

Service Date: March 2, 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)	UTILITY DIVISION
of U S West Communications for)	
Authority to Establish Rates to)	DOCKET NO. 88.12.55
Recover Increased Costs Associated)	
with 1989 Separations Changes.)	INTERIM ORDER NO. 5398
_____)	

FINDINGS OF FACT

On December 2, 1988, U S West Communications (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, Sections 38.5.501 et. seq., ARM, which address the granting of interim relief.

Both the application for permanent and interim relief request to increase rates sufficiently to recover an additional \$3,095,00 in annual revenues.

The Commission finds that the interim request in this Docket is calculated on a calendar year 1987 test year, the same test year currently before the Commission in USWC's general rate case Docket No. 88.1.2.

On December 16, 1988, USWC submitted a request for the Commission to waive its minimum filing requirements for telephone utilities, pursuant to Section 38.5.2802 ARM, on the grounds that material submitted for pending Docket 88.1.2 and the Company's plans to file a general case based upon a test year ending in early 1989, renders it unnecessary to comply with these requirements for this "single issue" filing.

The increase requested in this Docket represents solely the increase in intrastate revenue requirements occasioned by Federal Communications Commission (FCC) mandated separations changes and does not represent an increase in the total costs incurred by USWC to provide telecommunications services. Separations refers to the process by which total state costs are divided between the intrastate jurisdiction regulated by this Commission and the interstate jurisdiction regulated by the FCC.

The Commission has resisted "single issue" rate cases in the past since cost increases in one area may be offset by cost savings or revenue increases in other areas. The Commission invited interested parties to comment on the Company's proposed departure from that policy on or before January 6, 1988. Montana Consumer Counsel (MCC), the only party filing comments, noted that it supports the Commission philosophy of resisting single issue cases. MCC pointed out that in the Tax Reform Act cases the Commission allowed utilities to update all expenses when examining the effects of federal tax rate decreases. With respect to this case, however, MCC stated:

"Docket No. 88.12.55 is premised on unique circumstances which justify consideration of a "single-item" type request. The Company is requesting rate relief as a result of Federally ordered separations changes. This is an industry-wide occurrence which is known with certainty, and which has a substantial impact on the Company's intrastate expenses. Moreover, the Company has proposed a method in its filing whereby full opportunity to examine the rest of the Company's operations will be afforded prior to Commission approval becoming final."

This increase reflects the effects of two separations changes ordered by the FCC in Docket 80-286. The first is the eight year phase-down of the Subscriber Plant Factor (SPF) to a 25% interstate assignment. The SPF is the allocator used to assign non-traffic sensitive (NTS) loop costs between the interstate and

intrastate jurisdictions. The phase-down began in 1986. USWC is requesting an increase in rates to reflect the 1989 increase in the intrastate allocator. The second change is in the allocation of switching costs. The distinction between traffic sensitive (TS) and non-traffic sensitive (NTS) switching equipment is eliminated.

Prior to 1988 the TS portion of a switch was allocated based on weighted dial equipment minutes. The NTS portion of the allocator was SPF. Under the new procedures, dial equipment minutes will be used for this entire investment. These new procedures are being phased in over five years, with 10% of the change in 1988, 20% in 1989 through 1992, and 10% in 1993.

Coincident with this Order, the Commission is issuing Order No. 5354a in Docket No. 88.1.2, which reduces USWC's annual revenues by \$866,000. The Commission finds that the net revenue change from these two orders, totalling \$2,229,000, should be implemented together in order to minimize the number of rate changes necessary and to ease administrative costs associated with the changes. Therefore, the rate design portion of this order is omitted since it coincides with the rate design portion of Order 5354a in Docket No. 88.1.2.

CONCLUSIONS OF LAW

1. 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.

2. Section 69-3-304, MCA, provides in part, "the Commission may, in its discretion, temporarily approve increases or decreases pending a hearing and final decision." The rates approved herein are a reasonable means of providing interim annual revenue changes for USWC.

3. If the final revenue requirement in this Docket is less than the revenues granted in this Order, ratepayers may be entitled to a rebate with interest. Section 69-3-304, MCA.

ORDER

1. USWC is hereby GRANTED a \$3,095,000 increase in annual revenues on an interim basis.

2. The revenue requirement in this Order shall be implemented coincident with the revenue decrease ordered in Docket No. 88.1.2, Order No. 5354a. USWC is directed to utilize the rate

design set forth in Order No. 5354a in order to recover the revenue increase granted herein.

3. The Commission hereby grants USWC a waiver, pursuant to ARM 38.5.2802, of the minimum rate case filing requirements for telephone utilities as contained in Subchapter 28 of Title 38, ARM; however, this order shall not be construed to limit in any manner, the scope of discovery available to the parties or Commission staff herein, and the Commission shall not be precluded from requiring USWC to file other specific information pursuant to ARM 38.5.2802(4) and MCA Section 69-3-106.

4. Rates granted in these Dockets will be effective upon filing and approval by the Commission.

DONE AND DATED at Helena, Montana, this 2nd 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.