

CHAPTER 7810
PUBLIC UTILITIES COMMISSION
TELEPHONE UTILITIES

FILING REQUIREMENTS

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FILING REQUIREMENTS**7810.8100 PURPOSE.**

The purpose of parts 7810.8100 to 7810.8940 is to describe the filing requirements for telephone companies under the jurisdiction of the commission for:

A. tariffs, price lists, and new service offerings under Minnesota Statutes, sections 237.06 and 237.07;

B. rate changes including general rate changes under Minnesota Statutes, section 237.075; miscellaneous tariff changes under Minnesota Statutes, section 237.63; and emerging competitive service rate changes proposed under Minnesota Statutes, section 237.60;

C. competitive services under Minnesota Statutes, sections 237.59, 237.60, and 237.62; and

D. incentive plans under Minnesota Statutes, section 237.625.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8200 DEFINITIONS.

Subpart 1. Scope. The terms used in parts 7810.8100 to 7810.8940 have the meanings given them in this part.

Subp. 2. Attorney general's office. "Attorney general's office" means the Resi-

dential and Small Business Utilities Division of the Office of the Attorney General.

Subp. 3. Average. "Average," when used in conjunction with rate base, means a 13-month average or an average of 12 monthly averages or a simple average of the beginning and ending data for a 12-month period when monthly data are not available.

Subp. 4. Capital structure. "Capital structure" means the total capitalization of the telephone company, such as outstanding common stock, paid-in surplus in excess of par value, retained earnings, preferred stock, long-term debt, and short-term debt.

Subp. 5. Competitive service. "Competitive service" means a service classified by Minnesota Statutes, section 237.59, subdivision 1, as subject to emerging competition or classified by commission order as subject to effective or emerging competition.

Subp. 6. Cost increase rate change. "Cost increase rate change" means a miscellaneous tariff change under Minnesota Statutes, section 237.63, subdivision 3, to increase the rate for a particular noncompetitive service on grounds that the actual costs of providing that particular service have increased. A cost increase rate change must be a cost change related to a particular service rather than a general overall increase applicable to most of the company's services, and an actual change in costs must have occurred rather than the discovery of a change in costs as a result of conducting a new cost study.

Subp. 7. Department. "Department" means the Minnesota Department of Public Service.

Subp. 8. Effective competition. "Effective competition" exists when the commission determines that the criteria of Minnesota Statutes, section 237.59, subdivision 5, paragraphs (a) and (b), have been satisfied for a service.

Subp. 9. Embedded cost of capital. "Embedded cost of capital" means the weighted average cost of outstanding issues of long-term debt, short-term debt, and preferred stock in the capital structure, expressed as a sum of percentages. The sum of percentages is determined by multiplying the cost of each issue of long-term debt, short-term debt, or preferred stock by the ratio of the amount of that issue to the total amount of long-term debt, short-term debt, or preferred stock, respectively.

Subp. 10. Emerging competition. "Emerging competition" exists for services listed in Minnesota Statutes, section 237.59, subdivision 1. Emerging competition also exists when the commission determines that it exists under Minnesota Statutes, sections 237.57, subdivision 4, and 237.59, subdivisions 2 to 6.

Subp. 11. Final rates. "Final rates" means permanent rates ordered into effect by the commission under Minnesota Statutes, sections 237.075 and 237.081.

Subp. 12. Fiscal year. "Fiscal year" means the telephone company's accounting period of 12 successive calendar months. Fiscal year may be a calendar year beginning January 1 and ending December 31.

Subp. 13. General rate change. "General rate change" means a change in rates for which the telephone company's gross revenue requirement must be determined to evaluate the reasonableness of the change in rates under Minnesota Statutes, sections 237.075 and 237.081, subdivision 2, paragraph (b).

Subp. 14. Individually priced service. "Individually priced service" means a telephone service or service element priced on a unique or individual basis under Minnesota Statutes, sections 237.07 and 237.071.

Subp. 15. Interim rates. "Interim rates" means temporary rates ordered into effect by the commission under Minnesota Statutes, section 237.075, subdivision 3.

Subp. 16. **Jurisdictional.** "Jurisdictional" refers to those Minnesota operations of a telephone company that are subject to regulation by the commission under Minnesota Statutes, chapters 216, 216A, and 237.

Subp. 17. **Language change.** "Language change" means a miscellaneous tariff change under Minnesota Statutes, section 237.63, subdivision 2, or a price list change under Minnesota Statutes, section 237.60, paragraph (c), that changes the language describing the rate, price, term, or condition of a service that does not substantially alter the application of the tariff or price list.

Subp. 18. **Minnesota company.** "Minnesota company" refers to the Minnesota combined interstate and intrastate operations of a telephone company.

Subp. 19. **Miscellaneous tariff change.** "Miscellaneous tariff change" means a tariff change under Minnesota Statutes, section 237.63, which does not require a determination of the company's gross revenue requirement to evaluate the reasonableness of the proposed tariff change.

Subp. 20. **Noncompetitive service.** "Noncompetitive service" means a service not classified by Minnesota Statutes, section 237.59, subdivision 1, as subject to emerging competition or classified by commission order as subject to effective or emerging competition.

Subp. 21. **Present rates.** "Present rates" means the current commission-approved rates.

Subp. 22. **Previous fiscal year.** "Previous fiscal year" means the company's most recently completed fiscal year as of the filing date that has an ending date before the end of the proposed test year.

Subp. 23. **Price list.** "Price list" means a schedule filed with the commission and the department under Minnesota Statutes, section 237.07, and part 7810.8400, showing the company's rates, regulations, classifications of services, and practices observed for services subject to emerging competition.

Subp. 24. **Rate.** "Rate" means the amount of compensation, price, charge, toll, rental, or classification observed, charged, or collected for a service or element of service; and the rules, regulations, and practices that are subject to regulation by the commission under Minnesota Statutes, chapters 216, 216A, and 237.

Subp. 25. **Rate change or change in rates.** "Rate change" or "change in rates" means a change in the amount or the elimination of compensation, price, charge, toll, rental, or classification observed, charged, or collected for a service or element of service; a change in the rules, regulations, or practices; or the withdrawal of schedules incorporating those rates that are subject to regulation by the commission under Minnesota Statutes, chapters 216, 216A, and 237.

Subp. 26. **Rate element.** "Rate element" means a telephone service or component of telephone service for which there is a separate rate.

