75. The Company questioned the appropriateness of such a service charge scheme because of the possibility that the degree of difference in charges for moves versus new installations might induce customers to disconnect and install in situations that could be more efficiently handled as a move. The Company listed the following as constituting additional costs that would be occasioned by customers who instead of ordering a move, would order their service disconnected and subsequently reconnected at the same address:

- a. Issue two service orders instead of one.
- b. Issue a final bill for service being disconnected.
- c. Establish a new account for service being connected.
- d. Post plant records to reflect disconnect activity.
- e. Post plant records to reflect connect activity.
- f. Central office plant expense to disconnect service.
- g. Central office plant expense to connect service.
- h. Remove directory listing for disconnect order.
- i. Add directory listing for connect order.

In addition, if the customer requests a disconnect and subsequent reconnect there may be a one day lapse of service and the possibility exists that he would not be assigned the same telephone number when service was re-established.

10. Mountain Bell also pointed out that implementation of the service charge scheme in

Order No. 4585a would result in additional loss of revenue of \$330,194 due to a reduction in revenues from multi-element service charges other than RJ1 jacks. A total reduction in revenue in the amount of \$779,854 would result if Order No. 4585a's service charge scheme were implemented.

Loss of Revenue for Installation of Jacks	\$449,660
Loss of Revenue for Other Multi-Element Service Charges	<u>330,194</u>
	\$779,854

11. The Commission recognizes that it has included a service charge of \$5.20 for installation of RJ1 jacks in calculating the Company's revenue requirement but has turned around and included a charge of \$0.00 in developing its service charge scheme. This inconsistency can be cured by either (1) leaving the charge at \$5.20 or (2) recovering an additional \$449,660 in revenues from basic exchange service.

12. The Commission further realizes at this point that in order to implement Order No. 4585a's service charge scheme it would also have to recover an additional \$330,194 in revenues from basic exchange service to recoup losses in revenue from other multi-element charges.

13. The Commission finds merit in the Company's contention that a rational consumer possessing knowledge of the service charge tariffs would opt to order a disconnect/reconnect in lieu of the more appropriate but more costly move order. Each time this happens would incur the added costs and other disadvantages pointed out by the Company.

14. The Commission is uncertain as to how often this phenomena would occur. The Commission finds that this uncertainty coupled with the otherwise avoidable costs such a phenomena would incur, outweigh the Commission's goals in attempting to implement such a service charge scheme.

15. The Commission is also reluctant to increase revenues from basic exchange service by \$779,854, especially at this late stage of the proceeding. Such a step would be necessary to sustain the service charge scheme in Order No. 4585a.

16. Because it contains adverse revenue effects and operational problems not fully

anticipated by the Commission, the Commission finds that the service charge scheme contained in Order No. 4585a is not appropriate at this time.

17. The Commission finds that service charges made pursuant to the pre-Order No. 4585a scheme as modified by Interim Order No. 4585 are just and reasonable. These are the service charges currently in effect and they should remain in effect.

18. However, it must be pointed out that the Commission remains desirous of eliminating capitalized expenditures from service charges. Therefore, the Commission intends to examine the area of service charges very closely in future rate cases in an attempt to devise a workable service charge scheme that will do so.

19. There is no change in revenues occasioned by this Order.

CONCLUSIONS OF LAW

1. The Commission properly exercises jurisdiction over this matter pursuant to Title 69, Chapter 3, MCA.
2. The rates approved herein are just, reasonable and not unjustly discriminatory.

ORDER

1. Motion for Reconsideration of Order No. 4585a, filed by Mountain Bell, as it relates to the issues of Rate of Return, Double Leverage, Hypothetical Imputation of Interest, License Contract and Rural Telephone Service is HEREBY DENIED.

2. Motion for Reconsideration of Order No. 4585a, filed by Mountain Bell, as it relates to the issue of Service Charges is HEREBY GRANTED.

3. That portion of Part D (Rate Structure) of Order No. 4585a entitled Service Charges (Findings of Fact Nos. ,18 through 127) is HEREBY STRIKEN and RENDERED VOID, the reasoning and findings contained therein are replaced by those contained herein.

4. Service charges shall be implemented at the pre-Order No. 4585a level as modified by Order No. 4585.

5. Those tariffs filed in conjunction with the granting of the Motion to Suspend that portion of Order No. 4585a dealing with service charges are hereby approved on a final basis.

6. The period for judicial review of all issues contained in Mountain Bell's Motion for Reconsideration of Order No. 4585a begins to run as of the date of this Order.
DONE and DATED this 29th day of September, 1980.

BY ORDER OF THE MONTANA PUBLIC_SERVICE COMMISSION.

GORDON E. BOLLINGER, Chairman

CLYDE JARVIS, Commissioner

THOMAS J. SCHNEIDER, Commissioner

JAMES R. SHEA, Commissioner

GEORGE TURMAN, Commissioner

ATTEST:

Madeline L. Cottrill
Secretary
(SEAL)