

DE 96-090

Implementation of IntraLATA Presubscription

Order Approving IntraLATA Presubscription  
Method of Cost Recovery

O R D E R N O. 22,563

April 21, 1997

On April 15, 1996, the New Hampshire Public Utilities Commission (Commission) issued an Order of Notice commencing this intraLATA presubscription (ILP) docket to establish dialing parity for intraLATA toll customers. The Order of Notice required all local exchange companies (LECs) to submit proposals to implement ILP by October 1, 1996. By Order No. 22,281, the October 1, 1996 implementation date was extended until June 2, 1997. In the Order of Notice, the Commission cited its determination in Order No. 22,107 that increased competition in the intrastate toll market is an appropriate solution to specific customer concerns regarding short distance toll.

Proposals for ILP implementation were filed by Chichester Telephone Company, Kearsarge Telephone Company and Meriden Telephone Company (collectively, TDS), Union, Granite State Telephone Company, Merrimack County Telephone Company, Contoocook Valley Telephone Company, Wilton Telephone Company, Hollis Telephone Company, Northland Telephone Company of Maine, Bretton Woods Telephone Company, and Dixville Telephone Company (Collectively, Independents) and NYNEX. Timely responses to the proposals were received from AT&T, Sprint Communications Inc., MCI, the Telephone Reseller Association (TRA), Atlantic Connections, LTD., Atlantic Cellular d/b/a/Atlantic Long Distance (Atlantic Long Distance), and the Office of the Consumer Advocate (OCA).

Based upon the plans submitted and comments received, Staff identified 10 major issues needing resolution in order to implement ILP. This Order addresses the issue of cost recovery.

NYNEX disbursed an ILP implementation cost study in January, 1997. Union and the Indepet studies in February, 1997. In addition, NYNEX, Union and the Independents have submitted compliance filings in accordance with Commission requirements. The TDS companies have not yet filed cost studies or compliance filings indicating the amount of the customer charges to recover the costs of ILP implementation.

Upon receiving the NYNEX ILP implementation cost study ("study"), the Commission staff ("Staff") held two technical sessions in order to assess the veracity of the study and its supporting documentation. AT&T, MCI, Union, NYNEX, the

Independents, and the OCA participated in technical sessions.

AT&T contends that the NYNEX study was unsubstantiated. AT&T expressed concern over the lack of supporting cost data, especially with regard to switching costs. According to the study, switching costs in the State of New Hampshire amount to \$1,312,179 over the two year cost recovery period. Although AT&T argued this amount was excessive, it did not propose an alternative implementation cost. Moreover, AT&T requested that NYNEX be subjected to an audit in order to determine the actual implementation costs at the end of the two year recovery period.

NYNEX contends the costs reported in its study are accurate and based upon the best available information at the time of the study. As the total costs of implementation will be subject to a "true-up" at the end of the two year cost recovery period, NYNEX suggested that the parties will be held harmless in the event the forecasted implementation expenditures were wrong.

Staff has reviewed the cost studies submitted by NYNEX, Union and the Independents. Based upon its review, Staff has recommended approval of the cost studies submitted. Staff found that the costs did not appear to be unreasonable or excessive. Staff recommended that the LECs re-submit implementation cost studies on June 2, 1998 and June 2, 1999, the end of the cost recovery period, indicating the actual implementation costs incurred juxtaposed to forecasted costs submitted February, 1997.

In Order No. 22,281, the Commission determined that cost recovery of ILP implementation shall be charged as an equal charge per originating Minute of Use (MOU) over a two year period unless paid off sooner. Each cost study and compliance filing submitted by the parties conforms to the Commission's requirements.

Due to AT&T assertions regarding the NYNEX ILP implementation costs, Staff recommends that LECs be subject to an accounting audit. An audit could be performed by either Staff or a mutually agreed upon accounting firm. Staff has also recommended that each of the companies should be required to report its costs and revenues associated with ILP on a quarterly basis.

Staff recommended that the TDS companies submit cost studies no later than May 1, 1997. Should TDS fail to make a timely submission, Staff recommended the Commission issue a "show cause" order and require TDS to demonstrate why it should not be subject to penalties.

We have reviewed Staff's recommendations concerning the cost studies submitted by the LECs. We find the cost studies reflect a reasonable level of anticipated capital expenditures and expenses associated with the implementation of ILP. As presubscription will benefit all intrastate toll customers, cost recovery shall be shared by all intrastate toll carriers, including NYNEX. Having determined presubscription will result in a benefit to all intrastate toll customers, we find that the cost recovery rates proposed by the local exchange companies are in the public interest.

We will accept the specific recommendations of Staff with regard to accounting audits, reporting requirements and TDS.

LECs shall be subject to an accounting audit of the ILP implementation costs. Such an audit will assist the parties and Staff to determine the actual ILP implementation costs at the end of the two year cost recovery period in the absence of a mutually agreed upon "true-up" value. Quarterly reports will also assist us in monitoring the companies' ILP costs and revenues.

TDS has been aware of Commission requirements to file ILP cost studies and compliance tariffs indicating ILP related customer charges. Therefore, we order TDS to comply with the Commission requirements no later than May 1, 1997. Failure to make a timely submission will result in the issuance of a "show cause" order requiring TDS to demonstrate why it should not be subject to penalties.

Based on the foregoing, it is hereby

ORDERED, that the cost studies and compliance tariff filings submitted by the LECs in support of the Intrastate Equal Access Cost Recovery Rates are approved FURTHER ORDERED, that each local exchange company shall submit a cost study on June 2, 1998 and June 2, 1999 indicating the actual implementation cost incurred compared to the forecasted costs of implementation; and it is

FURTHER ORDERED, that the implementation programs of ILP for each LEC shall be subject to a "true-up" at the end of the two year recovery period; and it is

FURTHER ORDERED, that each LEC shall be the subject of an accounting audit to verify actual implementation costs; and it is

FURTHER ORDERED, that each company shall file a report of ILP costs and revenues on a quarterly basis beginning June 30, 1997; and it is

FURTHER ORDERED, that TDS shall file its cost recovery study and compliance filing no later than May 1, 1997.

By order of the Public Utilities Commission of New Hampshire this twenty-first day of April, 1997.

Douglas L. Patch  
Chairman

Bruce B. Ellsworth  
Commissioner

Susan S. Geiger  
Commissioner

Attested by:

Claire D. DiCicco  
Assistant Secretary