Subp. 27. **Tariff.** "Tariff" means a schedule filed with the department under Minnesota Statutes, section 237.07, and part 7810.8400, showing the company's rates, regulations, classifications of services, and practices observed for noncompetitive services.

Subp. 28. **Telephone company or company.** "Telephone company" or "company" means a telephone company as defined in Minnesota Statutes, section 237.01, subdivision 2.

Subp. 29. **Test year.** "Test year" means the period of 12 successive months used for evaluating a need for a change in rates.

Subp. 30. **Total company.** "Total company" means the interstate and intrastate telephone operations of a company in the states in which the company as a legal entity is entitled to operate.

Subp. 31. **Weighted cost of capital.** "Weighted cost of capital" means the total cost of capital, expressed as a sum of percentages, each of which is determined

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by multiplying each component's cost in the capital structure by the ratio of the amount of that component to the total capitalization of the telephone company.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8300 SCOPE.

Parts 7810.8100 to 7810.8940 apply to telephone companies regulated by the commission under Minnesota Statutes, chapters 216, 216A, and 237, and their regulated services.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

TARIFFS, PRICE LISTS, NEW SERVICES**7810.8400 TARIFFS AND PRICE LISTS.**

Subpart 1. Tariffs and price lists. A telephone company shall keep on file with the department its tariffs and price lists showing or referencing specific rates, tolls, rentals, and other charges for the services offered by it either alone or jointly and concurrently with other telephone companies. The tariffs or price lists must also include the regulations, classifications, practices, and limitations on liability of the telephone company. The tariffs and price lists must:

A. identify separately each telephone service and state, or by reference provide, the classifications, rates, charges, tolls, rules, regulations, and practices applicable to each service;

B. identify whether the service classification is subject to emerging competition; and

C. describe each service and the conditions that relate to each service.

Subp. 2. Individually priced services. A telephone company shall file with the department and the commission its:

A. contracts for individually priced noncompetitive services that are not subject to specific tariff provisions; and

B. statements of charges for individually priced emerging competitive services.

For purposes of this subpart, "statement of charges" means the unique customer identifier such as a letter of the alphabet or a number, but not the customer's name, the compensation received, a description of the services provided, and the duration of the service period for individually priced services.

Subp. 3. Proposed rates. Proposed rates, whether final or interim pending suspension and investigation by the commission, must be filed as new or revised pages to the tariff book or price list on file with the department and show the proposed effective dates. New or revised tariff or price list pages must be in a format consistent with the currently filed tariff or price list to allow comparison with the currently filed tariff or price list. A revised tariff or price list page must contain the revision number and the page number it is revising.

Subp. 4. Charges per unit. Rates for services must show the applicable charges in dollars and cents per unit.

Subp. 5. Tariffs and price lists no longer in effect. Tariffs and price lists remain in effect until superseded by tariffs and price lists subsequently filed, canceled, or withdrawn under the procedures in parts 7810.8100 to 7810.8940 or as ordered by the commission.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8500 NEW SERVICE OFFERINGS.

A telephone company shall file the following information with the department and the commission for each new service offering. The information must:

A. identify and describe separately each new telephone service and state separately the rates applicable to each;

B. include new or revised pages to the tariff book or price list, be in a format consistent with the currently filed tariff or price list, and a revised page must contain the revision number and the page number it is revising;

C. include information explaining the estimated impact on the company's revenues and expenses for noncompetitive services as a result of the new service offering; and

D. include an incremental cost-of-service study, or if allowed pursuant to Minnesota Statutes, section 237.60, subdivision 2, paragraph (h), a variable cost study, demonstrating that the rate for each new emerging competitive service offering is above incremental cost or, if allowed, variable cost.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

GENERAL RATE CHANGES**7810.8600 NOTICE.**

A notice of a general rate change must include:

A. a petition for a general rate change as prescribed in part 7810.8605;

B. the tariff and price list information as prescribed in part 7810.8400, subpart 1;

C. a list of the tariff and price list page numbers not affected by the proposed change;

D. the informational requirements in parts 7810.8610 to 7810.8690;

E. a proposed written notice of the proposed change in rates to the governing body of each municipality and county in the area affected and a list of those municipalities and counties; and

F. a proposed customer notice for interim rates and proposed final rates.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8605 PETITION.

A general rate change petition must include:

A. the legal name, address, and telephone number of the company and its designated contact person;

B. the name, address, and telephone number of the attorney if the company will be represented by an attorney;

C. the date of the filing, which is the date the commission receives the company's filing or the date designated by the company, whichever is later, and the proposed effective date of the proposed change in rates;

D. a statement of the purpose of the change in rates and a description of the proposed change in rates;

E. the signature and title of the telephone company officer or company representative authorizing the proposal;

F. the statutory authority, including subdivisions or paragraphs, for the proposed change;

G. an identification of the test year proposed by the telephone company with justification for the selection of the proposed test year;

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H. the effect of the proposed changes in rates expressed both as the total dollar change and the percentage change in the total jurisdictional revenue in the test year;

I. the effect of the proposed changes in rates expressed both as the total dollar change and the percentage change in the jurisdictional revenue in the test year for major categories of services for which the company is proposing a rate change; and

J. a jurisdictional financial summary schedule that complies with part 7810.8620, subpart 1.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8610 EXPERT TESTIMONY AND SUPPORTING EXHIBITS.

A general rate change notice must include expert testimony and exhibits in support of the telephone company's proposed general rate change. The testimony and exhibits must be presented by telephone company personnel or other expert witnesses as considered appropriate by the company. The company's chief executive officer or other company officer shall provide expert testimony in support of the proposed general rate change. Expert testimony must contain statements of fact, expert opinion, and explanations of the supporting exhibits. The expert testimony of a witness must be written in question and answer format. The preparer of the expert testimony or the person under whose supervision it was prepared must be identified. Each page of the expert testimony must be numbered sequentially. Each line of the expert testimony must also be numbered sequentially beginning with line one on each new page. Supporting exhibits must be consistent with the information required by parts 7810.6200 to 7810.6400 and 7810.8610 to 7810.8650. The company shall identify expert witnesses responsible for the information required by parts 7810.8610 to 7810.8650.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8615 TEST YEAR.

Subpart 1. General requirement; test period defined. A general rate change notice must include test year data used to establish proposed final rates for the test period. The telephone company shall submit testimony explaining why the test year is appropriate to the test period. The telephone company shall show whether it proposes a historical or projected test year.

