

Service Date: March 20,1989

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

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IN THE MATTER of the Application)
of MOUNTAIN STATES TELEPHONE AND) UTILITY DIVISION
TELEGRAPH (U S West Communications)
or Mountain Bell) for a General) DOCKET NO. 88.1.2
Rate Increase.)

IN THE MATTER of the Application)
of MOUNTAIN STATES TELEPHONE AND)
TELEGRAPH (U S West Communications)
or Mountain Bell) for Authority to) DOCKET NO. 88.9.33
Incorporate An 800 Service Circuit)
Termination on a Centron 6 or 30)
Service.)

IN THE MATTER of the Application)
of MOUNTAIN STATES TELEPHONE AND)
TELEGRAPH (Mountain Bell or U S)
West Communications) for Authority) DOCKET NO. 88.8.44
to Incorporate Revised Directory)
Assistance Tariffs Into Its Tariff)
to State Alternative Terms of)
Service for Customers of Independ-)
ent Local Exchange Carriers.) ORDER NO. 5354b
_____)

ORDER ON MOTION FOR RECONSIDERATION BY U S WEST COMMUNICATIONS

FINDINGS OF FACT

On January 22, 1988, U S West Communications (USWC)
(formerly Mountain Bell) filed an application for a general rate
increase with the Montana Public Service Commission (MPSC or

Commission). The applicant requested rate increases to produce an additional \$13.9 million in annual revenues.

On June 30, 1988, USWC filed an updated final rate request. The revised filing requested additional annual revenues of \$17.5 million. USWC requested that \$10.1 million of this increase be granted on an interim basis, pending a final decision.

On September 19, 1988, the Commission granted USWC additional revenues of \$6,366,000 to recover the additional intrastate revenue requirement associated with FCC mandated 1988 separations shifts, the Uniform System of Accounts rewrite costs and TECOM carrier access rate increases.

Hearings were held on the issues in this Docket from December 5 - 16, 1988.

On January 19, 1989, a stipulation between USWC and Montana Consumer Counsel (MCC) was submitted to the Commission. The stipulation represents an agreement between those two parties to dispose of the revenue requirement issues of this case. The stipulation states that a permanent rate award of \$5.5 million in this Docket will result in rates that are not excessive and that are otherwise reasonable.

On December 2, 1988, USWC filed an application for authority to increase rates to recover the intrastate revenue requirement associated with 1989 separations changes.

At the same time, USWC filed an application for interim relief pursuant to Section 69-3-304, MCA, and the Commission Rules, Section 38.5.501 et. seq., ARM, which addresses the granting of interim relief.

Both the application for permanent and interim relief request to increase rates sufficiently to recover an additional \$3,095,000 in annual revenues.

On March 3, 1989, the Commission found merit in the stipulation filed on January 19, 1989, and issued Order No. 5354a, in Docket No. 88.1.2, granting the revenue terms in that stipulation. At the same time, the Commission granted USWC interim relief in Docket No. 88.12.55 through Order No. 5398. Taken together these two Orders allow USWC additional annual revenues of \$2,229,000 on an interim basis.

The rate design granted by the Commission to recover the \$2.2 million was broken down into Listings, New Number Referral Service, Directory Assistance (allowing 3 free calls per month and \$.40 per call there after), Special Access, and the institution of a 1% per month Late Payment Charge (LPC) with several qualifications listed in Finding of Fact No. 36 in Order No. 5354a, in Docket 88.1.2, et. al.

On March 8, 1989, USWC filed a Motion for Reconsideration, pursuant to Commission Rule 38.2.4806, regarding one of the qualifications listed in Finding of Fact No. 36 of Order No. 5354a.

In that Motion USWC requested the Commission to reconsider its direction that "This charge must not be compounded in any manner or form". USWC asked the Commission that this directive "...be

withdrawn because it cannot be economically implemented under the limitations of USWC's billing system." (U S West Communications motion for reconsideration, p. 1-2). The MPSC finds USWC to be a proper party in this proceeding and its Motion to be timely filed.

Accordingly, the MPSC will consider the Motion. No response or opposition to said Motion was received from any other parties to this proceeding.

USWC supports its motion inter alia by citing Richard L. Lane's testimony as recorded in the transcript as follows:

...well, from our perspective in looking at our billing system, we do not do aging on all of the accounts. It would be very, very expensive and difficult to go in and identify a \$60 balance, which of that \$60 balance is 30 days old, which is 60 days. It's much cleaner to go in and assess it at the time that bill is prepared and simply look at the \$25, if greater than 25, assess it; if less than, do not, and so it's really the constraints of our system. We do not have the ability to pull out and hold monies..." TR., pp. 851-852.
(emphasis added)

This statement is used to support the argument that the Company's billing system is only set up to assess a late payment charge on total amounts. By implication, therefore, the system is currently designed to perform compounding automatically, since it cannot "pull out and hold monies".

The Commission reiterates that there is economic merit in the LPC as set forth in Findings of Fact Nos. 30 and 31 of ORDER No.

5354a. Upon further consideration, it appears inconsistent with these underlying concepts to prohibit USWC from compounding the LPC since compounding is a key principle in determining the value of an asset and as such, is an integral component of the avoidable cost concept underlying Findings of Fact Nos. 30 and 31 of Order No. 5354a.

The Mountain States Telephone and Telegraph Company Montana Exchange and Network Services tariff provides the Company with the authority to disconnect service for non-payment. Assuming the Company continues to utilize this disconnection authority as it has in the past, the Commission finds that a one percent per month LPC (compounded monthly) will not result in unjust or unduly burdensome charges on past due accounts. However, with this in mind, the Commission advises USWC that the revenues generated from the LPC and the Company's disconnection policies and practices will be closely scrutinized in the next general rate case.

The Commission therefore finds that Finding of Fact No. 36 in Order No. 5354a should be changed by deleting the sentence which reads "This charge must not be compounded in any manner or form."

CONCLUSIONS OF LAW

USWC offers regulated telecommunications services in the State of Montana and is a public utility pursuant to Section 69-3-101, MCA.

The Commission has authority to supervise, regulate, and control public utilities. Section 69-3-102, MCA.

The Motion for Reconsideration of Order No. 5354a was filed by USWC in a proper and timely manner. ARM 38.5.4806(1).

Finding of Fact No. 36 of Order No. 5354a should be changed by deleting the following sentence: "This charge must not be compounded in any manner or form." ARM 38.5.4806(3)

ORDER

1. The Motion for Reconsideration filed herein by USWC on March 8, 1989, is hereby GRANTED.

2. USWC is hereby granted the authority to impose a LPC of one percent per month on past due accounts, and said charge may be compounded on a monthly basis.

3. Finding of Fact No. 36 of Order No. 5354a is hereby changed by deleting the following sentence: "This charge must not be compounded in any manner or form." All other reservations,

qualifications, and conditions regarding the LPC, as stated in Order No. 5354a (Findings of Fact Nos. 29-36) remain unchanged.

4. The Late Payment Charge approved herein shall be effective upon filing and approval by the Commission.

DONE IN OPEN SESSION at Helena, Montana, this 20th day of March, 1989, by a 5 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

WALLACE W. "WALLY" MERCER, Commissioner

DANNY OBERG, Commissioner

JOHN B. DRISCOLL, Commissioner

ATTEST:

Ann Purcell
Acting Commission Secretary

(SEAL)

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