

Service Date: April 16, 1985

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER Of The Application Of)	
The MOUNTAIN STATES TELEPHONE AND)	UTILITY DIVISION
TELEGRAPH COMPANY (MOUNTAIN BELL))	
For Authority To Establish Rates)	DOCKET NO. 84.11.73
And For Approval of Generic Cost)	
And Rate Design Methodology in)	ORDER NO. 5103A
Connection With The Implementation)	
Of Its Comprehensive Rural Telephone)	
Improvement Program (RTIP).)	

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APPEARANCES:

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BEFORE: CLYDE JARVIS, Chairman
DANNY OBERG, Commissioner
THOMAS MONAHAN, Commissioner
HOWARD ELLIS, Commissioner

1. On November 9, 1984, Mountain Bell (MB) filed its Application for Authority to Establish Rates and for Approval of an Extended Generic Cost and Rate Design Methodology in connection with the implementation of the Rural Telephone Improvement Program (RTIP). In the application Mountain Bell requested an additional \$1,030,000 in annual revenues to recover costs associated with the 1984 program.
2. On December 9, 1984 the Commission issued Interim Order No. 5103 which granted Mountain Bell interim relief in the amount of \$467,300. This revenue requirement reflected the actual costs incurred for the 1984 Program through September 30, 1984.
3. On February 11, 1985 Mountain Bell filed an Amended Verified Application which revised the requested revenue requirement to \$738,200 to reflect the actual costs incurred through December 30, 1984.
4. On March 15, 1984 a public hearing was held to consider the issues related to this docket.
5. The Commission finds that the revenue requirement of \$738,200 is calculated in compliance with the stipulated methodology for the RTIP and is reasonable for the 1984 program. Therefore, the Commission finds that Mountain Bell is entitled to an additional \$738,200 in annual revenues. This amount would require an increase over and above the current interim revenue requirement of \$270,900.
6. The increase authorized in this order should be recovered through a uniform percentage increase to basic exchange services.
7. In its application Mountain Bell proposed major revisions to both the existing zone connection and zone construction charges.
8. The current zone connection charge features flat charges of \$50.00, \$200.00 and \$500.00 respectively for zones one, two and three; these charges are invariant with respect to the length of line extension as long as the extension does not exceed one mile in length.
9. MB's proposed zone connection charge features a flat \$50.00 charge for any line extension (regardless of zone) as long as the extension does not exceed 750 feet in length.
10. The Commission finds MB's proposal to be an improvement on the current zone connection charge and approves of the change. The \$50.00 charge however must rise by the rate of inflation (the Consumer Price Index -- CPI) in each subsequent year. As noted

by MB in hearing, the proposed zone connection charge is clearly not compensatory; consequently, if the \$50.00 charge was not revised each year by the CPI I it would fall at the rate of inflation -- an undesirable outcome from the Commission's point of view.

11. The current zone construction charge features a charge per foot for line extensions exceeding one mile in length (the current charge is apparently \$0.63/foot).

12. Mountain Bell's proposed zone construction charge features a charge equal to 50 percent of the cost per foot for line extensions exceeding 750 feet in length.

13. The Commission approves, with the following changes, Mountain Bell's proposal for zone construction charges. First, the Mountain Bell proposal is approved in its entirety for the current zone one. With zones two and three, the Commission finds that all line extensions exceeding 750 feet in length must be assessed a fully compensatory charge i.e., 100 percent of the cost per foot. In fact, a compensatory construction in zone one would be the same. The Commission, however, chooses to defer any further moves toward a fully compensatory charge in zone one until billing determinant type data is filed (discussed below).

14. The Commission also finds that, for year 1985, the charge per foot must be the \$1.00/foot charge estimated by Mountain Bell. Just as with the zone connection charge, the Commission has concern for how the \$1.00/foot zone construction charge changes over-time. The Commission finds that Mountain Bell should recompute this cost each year and revise the tariff accordingly. In this regard, the Commission notes that the annual average percentage increase in the cost per foot has increased at about 12 percent per year since 1981 (based on the 1981 cost of 63 cents and the 1985 estimate of \$1.00). Based on this cost escalation, it would appear inappropriate to simply increase the \$1.00 charge by just the CPI index, which over the past four years has increased at a much slower rate than 12 percent on an average annual basis .

15. The Commission finds that the absence of billing determinant data has complicated its decision process on zone connection and construction charges. Consequently, the Commission finds that Mountain Bell is to document the lengths of line extensions and the costs for the 1985 construction season. In addition, it would be beneficial to have in hand current construction costs for 750 foot and less line extensions for the next RTIP docket.

16. In regard to providing information to prospective line extension customers, the Commission finds that Mountain Bell should develop a "one-page" information sheet

that would, in turn, be provided to prospective customers. Such sheet would indicate the current charges and the policy that customers can provide certain services themselves (e.g., trenching, lodging and meals) as an alternative to Mountain Bell's provision of the same services.

17. Finally, the Commission approves of all other Mountain Bell proposals not discussed above in regard to line extension policies (e.g., the refund provision).

CONCLUSIONS OF LAW

1. Applicant, Mountain States Telephone and Telegraph Company is a corporation providing telephone and other communication services within the state of Montana and as such as "public utility" within the meaning of 69-3-101, MCA.
2. Montana Public Service Commission properly exercises its jurisdiction over the Applicant's Montana operations pursuant to Title 69, Chapter 3, Montana Code Annotated.
3. The rate levels and spread approved herein are just, reasonable and not unjustly discriminatory, Sec. 69-3-201, MCA.

ORDER

1. The Applicant, Mountain Bell's, request for additional annual revenues in the amount of \$738,200 is hereby GRANTED.
2. Mountain Bell shall file tariffs repricing services in the manner authorized in the findings of fact of this order.
3. Tariffs filed in compliance with this order shall be effective upon filing and approval by the Commission staff.

DONE IN OPEN SESSION at Helena, Montana. this 15th day of April, 1985 by a vote of 4 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

DANNY OBERG, Commissioner

TOM MONAHAN, Commissioner

ATTEST:

Trenna Scoffield
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.