For purposes of this part, "test period" means the period during which the rates based on the test year data are in effect.

Subp. 2. Historical test year. The proposed test year is a historical test year if the filed data include:

A. at least nine months of actual, historical jurisdictional test year data; and

B. a notice of the company's intention to update the data to 12 months of actual, historical jurisdictional test year data if less than 12 months of actual, historical jurisdictional data is provided.

The company shall file the data once and no later than 100 days after the original general rate change notice is filed.

Either an average or year-end rate base may be used. If a year-end rate base is selected, a year-end capital structure must be shown and the operating income statement must be adjusted to year-end levels. If an average rate base is selected, an average capital structure or a year-end capital structure may be shown.

Subp. 3. Projected test year. The proposed test year is a projected test year if the filed data include fewer than nine months of actual, historical jurisdictional data. A projected test year must start no later than the date the general rate change notice is filed.

For a projected test year, an average rate base and average capital structure must be used. An operating income statement must not be adjusted to a year-end level but may reflect known and measurable changes during the projected test year. The telephone company's average rate base and operating income statement for a projected test year must be based on the construction and operating budgets approved by the telephone company's officials, including approved changes, for the period encompassed by the projected test year.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8620 JURISDICTIONAL FINANCIAL SUMMARY SCHEDULE.

Subpart 1. Test year data. A general rate change notice must include a financial summary schedule for the test year. The financial summary schedule must be a one-page summary showing:

- A. the proposed rate base amount;
- B. the proposed rate of return;
- C. the proposed net operating income requirement;
- D. the net operating income under present rates; and
- E. the calculation of:
 - (1) the net operating income deficiency;
 - (2) the gross revenue deficiency;
 - (3) the gross revenue from present rates; and
 - (4) the gross revenue requirement.

Subp. 2. Previous fiscal year data. A general rate change notice must include a financial summary schedule for the previous fiscal year. The financial summary schedule of the previous fiscal year must be a one-page summary showing:

- A. the actual unadjusted average rate base consisting of the same components as the proposed test year rate base;
- B. the earned rate of return;
- C. the net operating income requirement;
- D. the unadjusted net operating income; and
- E. the calculation of:
 - (1) the net operating income deficiency;
 - (2) the gross revenue deficiency;
 - (3) the gross revenue from present rates; and
 - (4) the gross revenue requirement.

The operating income requirement must be calculated with the weighted cost of capital for the previous fiscal year as calculated in part 7810.8640, subpart 1, item B.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8625 RATE BASE SCHEDULES.

Subpart 1. Summary schedule. A general rate change notice must include summary schedules containing:

- A. the proposed jurisdictional rate base by major rate base component such as:

- (1) telephone plant in service, less accumulated depreciation reserve to show net investment in telephone plant in service;
- (2) cash working capital;
- (3) plant held for future use;
- (4) short-term telephone plant under construction;
- (5) materials and supplies; and
- (6) deductions for capital not supplied by investors, such as accumulated deferred income taxes, pre-1971 unamortized investment tax credits, and customer deposits; and

B. the unadjusted average jurisdictional rate base amounts for the previous fiscal year, for each major component.

Subp. 2. **Comparing rate base amounts.** A general rate change notice must include the following comparison schedules by detailed rate base component:

A. a schedule showing unadjusted total company, unadjusted Minnesota company, and unadjusted jurisdictional rate base amounts for the test year;

B. a schedule showing unadjusted jurisdictional amounts; Minnesota state borderline adjustments, if any; company proposed jurisdictional adjustments; and proposed jurisdictional rate base amounts for the test year; and

C. a schedule showing unadjusted total company, unadjusted Minnesota company, and unadjusted jurisdictional rate base amounts for the previous fiscal year.

Subp. 3. **Adjustments.** A general rate change notice must include schedules listing the proposed adjustments included in subpart 2. The schedules must reflect the title and amount of each proposed adjustment and show the rate base components affected by the adjustment.

Subp. 4. **Interstate and jurisdictional factors.** A general rate change notice must include a schedule by rate base component, showing the separation factors used in separating the jurisdictional amounts for the test year and the previous fiscal year from the unadjusted Minnesota company rate base amounts.

Subp. 5. **Competitive and noncompetitive services.** If a telephone company notifies the commission in writing under Minnesota Statutes, section 237.58, subdivision 1, of its decision to be subject to Minnesota Statutes, section 237.62, a general rate change notice must include a schedule that demonstrates the calculation of the rate base used by the company to calculate its revenue requirement according to Minnesota Statutes, section 237.62, subdivision 1 or 1a.

Subp. 6. **Assumptions and approaches.** If a projected test year is proposed, a general rate change notice must include a summary schedule, by major rate base component, of the assumptions made and approaches used in determining Minnesota company and jurisdictional average rate base for the test year.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8630 OPERATING INCOME SCHEDULES.

Subpart 1. **Categories; other filing requirements.** Operating income schedules must be included in each general rate change notice and must specify revenues, expenses, and taxes according to the categories shown in items A to D.

A. The schedules must show operating revenues in categories such as local network services, network access services, long-distance network services, and miscellaneous. Similar revenue categories are found in the Uniform System of Accounts Revised, Code of Federal Regulations, title 47, part 32, as amended through June 1, 1990.

B. The schedules must show operating expenses in categories such as

network support, general support, central office switching, central office transmission, information origination or termination, cable and wire facilities, network operations, customer services, executive and planning, and general and administrative. Similar expense categories are found in the Uniform System of Accounts Revised, Code of Federal Regulations, title 47, part 32, as amended through June 1, 1990. Operating expenses for the categories of depreciation, amortization, pension, and employee benefits must be shown in a separate supporting schedule.

C. The schedules must show operating taxes specifying current and deferred federal and state income taxes, net investment tax credits, property taxes, gross receipt taxes, and other operating taxes as applicable.

D. The schedules must show nonoperating expenses that show the related taxes for which the company seeks reimbursement.

Subp. 2. Summary schedules. A general rate change notice must include operating income summary schedules showing the proposed jurisdictional operating income statement for the test year under present rates and the unadjusted jurisdictional operating income statement for the previous fiscal year.

