

Service Date: January 6, 1988

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

IN THE MATTER OF the Application)
of AT&T COMMUNICATIONS of the) UTILITY DIVISION
MOUNTAIN STATES, INC. for Interim) DOCKET NO. 86.12.67
and Final Authority to Increase its) ORDER NO. 5274b
Rates and Charges)

ORDER ON RECONSIDERATION

BACKGROUND

On November 30, 1987, the Commission issued Order No. 5274a in the above matter. On December 11, 1987, the Commission received the only filed Petition For Reconsideration, which was submitted by AT&T.

AT&T's petition includes three parts. The first is a request that the Commission reconsider its rejection of reduced regulation for the Company in Montana. The second regards how access charge flow through should take place. The third and final involves the requirement imposed by the Commission that AT&T include a "bill insert" detailing the rate design changes. The following addresses each of these motions in turn.

Reconsider Reduced Regulation

AT&T's petition requested the Commission to reconsider its rejection of reduced regulation. The Commission finds necessary reiteration of a point in Order 5274a. The Commission granted AT&T a large portion of one of its proposals for reduced regulation, that being the flow through of carrier access charge price changes to the Company's maximum allowable rates. There is no reason to reiterate all the reasons from the previous order for this decision: The Commission's reasons and conclusions are unchanged. The motion is denied. The Commission would emphasize that it granted AT&T reduced regulation by permitting access charge flow through.

Carrier Access Charge Flow Through

That AT&T filed a motion on this issue surprised the Commission. In its motion, AT&T states in part, "...we address two points which are newly raised by the Commission's order. First, we point out that the Commission's mechanism for flow-through of carrier access charges should not automatically require rate changes." (emphasis added) AT&T's motion further states:

This 'automatic' flow-through provision is unreasonable and contrary to the public interest. The provision would require AT&T to increase MARs in the event of an increase in carrier access charges even where its earnings would be adequate without a MAR increase and doing so could drive its MARs to uncompetitive levels. (motion, pages 2 and 3)

The Commission finds that AT&T's motion is, to say the least, perplexing. In the Commission's estimation, the order was nearly a verbatim granting of AT&T's proposal as reflected in Mr. Bob Little's amended testimony. The relevant portions of Mr. Little's testimony are worth repeating:

Q. What is your proposal?

A. My proposal concentrates on setting price levels...It contains three basic elements:

1. Access charge pass-through
2. Rate indexing
3. Financial reporting

Q. Please describe the first element.

A. ...Therefore, we request authorization to immediately reflect in our maximum rate levels, the full amount of any future increase or decrease in access charges ordered by the Commission. We would of course, provide supporting documentation to the staff regarding the financial impact as well as the proposed maximum rate changes.

For AT&T to submit the above motion for reconsideration is, in the Commission's estimation, a one-hundred and eighty degree turn. The Commission's order granted AT&T's request to flow through changes in access charge costs. The Commission had to improvise, to some extent, due to the skeletal description in AT&T's proposal. As an aside, this was one reason the Commission denied the Company's indexing proposal. In hearing, AT&T elaborated, as follows, on access charge flow through:

- Q. ...Would you explain how AT&T would flow through a change in the access charge rates to the various services?
- A. Certainly. It would depend upon which of the access charge rates were changed. If the access charge rates for MTS were 100 percent of the dollar amount of the access charge change, then we would flow those through to the MTS rates. If it was spread proportionately somehow among MTS, WATs and 800 service, then we would spread it proportionately into our rates the same way.

Based on the above reiteration of AT&T's position, the Company's motion suggests to the Commission that AT&T has abandoned its direct testimony as regards access charge flow through. The Commission's order required AT&T to flow through to its maximum allowable rates within 60 days any changes in carrier access charges. By changes the Commission means increases and decreases as proposed in AT&T's amended direct testimony. To reflect AT&T's concern about "immediate" flow through the Commission allowed 60 days. The Commission therefore denies AT&T's motion that the Commission change its direction on access charge flow through.

Notification of Rate Changes by Bill Inserts

In Order 5274a at paragraph No. 85, the Commission required AT&T to provide its customers information on the rate design changes in this docket. The Commission's concern was to mitigate the market failure problem that arises due to a lack of information on prices. The Commission's order required that the information be provided via a bill insert.

AT&T's motion asked for reconsideration of this requirement and proposed an alternative solution whereby the Company would issue a press release to newspapers of general circulation throughout the state. The press release would set forth the same information respecting the rate and structure changes as would be included in a bill insert.

On reconsideration, the Commission withdraws paragraph No. 85 and grants AT&T's request to substitute a press release for the bill insert. AT&T's proposal will have the effect of speeding up the time when customers are notified of all the rate design changes that occurred in this docket. Moreover, significant cost savings will be incurred. The Commission would only qualify its granting of this motion to note that it understands the Company will pay for an advertisement in the case a newspaper refuses to run the press release in its entirety. For example, if an editor eliminates a portion of AT&T's proposed news release, for whatever reason, the Company must run an advertisement explaining the changes the news release excluded. AT&T must provide the Commission with a copy of the press releases and/or advertisements published in every Montana daily newspaper.

CONCLUSIONS OF LAW

1. AT&T Communications offers regulated telecommunications services in the State of Montana and is a public utility under Section 69-3-101, MCA.
2. The Montana Public Service Commission has authority to supervise, regulate and control public utilities. Section 69-3-102, MCA.
3. The Commission properly exercises jurisdiction over AT&T Communication's Montana operations pursuant to Title 69, Chapter 3, MCA.

ORDER

THEREFORE, THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. The rate schedules filed in compliance with Order 5274a continue to apply.

2. Paragraph No. 85 of Order 5274a is withdrawn. In lieu of information included in bills, AT&T must comply with the requirements of paragraph Nos. 9 and 10 of this Order.

DONE IN OPEN SESSION at Helena, Montana this 4th day of January, 1988, by a 4 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

TOM MONAHAN, Commissioner

DANNY OBERG, Commissioner

JOHN B. DRISCOLL, Commissioner

ATTEST:

Ann Purcell
Commission Secretary

(SEAL)