

Minnesota Public Utilities Commission
Staff Briefing Papers

Meeting Date: October 1, 2015*Agenda Item #1

Company: Citizens Telecommunications Company of Minnesota, LLC

Docket No. P407/AR-15-388

In the Matter of a Petition by Citizens Telecommunications Company of Minnesota, LLC Proposal to Adopt an Existing Alternative Form of Regulation Plan (AFOR)

Issue: Shall the Commission approve Citizen’s petition to adopt the existing AFOR of Frontier Communications as reflected in the July 15, 2015 filing?

Staff: Mike McCarthy651-201-2208, michael.mccarthy@state.mn.us

Relevant Documents

Revised AFOR DocumentJuly 15, 2015
Order Establishing Procedural ScheduleJuly 17, 2015
Joint Comments of Citizens and Department August 14, 2015
Reply Comments and Settlement Report of Citizens and Department August 21, 2015
Public Comment September 1, 2015

The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

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I. STATEMENT OF THE ISSUES

Shall the Commission approve Citizen's petition to adopt the existing AFOR of Frontier Communications as reflected in the July 15, 2015 filing?

II. BACKGROUND

Since 1995, the Minnesota Commission has been given the authority by the Minnesota Legislature to approve alternative form of regulation (AFOR) plans for local exchange carriers. See Minnesota Stat. §237.76 through 237.774. The Legislature has since revised certain provisions of these statutes.

Citizens Telecommunications Company of Minnesota, LLC (Citizens) is currently operating under an AFOR approved by the Commission on October 25, 2012 in Docket No. P407/AR-12-405. That AFOR expires on October 31, 2015.

In lieu of proposing a new plan to succeed its current AFOR, on April 27, 2015, Citizens notified the Minnesota Public Utilities Commission (Commission) that it intends to adopt the existing AFOR plan of Frontier Communications of Minnesota, Inc. (Frontier), which was approved by the Commission in Docket No. P405/AR-14-735 in a February 23, 2015 Order.

Citizens is an affiliate of Frontier, and both are wholly owned subsidiaries of Frontier Communications Corporation. Frontier's plan was effective on March 1, 2015 and will continue in effect through February 28, 2018. Pursuant to the adoption of Frontier's AFOR, Citizens would operate under the newly adopted plan beginning November 1, 2015 for three years.

The laws governing the provision of an Alternative Regulation Plan are contained in Minnesota Stat. §§237.76 through 237.774. Minnesota Stat. §237.766 subd. 4 specifically addresses opting in to an existing AFOR which states in part that "The Commission shall accept the adoption unless it finds adoption of the existing plan by the electing telephone company is not in the public interest, in which case it may reject or modify the election to opt into the provisions of the existing plan."¹

On May 27, 2015, the Minnesota Department of Commerce (the Department) filed comments on Citizen's petition, including a list of requested modifications to bring the proposal into conformity with Frontier's approved AFOR.

On July 9, 2015, the matter came before the Commission. At hearing, Citizens agreed to refile its application incorporating the changes recommended by the Department to make the proposed plan consistent with Frontier's approved plan.

¹ Minnesota Stat. §237.766 subd. 4(f)

On July 15, 2015, Citizens submitted a “Clean Copy of Revised AFOR Plan” making the changes raised by the Department as agreed on July 9th before the Commission.

In its Order on July 17, 2015, the Commission approved the Customer Notice of Regulatory Filing (Order Attachment A). The Commission also directed Citizens to work with the Department, Attorney General and Commission staff to establish Citizen’s website on this matter and to share any feedback generated through its website. Parties were ordered to convene a conference to encourage settlement or stipulations regarding how the plan should be modified.

The Commission approved the following procedural schedule:

Establish website:	July 24, 2015
Settlement or Comments:	August 14, 2015
Reply Comments:	August 24, 2014
Final Comments:	September 4, 2015
Commission hearing:	October 1, 2015
Statutory deadline:	October 31, 2015

III. PARTY POSITIONS

Joint Comments of Citizens and the Department

On August 14, 2015 Citizens submitted Joint Comments of Citizens Telecommunications Company of Minnesota. LLC and the Minnesota Department of Commerce. In this filing both parties affirmed that Citizens filed on July 15, 2015, a revised AFOR document that incorporated all of the corrections and modifications recommended by the Department. Specifically:

“... the revised document incorporates a modification to Section IV, B(1)(a) reflecting that [Citizens] will implement a rate increase to R1 rates in years two and three of the plan only to the extent that the total rate (R1 rate plus the rate increase plus any applicable EAS additive) does not exceed the FCC-established rate floor in effect at that time, which the Commission approved in the Frontier-Minnesota AFOR. Appendix A of the proposed AFOR document was revised to reflect that Private and Semi-private Directory Listings, Toll Restriction, and Intralata Operator Services are price-regulated services. [Citizens] has agreed to modify its Flexibly Priced and Price Regulated tariffs accordingly. Finally, the revised filing included new language regarding Line Extensions that mirrors Frontier Minnesota’s tariff language approved by the Commission. [Citizens] has agreed to file the above tariff changes within 30 days of a Commission Order approving the AFOR adoption.

Parties acknowledged that they would wait until August 24, 2015, to file settlement in order to allow additional comments to be made and considered before the September 4th deadline.

Public Comment

Margie Theisen filed the only public comment indicating dissatisfaction with any rate increase because rural Delano, Minnesota, receives slow and erratic internet service, long customer service wait times and an inadequate response when outages occur. She would like any rate increase that may occur to be used to improve service in the rural Delano, Minnesota area.

Joint Reply Comments and Settlement Report

On August 21, 2015 the Joint Reply Comments and Settlement Report of Citizens Telecommunications Company of Minnesota, LLC and the Minnesota Department of Commerce were filed. In that filing both parties state:

[Citizens] and the Department have engaged in settlement discussions regarding the AFOR adoption. With the corrections and modifications reflected in the July 15 filing, the Department supports the AFOR adoption proposal of [Citizens]. [Citizens] and the Department believe that the adoption proposal complies with the provisions of Minnesota Statute that address alternative regulatory plans, and urge the Commission to accept and approve the AFOR proposal, as reflected in the July 15, 2015 filing.

IV. STAFF ANALYSIS

Staff concurs with the Department and Citizens that the agreed-upon changes have been incorporated into the July 15, 2015 filing bringing the presently proposed AFOR for Citizens into conformity with the previously approved Frontier AFOR.

V. COMMISSION OPTIONS

- Option 1: Approve Citizen's petition to adopt the existing AFOR of Frontier Communications as reflected in the July 15, 2015 filing.
- Option 2: Do not approve Citizen's petition to adopt the existing AFOR of Frontier Communications as reflected in the July 15, 2015 filing.
- Option 3: Others conditions or directions at the Commission's discretion.

VII. STAFF RECOMMENDATION

Staff recommends Option 1.