Subp. 3. Comparing operating income amounts. A general rate change notice must include the following comparison schedules by detailed operating income statement component:

A. a schedule showing unadjusted total company, unadjusted Minnesota company, and unadjusted jurisdictional operating income statement amounts for the test year;

B. a schedule showing unadjusted jurisdictional amounts; Minnesota state borderline adjustments, if any; company proposed jurisdictional adjustments; and proposed jurisdictional operating income statement amounts for the test year under present rates; and

C. a schedule showing unadjusted total company, unadjusted Minnesota company, and unadjusted jurisdictional operating income statement amounts for the previous fiscal year.

Subp. 4. Adjustments. A general rate change notice must include operating income schedules listing the proposed adjustments included in subpart 3. The schedules must reflect the title and amount of each proposed adjustment and show the operating income statement components affected by the adjustment.

Subp. 5. Interstate and jurisdictional separation factors. A general rate change notice must include a schedule by operating income statement element, showing the separation factors used in separating the jurisdictional amounts for the test year and previous fiscal year from the unadjusted Minnesota company operating income amounts.

Subp. 6. Competitive and noncompetitive services. If a telephone company notifies the commission in writing under Minnesota Statutes, section 237.58, subdivision 1, of its decision to be subject to Minnesota Statutes, section 237.62, a general rate change notice shall include a schedule that demonstrates the operating income used by the company to calculate its revenue requirement according to Minnesota Statutes, section 237.62, subdivision 1 or 1a.

Subp. 7. Gross receipts tax expense. A general rate change notice must include an operating income schedule showing the computation of Minnesota company and jurisdictional gross receipts tax expense for the test year and the previous fiscal year.

Subp. 8. Computation of taxes. Unless a telephone company is tax exempt, a general rate change notice must include an operating income schedule for the test year and previous fiscal year showing the computation of unadjusted total company, unadjusted Minnesota company, and unadjusted jurisdictional current and deferred federal and state income taxes and net investment tax credits.

Subp. 9. Tax rates detailed. Unless a telephone company is tax exempt, a general rate change notice must include a detailed schedule showing the develop-

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ment of the combined federal and state tax rates used for the tax computation under subpart 8.

Subp. 10. **Assumptions and approaches.** If a projected test year is proposed, a general rate change notice must include a schedule summarizing the assumptions made and the approaches used in projecting each major element of the Minnesota company and jurisdictional operating income statement for the test year.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8635 SUPPLEMENTAL FINANCIAL INFORMATION.

Subpart 1. **General requirement.** A general rate change notice must include the supplemental financial information described in subparts 2 to 8.

Subp. 2. **Workpapers.** The company shall file workpapers that show how the test year rate base and income statement components and adjustments have been determined. The workpapers must include:

A. supporting data and calculations showing the development of the unadjusted jurisdictional test year amounts for the rate base and operating income statement;

B. supporting data and calculations showing the development of each test year adjustment and the proposed jurisdictional test year amounts for the rate base and operating income statement;

C. supporting calculations showing the development of the revenue requirement under Minnesota Statutes, section 237.62, subdivision 1 or 1a, including a detailed description of the methods used to prepare cost studies, to separate costs, and to make the appropriate allocations.

The workpapers described in items A to C must be filed with the commission, the department, and the attorney general's office, in quantities established by the agencies, and supplied to other parties on request.

Subp. 3. **Advertising.** The company shall file a schedule describing advertising categories and showing the Minnesota company and jurisdictional dollar amounts of advertising expense during the test year for each category in which the telephone company seeks reimbursement. For each category, the telephone company shall also provide sample ads. The company shall not seek reimbursement for institutional advertising under Minnesota Statutes, section 237.075, subdivision 7. Institutional advertising expenses are costs incurred by a telephone company to promote good will for the telephone company or improve the company's public image.

Subp. 4. **Dues.** The company shall file a schedule listing dues by organization that the telephone company seeks to recover showing the Minnesota company and the corresponding jurisdictional dollar amount of dues for the test year.

Subp. 5. **Charitable contributions.** The company shall file a schedule of charitable contributions made or to be made by the telephone company during the test year for which the company seeks reimbursement. The schedule must show the recipient, the Minnesota company amount, the jurisdictional amount, and the amount for which the telephone company seeks reimbursement. The company shall also provide testimony and evidence that the contribution is prudent and complies with Minnesota Statutes, section 290.21, subdivision 3, clause (b) or (e). Charitable contributions include in-kind contributions such as donated employee time and other noncash contributions.

Subp. 6. **Schedules.** A telephone company shall file:

A. a schedule showing the development of the gross revenue conversion factor; and

B. its annual report to stockholders and the consolidated parent corporation's annual report to stockholders for the latest available fiscal year.

For purposes of this subpart, "gross revenue conversion factor" means the multiplier used to calculate gross revenue required to generate an additional dollar of net operating income before interest and after taxes.

Subp. 7. Jurisdictional information. If the telephone company has services or activities that are regulated by the commission, but have been deregulated by the Federal Communications Commission, the company shall identify and explain the impact of those revenues, expenses, and investments for those services and activities on the jurisdictional rate base and operating income statement for the proposed test year.

Subp. 8. Affiliated interest transactions. The telephone company shall file a schedule showing amounts of affiliated interest transactions for the previous fiscal year and the test year. The schedule must show:

A. the total amount of affiliated interest transactions for each affiliate for total company and Minnesota jurisdiction;

B. the total jurisdictional amount of recurring transactions for each affiliate along with a description of the recurring transactions and the method used to value the transactions; and

C. a list and description of nonrecurring transactions greater than one-half percent of gross jurisdictional revenue totaled by affiliate.

Affiliated transactions must be recorded and valued according to the Uniform System of Accounts Revised, Code of Federal Regulations, title 47, part 32, as amended through June 1, 1990, which is adopted by reference.

For purposes of this subpart, "affiliated interest transaction" means a contract or arrangement providing for managerial, supervisory, construction, engineering, accounting, legal, or financial services; buying, selling, leasing, or exchanging property or a right or thing; or providing a service, property, right, or thing to an affiliated interest as defined in Minnesota Statutes, section 216B.48, subdivision 1.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8640 RATE OF RETURN, COST OF CAPITAL SCHEDULES.

Subpart 1. Showing calculations. Schedules of rate of return and cost of capital must be filed with a general rate change notice and show the calculation of:

A. the proposed weighted cost of capital based on the proposed test year capital structure and proposed costs of short-term debt, long-term debt, preferred stock, and common equity; and

B. the weighted cost of capital based on the actual capital structure; the actual embedded costs of short-term debt, long-term debt, and preferred stock for the previous fiscal year; and, the rate of return on equity authorized by the commission in the telephone company's last general rate change proceeding.

