

September 27, 2017

Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
St. Paul, Minnesota 55101-2147

RE: **Minnesota Department of Commerce Answer to Reply Comments of Melrose Telephone Company and the Minnesota Telecom Alliance**  
Docket No. P415/AM-17-65

Dear Mr. Wolf:

On August 1, 2017, the Department of Commerce filed its comments concerning Melrose Telephone Company's d/b/a Arvig (Melrose) increase in local rates effective in March 2017. At issue was the content of the notice sent to subscribers. The notice to subscribers indicated that the rates were increasing due to the FCC's requirement of a \$20 per month price floor<sup>1</sup>. Because the FCC rescinded its order<sup>2</sup>, and kept the price floor at \$18 per month for the foreseeable future, the Department recommended that the Commission require Melrose to send another notice to subscribers.

On September 13, 2017, both Melrose Telephone Company and the Minnesota Telecom Alliance (MTA) filed reply comments. Both Melrose and the MTA requested that the Commission take no action. Both respondents state that because the facts in the notice to consumers was accurate at the time, the increase should be allowed to stand.

Minnesota Statute 237.773, subd. 3 provides a process for customer notice of a rate increase and the process to petition for an investigation:

*A small telephone company proposing an increase under this subdivision shall provide 60 days' advance written notice to the department and each of the company's customers including the individual rates affected and the procedure necessary for the customers to petition for investigation. If the department receives a petition within 45 days after the notice from five percent or 500, whichever is fewer, of the customers of the small telephone company, the department and the company shall jointly determine if the petition is valid and, if so, may investigate the rate change to determine if it conforms to the limitations of this subdivision. Within 30 days of validating the petition, the department shall report its*

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<sup>1</sup> In *Connect America Fund et al.*, WC Docket No. 10-90 *et al.*, Report and Order and Further Notice of Proposed Rulemaking, (2011), the FCC set the minimum amount at \$20 per month to be effective July 1, 2017, and \$22 per month to be effective July 1, 2018.

<sup>2</sup> In *the Matter of Connect America Fund*, WC Docket No. 10-90, Notice of Proposed Rulemaking and Order, released May 19, 2017, the FCC reversed the July 1, 2017 effective date and froze the floor at \$18 per month, pending additional investigation.

*findings to the commission, which shall either adopt the report or order changes to conform to this subdivision [emphasis added].*

The Department agrees with Melrose and the MTA that the customer notice was accurate at the time it was sent. But, it is unlikely that customers would petition for an investigation if it was conveyed that the new rates were being set pursuant to an FCC order. If customers had known that rates were being increased above the price floor, it seems more likely that customer petitions for an investigation would have been filed.

The Department does not believe that Melrose acted improperly. Rather, the question before the Commission, given the timing of the change by the FCC in the price floor, is whether consumers should receive an accurate notice and be given the opportunity to petition for an investigation of the rate increase.

The Department notes that not all Melrose customers received an increase of \$2.00 per month. Some customers (in the exchanges of Melrose, Grey Eagle, St. Martin and Greenwald) saw a net increase in their bills of \$2.50, while Kimball customers had a \$1.81 increase per month, and Richmond, Eden Valley, and Watkins had reductions of between 36 cents and 49 cents per month. These differing net changes are due to the Access Recovery Charge (ARC), a revenue shifting program of the FCC that moves responsibility for some portion of access charges from interstate long distance providers to the subscriber. While local rates are subject to a *price floor*, the ARC is determined based upon a *price ceiling*. The local rate, plus the EAS rate, plus state fees (TAP, TAM, 911), plus the ARC, should not be greater than \$30 per month. If these charges are greater than \$30, the ARC must be reduced.

Both MTA and Melrose have expressed concern over the amount of confusion that customers would experience with another notice so long after the company implemented its increase. Clearly, there is no need for notice to customers that did not experience a rate increase. If the Commission chooses to require a notice to customers that did have a rate increase, it may be appropriate for the notice to reflect the net increase experienced by the customer. The Department agrees with the MTA and Melrose that a notice should not simply add to customer confusion, particularly given FCC requirements for price floors and price ceilings<sup>3</sup>.

Given the facts brought to light since the Department filed its initial comments, and the fact that there has never been a sufficient number of petitioners to result in an investigation of rates for a small company under an AFOR plan, the Department believes the position of the MTA and Melrose is reasonable. The Commission may choose to take no action on this matter.

Sincerely,

/s/ JOY GULLIKSON  
Telecommunications Analyst

JG/lt

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<sup>3</sup> *In the Matter of Connect America Fund, et al.*, WC Docket No. 10-90, *et al.*, Report and Order and Further Notice of Proposed Rulemaking, released November 18, 2011.

**CERTIFICATE OF SERVICE**

I, Linda Chavez, hereby certify that I have this day served copies of the following document on the attached list of persons by electronic filing, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**MINNESOTA DEPARTMENT OF COMMERCE - LETTER**

Docket Nos. **P415/AM-17-65**

Dated this **27th** day of **September, 2017**.

/s/Linda Chavez

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