

Service Date: November 18, 1993

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 the Regulated Members of TELE-	)	UTILITY DIVISION
PHONE EXCHANGE CARRIERS OF MONTANA	)	DOCKET NO. 92.12.79
(TECOM) For Authority to Decrease	)	ORDER NO. 5685b
Rates for Intrastate Access	)	
Services.	)	
_____	)	

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ORDER ON MOTION FOR RECONSIDERATION

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FINDINGS OF FACT

1. On December 17, 1992, the regulated members of the Telephone Exchange Carriers of Montana (TECOM), consisting of Lincoln Telephone Company, Project Telephone Company, and Southern Montana Telephone Company, (Applicants), filed an application with the Montana Public Service Commission (Commission) for authority to decrease rates for intrastate carrier access services. The Commission granted that request on an interim basis, effective January 16, 1993. On May 3, 1993, the Commission issued Default Order No. 5685a, implementing the rate decrease on a permanent basis.

2. Order No. 5685a requires that TECOM make an informal cost of service and rate design (COS/RD) filing by March 1, 1994.

The Commission requests a marginal-cost analysis be conducted of TECOM's costs to provide carrier access. The Order also requires TECOM to comment on the optional market-based price level for carrier access charges. Finally the Order requires TECOM to clearly indicate the impact on other services and rates of carrier access charge price reductions, and to note any obstacles to lowering its regulated local exchange carriers' access charges.

3. On May 13, 1993, TECOM requested an extension of time until May 28, 1993, to file a Motion for Reconsideration of Order No. 5685a. Pursuant to delegated staff authority, a Notice of Staff Action was issued on May 18, 1993, granting TECOM's request. The Notice also waived the time limit of 10 days for the Commission to rule on said motion.

4. The Commission received a Motion for Reconsideration of Order No. 5685a, dated May 28, 1993. TECOM's Motion requests that the Commission reconsider the requirement in its Order that TECOM file marginal cost studies. TECOM explains that it has no knowledge of any other small independent telephone companies, or carrier access pools, that use marginal-cost studies to set

intrastate carrier access rates. According to TECOM, since these studies are not routinely conducted today, and since no member has the in-house expertise to perform or review these studies consultants would be required. TECOM members would incur the costs to program and perform such studies, and these costs would presumably be borne by interexchange carriers.

5. TECOM states that its rates are set based upon the Federal Communications Commission's (FCC's) Part 36 and Part 69 cost study methodology, but it also distributes billed revenues to each company based on each company's relative costs. TECOM contends that this practice results in companies recovering appropriate revenue requirements.

6. According to TECOM, it is unclear how marginal-cost based rates would be pooled, and that marginal-cost based rates would likely result in revenue requirement shortfalls and cause large increases in local rates.

7. TECOM explains that its members do not provide long distance services, and that the majority of its revenues come from interstate carrier access, intrastate carrier access, and basic local service rates. TECOM believes that the FCC's Part 36 methodology results in a fair distribution of revenue requirements among these services.

8. TECOM holds that it is unclear what specific methodology would be used to perform marginal-cost studies, and that if the Commission does not grant TECOM's motion, further clarification of the type of studies is needed.

DECISION

9. The Commission is cognizant of the complications involved in a requirement that TECOM conduct a marginal-cost analysis of TECOM's carrier access service. However, the Commission remains concerned about the level of TECOM carrier access charges, and hereby DENIES TECOM's Motion for Reconsideration of Order No. 5685a.

10. The Commission's intent is to obtain adequate information to determine whether or not TECOM's carrier access charges are reasonable. Order No. 5685a (FOF 17) states that TECOM may use an embedded cost study, but also states that the Commission would then request a marginal-cost analysis to also be conducted. TECOM is still expected to make an informal COS/RD filing by March 1, 1994. If an embedded cost study is used as the basis for this filing, the Commission may still request that a marginal-cost analysis be conducted.

11. In addition, TECOM should comment on the optional market-based price level for carrier access charges. TECOM

should also indicate the impact that carrier access charge reductions would have on other services and rates, and should note any obstacles to lowering its regulated local exchange carriers' access charges. TECOM may petition to extend the filing date past March 1, 1994, if necessary, and the Commission will consider it.

#### CONCLUSIONS OF LAW

1. The Applicants, Lincoln Telephone Company, Project Telephone Company, and Southern Montana Telephone Company, are corporations providing regulated telecommunications services within the State of Montana and, as such, are public utilities within the meaning of Sections 69-3-101 and 69-3-803 (3), MCA.

2. The Montana Public Service Commission is properly exercising jurisdiction in this Docket pursuant to Applicants request under Sections 69-3-102, and 69-3-302, MCA.

4. The Commission has provided adequate public notice and an opportunity for a public hearing herein, pursuant to the Montana Administrative Procedure Act, Title 2, Chapter 4, MCA.

#### ORDER

1. Applicant's Motion for Reconsideration of Order No. 5685a is hereby denied. This Order clarifies the language in FOF 17 of Order No. 5685a.

DONE AND DATED at Helena, Montana, this 27th day of October, 1993, in open session by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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BOB ANDERSON, Chairman

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BOB ROWE, Vice Chairman

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DAVE FISHER, Commissioner

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NANCY McCAFFREE, Commissioner

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DANNY OBERG, Commissioner

ATTEST:

Kathlene M. Anderson  
Commission Secretary

(SEAL)

NOTE: You may be entitled to judicial review in this matter.  
Judicial review may be obtained by filing a petition  
for review within thirty (30) days of the service of  
this order. Section 2-4-702. MCA