Subp. 2. Supporting schedules. A general rate change notice must include schedules that:

A. list outstanding issues and show the calculation of embedded costs of long-term debt and preferred stock for the test year and the previous fiscal year; and

B. show the calculation of and assumptions used to derive the amount and cost of short-term debt for the test year and the previous fiscal year.

Subp. 3. Historical test year cost of capital schedule. If a historical test year is proposed and the proposed test year capital structure or embedded costs of debt and preferred stock differ from the actuals for the test year, a general rate change notice must include a schedule showing adjustments used to arrive at the proposed capital structure or embedded costs of debt and preferred stock.

Subp. 4. **Projected test year cost of capital schedule.** If a projected test year is proposed, a general rate change notice must include a schedule summarizing the assumptions made and approaches used in developing the proposed average capital structure for the test year and the proposed costs of the components of that capital structure.

Subp. 5. **Consolidated and unconsolidated parent corporation schedules.** A general rate change notice must include schedules showing the capital structure, weighted cost of capital, and costs of short-term debt, long-term debt, preferred stock, and common equity of the consolidated parent corporation and the unconsolidated parent corporation for both the test year and the previous fiscal year separately.

Subp. 6. **Embedded costs outstanding for part of year.** Long-term debt, short-term debt, or preferred stock outstanding for part of a year must be reflected if an average capital structure is used.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8645 RATE STRUCTURE AND RATE DESIGN INFORMATION.

Subpart 1. **General requirement.** The information about rate structure and design in subparts 2 and 3 must be filed with each general rate change notice.

Subp. 2. **Rate design, allocation schedules, and test year data.** A general rate change notice must include a schedule showing the test year revenue-producing units, present rates, proposed rates, present revenue, and proposed revenue for each existing and proposed rate element of all services. The schedule must include subtotals for each major category of revenue, such as local network service, network access, long-distance network service, and extended area service.

Subp. 3. **Supporting workpapers.** A general rate change notice must include an embedded direct cost study and an incremental cost study for each proposed rate change for those services that generate revenues in excess of the greater of either \$100,000 or one-tenth of one percent of the company's annual gross revenue for the test year period. The embedded direct cost study and incremental cost study must identify the procedures and underlying reasons for cost and revenue allocations. The company shall explain why the proposed method is appropriate for ratemaking purposes. The form, content, and level of detail of any cost study required by this subpart must reflect the relative size of the company's intrastate operations in Minnesota and the amount of revenues it receives from the services for which cost studies are required.

The workpapers must be filed with the commission, the department, and the attorney general's office, in quantities established by the agencies, and supplied to other parties on request.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

NOTE EFFECTIVE DATE, TRANSITIONAL PROVISIONS

Subpart 1 Part 7810 8645, subpart 3, is effective on October 6, 1993

Subp 2 For a general rate change petition filed before October 6, 1993, the only cost studies the company may be required to file with the commission under part 7810 8645, subpart 3, are any cost studies it may be required to perform under Part 36 of Rules of the Federal Communications Commission or any replacement part

Subp 3 The work papers provided pursuant to subpart 2 of this note must be filed with the commission, the department, and the attorney general's office in quantities established by the agencies, and provided to other parties on request

7810.8650 ADDITIONAL INFORMATION.

Subpart 1. **General requirement.** The additional information described in subparts 2 and 3 must be filed with each general rate change notice.

Subp. 2. **Information as ordered.** The company shall file information required

by the commission's most recent general rate change or other applicable orders for that company.

Subp. 3. Additional information. On or after review of a telephone company's notice of a change in rates or tariff and within a reasonable time as it may determine, the commission may require a company to provide additional information to supplement the information required by parts 7810.8610 to 7810.8650. A telephone company may include in its filing additional information not required by parts 7810.8100 to 7810.8940.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

INTERIM RATE CHANGES

7810.8655 NOTICE.

An interim rate change notice must include:

- A. an interim rate petition as prescribed in part 7810.8660;
- B. tariff and price list information as prescribed in part 7810.8400, subpart 1;
- C. the informational requirements in parts 7810.8665 to 7810.8690; and
- D. supporting workpapers showing the development of the interim rate exhibits and proposed interim rates.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8660 PETITION.

An interim rate petition must include:

- A. the legal name, address, and telephone number of the company and its designated contact person;
- B. the name, address, and telephone number of the attorney if the company will be represented by an attorney;
- C. the date of the filing, which is the date the commission receives the company's filing or the date designated by the company, whichever is later, and the proposed effective date of the proposed interim rate change;
- D. the statutory authority, including subdivisions or paragraphs, for the proposed interim rate change;
- E. a statement of the purpose of the change in rates and a description of the proposed change in rates;
- F. the signature and title of the telephone company officer or company representative authorizing the proposal;
- G. an identification of the test year proposed by the telephone company with justification for the selection of the proposed test year;
- H. the effect of the proposed interim rate change expressed both as the total dollar change and the percentage change in the total jurisdictional revenue in the test year;
- I. the effect of the proposed interim changes in rates expressed both as the total dollar change and the percentage change in the jurisdictional revenue in the test year for major categories of services for which the company is proposing a rate change; and
- J. a jurisdictional financial summary schedule that complies with part 7810.8685.

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Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075, 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8665 EXPERT TESTIMONY AND SUPPORTING EXHIBITS.

A notice of proposed interim rates must include exhibits, written statements of fact, expert opinion, and explanations of the exhibits in support of the telephone company's proposed interim rates. The written statements, opinions, and explanations must be in either a question and answer format or a descriptive narrative, and must identify the preparer or the person under whose supervision they were prepared. Interim rate notices and supporting exhibits must comply with Minnesota Statutes, section 237.075, subdivision 3, and parts 7810.6200 to 7810.6400.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8670 RATE BASE SCHEDULES.

Subpart 1. Schedule. The interim rate exhibits must include a schedule showing the development of the proposed jurisdictional rate base for interim rates that has incorporated the applicable rate base adjustments or components allowed or required by the commission in the telephone company's most recent general rate change proceedings.

Subp. 2. Written explanation. An accompanying written explanation must cite each rate base issue determined by the commission in the most recent general rate change proceeding, where it appears in the commission's order, and the adjustment the telephone company has made for the issues cited from the commission order. If an adjustment is not made for an issue, the explanation must state the reason why an adjustment is not required.

