Service Date: September 23, 1986

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

* * * * * * * * * * *

IN THE MATTER of the Application of the Regulated Members of TELEPHONE EXCHANGE CARRIERS OF MONTANA (TECOM) for Authority to Increase Rates for Intrastate Access Services.	UTILITY DIVISION DOCKET NO. 86.7.34 INTERIM ORDER NO. 5225

FINDINGS OF FACT

1. On July 18, 1986, Telephone Exchange Carriers of Montana (TECOM) requested authority to increase the charges for intrastate carrier access services. TECOM is an association of small independent telephone companies and rural telephone cooperatives set up to administer a pooled carrier access rate. The regulated members of TECOM are Hot Springs Telephone Company, Project Telephone Company, Ronan Telephone Company, and Southern Montana Telephone Company. The tariffs filed would increase the amounts these regulated companies charge carrier access customers by $458,806 annually.

2. Concurrent with its application for permanent rates, TECOM requested immediate interim approval of the increase.

3. On August 1, 1986, AT&T Communications of the Mountain States, Inc. (AT&T) filed an objection to TECOM's petition for interim and permanent access rate increases. AT&T stated that it would be greatly affected by the rates and tariff terms approved and asked that the rates be suspended until an investigation and hearing is conducted.

4. On August 5, 1986, TECOM responded to AT&T's objections, stating that AT&T had prior notice that the current rates do not meet TECOM members costs of providing access services as set forth in Order 5055g in Docket No. 84.4.15. TECOM also points out that the rates requested in its interim application

are subject to refund should an investigation find the rates to be unreasonable.

5. The Commission often provides interim relief to a utility when an applicant can show substantial harm in delaying relief and the interim rates comply with methodologies set forth in the interim rules and in prior Commission orders. In Docket No. 84.4.15, Order No. 5055g, the Commission specifically noted that this may indeed be the case for TECOM members. In that order the Commission found:

> To the extent applying the NECA TS price elements intrastate leaves the RMTS in a settlements-related revenue deficient position (beyond the NTS reduction), the RMTS will be required to calculate a new revenue requirement. This calculation is beyond Docket No. 84.4.15. A possible remedy would feature the RMTS filing a revised revenue requirement with a commensurate set of prices in a subsequent docket. These prices could possibly receive immediate interim approval subject to the interim rebate provisions. (Order 5055g, FOF 26)
>
> * * * * * * * *
>
> As with the TS prices elements, it is not clear whether this CCLC price level will generate the RMTS revenue requirement, less the $900,000 due to changes in toll settlements. This requirement and resulting prices will have to be the subject of a subsequent docket. The MPSC will consider an immediate interim CCLC subject to rebate and intervenor review. (Order No. 5055g.)

6. Currently the TECOM members are billing access rates that mirror the 1984 National Exchange Carrier Association (NECA) tariff. This situation arose out of Docket 83.6.47, Order No. 5018a in which the Commission approved the position of all parties that, as a transitional measure, it was desirable to generally mirror the FCC approved interstate NECA rates. The NECA rates are based on the nationwide average costs of all local exchange companies and do not reflect Montana specific costs. Because the costs of Montana's small independent companies appear to be higher than the average of all companies na-

tionwide, billing NECA rates does not generate sufficient revenues to recover the TECOM members costs. This shortfall was recovered through intrastate settlements until January 1, 1986. IntraLATA settlements are recovering some of the shortfall through January 1, 1987, when the settlements process ceases. During 1986, TECOM members are experiencing a shortfall on the interLATA portion of their carrier access services. The Commission finds that this situation makes an interim increase in this docket necessary to mitigate the shortfall being experienced by TECOM members.

7. It appears that the applicant has generally followed the methodology set forth in Docket No. 84.4.15, Order No. 5055g in calculating the rates set forth in its application. That order stated that for purposes of setting current rates, Part 67 and 69 for the Federal Communications Commission rules should be followed with some exceptions. The Commission specifically required companies to eliminate CPE, advertising, and inside wire from their calculations. TECOM has removed CPE and advertising from its calculations in this filing. However, TECOM has not removed the costs associated with the provision of new inside wiring and the maintenance of all inside wiring from its calculations. These services are not regulated and should not be recovered through the rates for regulated services. TECOM is directed to remove these costs ($163,949) from its calculations.

8. TECOM's rate calculations include costs associated with construction work in progress (CWIP). The Commission does not allow utilities to include CWIP in rate base because the associated plant is not "used and useful". However, staff discussions with TECOM consultants indicate that much of the plant reflected in the CWIP account no. 100.2 may have actually been in service during the test year. Significant lags in time between the in service date and the date the project is added to plant-in-service account no. 100.1 may lead to the conclusion that this plant actually was used and useful. The Commission will not

require these amounts to be removed at this time but will further examine this issue in this docket.

9. TECOM does not propose any interim rate structure changes for this docket. The Commission approves the rate structure as filed. TECOM did not file any Feature Group A or Feature Group B rates, stating that currently the members have no subscribers to these services. TECOM will not be required to file these rates for interim purposes. However, if any member of TECOM receives a request for these services, it must file appropriate rates using the direction in Docket No. 84.4.15, Order No. 5055g within 30 days of the request.

10. TECOM also addressed special access services in its filing. The Commission has determined that special access and billing and collection services are not regulated and, therefore, these areas need not be addressed further and tariffs will not be approved for them.

CONCLUSIONS OF LAW

1. Applicants Hot Springs Telephone Company, Project Telephone Company, Ronan Telephone Company and Southern Montana Telephone Company are corporation providing regulated telecommunication service in Montana and, as such, are public utilities within the meaning of Section 69-3-101, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over Hot Springs Telephone Company, Project Telephone Company, Ronan Telephone Company and Southern Montana Telephone Company pursuant to Title 69, Chapter 3, MCA.

3. Section 69-3-304, MCA, provides, in part, "The Commission may, in its discretion, temporarily approve increases pending a hearing or final decision.

4. The rate levels and spread approved herein are a reasonable means of providing interim relief to Hot Springs Telephone Company, Project Telephone Company, Ronan Telephone Company and Southern Montana Telephone Company. The rebate provi-

sions of Section 69-3-304, MCA, protect ratepayers in the event that any revenue increases authorized by this order are found to be unjustified in the final order in this Docket.

ORDER

1. TECOM's request for interim relief is hereby GRANTED. TECOM must file tariffs that reflect the removal of inside wire directed in this order.

2. Rates found appropriate in this order will be effective upon filing and approval by the Commission.

3. Interim rates granted herein are subject to refund with interest at the rate of 12% should the Final Order in this Docket determine that a lesser increase is warranted.

DONE AND DATED in open session at Helena, Montana, this 22nd day of September, 1986, by a 5 to 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
Acting 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 38.2.4806, ARM.