Subp. 3. Comparison schedule and explanation. A schedule comparing the following amounts must be included:

A. the rate base approved by the commission in the telephone company's most recent general rate change proceeding;

B. the unadjusted rate base for the most recent fiscal year for which actual data are available before the test year; and

C. the proposed test year rate base for interim rates.

The company shall explain significant changes in dollar amounts for each comparison.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8675 OPERATING INCOME SCHEDULE.

Subpart 1. Schedule. The interim rate exhibits must include a schedule showing the development of the proposed jurisdictional operating income statement under present rates that reflects that the test year interim operating income statement has incorporated the applicable operating income statement adjustments or components allowed or required by the commission in the telephone company's most recent general rate change proceeding.

Subp. 2. Written explanation. An accompanying written explanation must also cite each operating income statement issue determined by the commission in the most recent general rate change proceeding, where it appears in the commission's order, and the adjustment the telephone company has made for each issue. If an adjustment is not made for an issue, the explanation must state the reason why an adjustment is not required.

Subp. 3. Comparison schedule and explanation. A schedule must be included comparing the following amounts:

A. the operating income statement under rates approved by the commission in the telephone company's most recent general rate change proceeding;

B. the corresponding operating income statement for the most recent fiscal year for which actual data is available before the test year; and

C. the proposed test year operating income statement for interim rates.

The company shall explain significant changes in dollar amounts for each comparison.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8680 CAPITAL STRUCTURE AND RATE OF RETURN.

The interim rate exhibits must include a schedule showing the capital structure and rate of return calculation approved by the commission in the telephone company's most recent general rate change proceeding. The interim rate of return calculation must be based on the proposed test year capital structure and test year capital costs, except that the company must use the cost of equity that was allowed by the commission in the company's most recent general rate change proceeding or the company's proposed return on equity, whichever is lower. The schedule must include an explanation of the changes in dollar amounts of the telephone company's most recent general rate change proceeding capital structure and the proposed test year capital structure. In the case of a company that has not been subject to a commission determination or has not had a general rate adjustment in the preceding three years, the company must use the cost of equity that was allowed by the commission in its most recent determination concerning a similar company.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8685 JURISDICTIONAL FINANCIAL SUMMARY SCHEDULE.

An interim rate change petition must include a financial summary schedule for the test year. The financial summary schedule must be a one-page summary showing:

- A. the proposed interim rate base amount;
- B. the proposed interim rate of return;
- C. the proposed interim net operating income requirement;
- D. the interim net operating income under present rates; and
- E. the calculation of:
 - (1) the interim net operating income deficiency;
 - (2) the interim gross revenue deficiency;
 - (3) the interim gross revenue from present rates; and
 - (4) the interim gross revenue requirement.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8690 RATE DESIGN.

The interim rate exhibits must include a schedule showing the test year revenue-producing unit, present rate, proposed interim rate, present revenue, and proposed interim revenue for each existing and proposed interim rate element

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of each service. The schedule must include subtotals for each major category of revenue such as local network service, network access, long-distance network service, and extended area service.

The telephone company shall provide a written explanation of proposed interim rates that are not the result of increasing the existing rate by the average percentage increase in interim revenues. The explanation must show exigent circumstances or existence of competing products or services offered by a non-regulated competitor.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

OTHER RATE OR TARIFF CHANGES**7810.8700 OTHER RATE CHANGE NOTICE.**

A notice for a rate change other than a general rate change must include:

- A. a petition as prescribed in part 7810.8705;
- B. tariff and price list information prescribed in part 7810.8400; and
- C. the informational requirements in the applicable part of parts 7810.8710 to 7810.8760.

Statutory Authority: *MS s 216A.05, 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8705 OTHER RATE CHANGE PETITION.

A petition for a change in rates other than a general rate change must include:

- A. the legal name, address, and telephone number of the company and its designated contact person;
- B. the name, address, and telephone number of the attorney if the company will be represented by an attorney;
- C. the date of the filing, which is the date the commission receives the company's filing or the date designated by the company, whichever is later, and the proposed effective date of the proposed change in rates;
- D. the statutory authority, including subdivisions or paragraphs, for the proposed change and a statement that the proposed change is for example a miscellaneous tariff change such as a cost increase rate change or an emerging competitive service rate decrease;
- E. a statement of the purpose of the change in rates and a description of the proposed change in rates; and
- F. the signature and title of the telephone company officer or company representative authorizing the proposal.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8710 MISCELLANEOUS TARIFF CHANGE.

In addition to the notice requirements in part 7810.8700, a notice for a miscellaneous tariff change under Minnesota Statutes, section 237.63, must include:

- A. a statement of the proposed change in rates;
- B. statements of fact, expert opinions, substantiating documents, and exhibits supporting the change requested;
- C. the date when the new rates will go into effect;
- D. a statement that explains with particularity how the tariff will be changed and why;

- E. whether the proposed change is a rate increase or a decrease;
- F. the annual revenue impact; and
- G. the impact on affected customers.

The written statements, opinions, and explanations under item B must be in a question and answer format or a descriptive narrative, and must identify the preparer or the person under whose supervision they were prepared.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8715 NONCOMPETITIVE SERVICE; LANGUAGE CHANGE.

In addition to the notice requirements of part 7810.8700, a notice for a language change under Minnesota Statutes, section 237.63, subdivision 2, must include an explanation of why the proposed change does not substantially alter the application of the tariff.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8720 NONCOMPETITIVE SERVICE; COST INCREASE.

In addition to the notice requirements in part 7810.8700, a notice for a cost increase rate change under Minnesota Statutes, section 237.63, subdivision 3, must include:

A. data demonstrating that an actual change in costs for the service has occurred since the last proceeding under Minnesota Statutes, section 237.075; and

B. the dollar and percentage change in total jurisdictional annual revenues resulting from the proposed change.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8725 NONCOMPETITIVE SERVICE; RATE REDUCTION.

In addition to the notice requirements of part 7810.8700, a notice for a rate reduction under Minnesota Statutes, section 237.63, subdivision 4, must include data showing the relationship between proposed rates and the costs of providing the service.

For purposes of this part, "rate reduction" means a miscellaneous tariff change under Minnesota Statutes, section 237.63, subdivision 4, to reduce the rates for one or more noncompetitive services.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8730 NONCOMPETITIVE SERVICE; SIGNIFICANT CHANGE IN CONDITION OF SERVICE.

In addition to the notice requirements in part 7810.8700, a notice for a significant change in condition of service under Minnesota Statutes, section 237.63, subdivision 4a, must include information demonstrating that the application of the tariff is substantially changed but that the rate is not changed.

For purposes of this part, "significant change in condition of service" means a miscellaneous tariff change under Minnesota Statutes, section 237.63, subdivision 4a, to change the terms or conditions of service in a way that substantially alters the application of the tariff. Significant change in condition of service does not include a rate change.

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Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8735 INDIVIDUALLY PRICED NONCOMPETITIVE SERVICE.

In addition to the notice requirements in part 7810.8700, a notice for individually priced noncompetitive service under Minnesota Statutes, sections 237.07 and 237.071, must include:

A. data demonstrating that differences in the cost of providing a service or service element justifies a different rate for a particular customer or group of customers;

B. an identification of the affected customer or customer groups; and

C. the estimated revenue impact on the company.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

EMERGING COMPETITIVE SERVICES**7810.8740 RATE INCREASE OR DECREASE.**

In addition to the notice requirements in part 7810.8700, a notice for a rate increase under Minnesota Statutes, section 237.60, subdivision 2, paragraph (b), and a rate decrease under Minnesota Statutes, section 237.60, subdivision 2, paragraph (a), must include:

A. a statement concerning whether the proposed change is an increase or decrease;

B. an incremental cost-of-service study, or if allowed pursuant to Minnesota Statutes, section 237.60, subdivision 2, paragraph (h), a variable cost study, demonstrating that the proposed rate is above incremental cost or, if allowed, variable cost;

C. a copy of the notice to customers for a rate increase; and

D. the dollar and percentage change in total jurisdictional annual revenues resulting from the proposed price list change.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8745 LANGUAGE CHANGE.

In addition to the notice requirements in part 7810.8700, a notice for a language change under Minnesota Statutes, section 237.60, subdivision 2, paragraph (c), must include an explanation on why the proposed change does not substantially alter the application of the price list.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8750 SUBSTANTIAL CHANGE IN APPLICATION OF PRICE LIST.

In addition to the notice requirements in part 7810.8700, a notice for a substantial change in application of price list under Minnesota Statutes, section 237.60, subdivision 2, paragraph (d), must include:

A. information demonstrating that the application of the price list is substantially changed but that the rate is not changed; and

B. the dollar and percentage change in total jurisdictional annual revenues resulting from the proposed price list change.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8755 NEW PRICING PLAN.

In addition to the notice requirements in part 7810.8700, a notice for a new pricing plan under Minnesota Statutes, section 237.60, subdivision 2, paragraph (e), must include:

- A. an identification of the rate elements being combined;
- B. an explanation of the change in the definition of the rate elements;
- C. the increases and decreases in price for the rate elements;
- D. the dollar and percentage change in total jurisdictional annual revenues resulting from the proposed price list change; and
- E. an incremental cost-of-service study or, if allowed pursuant to Minnesota Statutes, section 237.60, subdivision 2, paragraph (h), a variable cost study, demonstrating that the proposed pricing plan is above incremental cost or, if allowed, variable cost.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8760 INDIVIDUALLY PRICED EMERGING COMPETITIVE SERVICE.

In addition to the notice requirements in part 7810.8700, a notice for individually priced emerging competitive service under Minnesota Statutes, sections 237.07 and 237.071, must include:

- A. data demonstrating that a uniform price should not be required because of market conditions or costs differences;
- B. an identification of the targeted customer or customer groups; and
- C. the estimated revenue impact on the company.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

COMPETITIVE SERVICES

7810.8800 ELECTION.

Subpart 1. Conditions for election. If a telephone company elects to have its services subject to regulation as competitive services, it must file with the commission a written notice of its decision under Minnesota Statutes, section 237.58.

Subp. 2. Notice requirements. A notice of election must be in letter form, addressed to the executive secretary of the commission, and must include a list of the services provided or to be provided by the telephone company as subject to competition together with the price lists used in providing the services. Revised tariff pages reflecting changes as a result of the classification as competitive services must be included in the notice. The price lists and tariff pages must conform to part 7810.8400.

Subp. 3. Service of notice. A copy of the notice of election must be served on the department and the attorney general's office.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

RECLASSIFICATION

7810.8805 SERVICE SUBJECT TO EMERGING COMPETITION.

Subpart 1. General requirement to file petition. A petition to classify a non-

competitive service as subject to emerging competition must be filed under this part.

Subp. 2. Petition information. A petition to have a service classified as subject to emerging competition must include:

A. a list of known alternative providers of the service available to the company's customers, the providers' affiliations with other providers, and their sizes, if known;

B. the extent to which services are available from alternative providers in the relevant market, including identification of barriers to entry or exit from the market for the service;

C. the ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms, and conditions of service;

D. an estimate of the company's current market share;

E. an assessment of the ability of the market to hold prices close to cost and other economic measures of market power;

F. an assessment of the necessity of the service to the well-being of the customer;

G. a request either for an expedited hearing or a contested case hearing;

H. a statement addressing the need for and means of providing notice to affected customers;

I. an assessment of whether alternative services are available to over 20 percent of the company's customers for that service; and

J. if required by Minnesota Statutes, section 237.07, a proposed price list for the service containing the rates, tolls, and charges for the service together with the rules, regulations, and classifications used in providing that service.

Subp. 3. Service of petition. A copy of the petition must be served on the department, the attorney general's office, and any other person designated by the commission.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8810 SERVICE SUBJECT TO EFFECTIVE COMPETITION.

Subpart 1. General requirement to file petition. A petition to classify a service as subject to effective competition must be filed under this part.

Subp. 2. Petition information. A petition to classify a service as subject to effective competition must include the requirements of part 7810.8805, subpart 2, items A to H, and in addition must include:

A. a list of the schedules to be canceled or withdrawn if the commission grants the petition; and

B. an assessment of whether alternative services are available to over 50 percent of the company's customers for that service.

Subp. 3. Service of petition. A copy of the petition must be served on the department, the attorney general's office, and any other person designated by the commission.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8815 NONCOMPETITIVE SERVICE.

Subpart 1. Reclassification authority and initiation. A service of a telephone company that has been classified as subject to emerging competition or effective

competition will keep its competitive classification until the commission, on its own motion, or on complaint, reclassifies the service as noncompetitive or subject to emerging competition.

Subp. 2. Information from complainant. A person who files a complaint requesting reinstatement of regulation for a particular service shall file either:

A. an explanation of why the competitive market for the service has failed so that rate regulation is necessary to protect the consumers applying the criteria in Minnesota Statutes, section 237.59, subdivision 5, and a discussion of the alternatives to rate regulation and the benefits versus the burdens of rate regulation; or

B. information that unreasonable discrimination has occurred among different areas of the state.

Subp. 3. Information from company. If the proceeding to reclassify is initiated by the commission on its own motion, or when the complaint is filed by the department or the attorney general's office, the company shall file in its answer either:

A. the information listed in part 7810.8805, subpart 2, items A to F and I, if the service is classified as subject to emerging competition; or

B. the information listed in part 7810.8810, subpart 2, if the service is classified as subject to effective competition.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

INCENTIVE PLANS

7810.8900 REQUIREMENTS, GENERALLY.

Subpart 1. Petition for approval. A telephone company whose general revenue requirement is determined under Minnesota Statutes, section 237.075, and that elects to be subject to regulation under Minnesota Statutes, section 237.58, may file a petition with the commission for approval of an incentive plan under Minnesota Statutes, section 237.625.

Subp. 2. Scope. The filing requirements of this part and parts 7810.8905 to 7810.8940 are minimum requirements. A telephone company may file, and the commission may consider, additional information to determine whether to approve, reject, or change a proposed incentive plan and to determine whether the commission has substantial reason to believe that existing rates are inappropriate.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8905 PETITION.

An incentive plan petition must include:

A. the legal name, address, and telephone number of the company and its designated contact person;

B. if the company will be represented by an attorney, the name, address, and telephone number of the attorney;

C. the date of the filing, which is the date the commission receives the company's filing or the date designated by the company, whichever is later;

D. the proposed effective date of the incentive plan;

E. the proposed duration of the incentive plan;

F. the signature and title of the company officer or representative authorizing the petition;

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G. a brief narrative explaining why a general rate change proceeding is or is not appropriate;

H. an explanation of whether and, if so, how the proposed incentive plan will benefit the company's customers;

I. an explanation of how the proposed incentive plan will allow the company to maintain or improve the quality of its service;

J. the proposed notice of the proposed incentive plan to the company's customers; and

K. the informational requirements in parts 7810.8910 to 7810.8940.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8910 RATE BASE SCHEDULES.

Subpart 1. **Comparison schedule.** The incentive plan petition must include a schedule comparing the following jurisdictional amounts:

A. the rate base approved by the commission in the company's most recent general rate change proceeding; and

B. the corresponding rate base for the most recent fiscal year. The corresponding rate base must incorporate the applicable rate base adjustments and components allowed or required by the commission in the company's most recent general rate change proceeding.

Subp. 2. **Explanation.** An accompanying written explanation must cite each rate base issue determined by the commission in the most recent general rate change proceeding, where it appears in the commission's order, and the adjustment the company has made for each issue. If an adjustment is not made for an issue, the explanation must state the reason why an adjustment is not required.

The company shall explain significant changes in dollar amounts for the comparison schedule.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8915 OPERATING INCOME STATEMENT.

The incentive plan petition must include a schedule comparing the following jurisdictional amounts:

A. the operating income statement approved by the commission in the company's most recent general rate change proceeding; and

B. the corresponding operating income statement for the most recent fiscal year. The corresponding operating income statement must incorporate the applicable operating income statement adjustments and components allowed or required by the commission in the company's most recent general rate change proceeding.

An accompanying written explanation must cite each operating income statement issue determined by the commission in the most recent general rate change proceeding, where it appears in the commission's order, and the adjustment the company has made for each issue. If an adjustment is not made for an issue, the explanation must state the reason why an adjustment is not required.

The company shall explain significant changes in dollar amounts for the comparison schedule.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8920 RATE OF RETURN.

The incentive plan petition must include a schedule comparing the following amounts:

A. the rate of return approved by the commission in the company's most recent general rate change proceeding, including the capital structure, the cost of short-term debt, the cost of long-term debt, the cost of preferred stock, and the return on common equity;

B. the realized rate of return for the most recent fiscal year, including the capital structure, the cost of short-term debt, the cost of long-term debt, the cost of preferred stock, and the realized return on common equity; and

C. the required rate of return for the most recent fiscal year, including the capital structure, the cost of short-term debt, the cost of long-term debt, the cost of preferred stock, and the required return on common equity. The company shall explain how it developed the required rate of return.

The company shall explain significant changes in dollar amounts and costs included in the comparison schedule.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8925 REVENUE DEFICIENCY OR SURPLUS.

The incentive plan petition must include a schedule comparing the revenue deficiency or surplus amounts calculated by using the following:

A. the rate base, operating income statement, and rate of return approved by the commission in the company's most recent general rate change proceeding;

B. the corresponding rate base, operating income statement, and realized rate of return for the most recent fiscal year; and

C. the corresponding rate base, operating income statement, and required rate of return for the most recent fiscal year.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8930 FINANCIAL MARKET SCHEDULE.

The incentive plan petition must include a schedule showing 12 months of prime interest rates, or 12 months of treasury bill rates, or other financial market indicators, during the following periods:

A. the test year used as the basis for determining the company's revenue requirements in the most recent general rate change proceeding; and

B. the company's most recent fiscal year.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8935 OPERATING EFFICIENCY.

The incentive plan petition must include the following:

A. an explanation of how the proposed incentive plan will provide an incentive to the company to improve its operating efficiency;

B. a projection of which operations the company expects to become more efficient as a result of the proposed incentive plan; and

C. an explanation of why the operations identified in item B cannot be improved without the proposed incentive plan.

7810.8935 TELEPHONE UTILITIES

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Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*

7810.8940 SHARED EARNINGS.

The incentive plan petition must include the terms and conditions of the company's proposal to share its increased earnings with its customers. The petition must also include:

- A. an explanation of how increased earnings will be shared;
- B. a statement showing whether increased earnings will be shared by giving customers credits against bills or by lowering rates;
- C. an assessment of the risks borne by the company and those borne by its customers;
- D. an explanation of how increased earnings will be measured by the company and periodically reported to the commission; and
- E. a description of proposed pass-through of cost increases and decreases.

Statutory Authority: *MS s 216A.05; 237.06; 237.07; 237.075; 237.10; 237.57 to 237.64*

History: *16 SR 2163*