

# STATE OF INDIANA



INDIANA UTILITY REGULATORY COMMISSION  
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IN THE MATTER OF THE INVESTIGATION )  
ON THE COMMISSION'S OWN MOTION, UNDER )  
INDIANA CODE § 8-1-2-72, INTO ANY AND ALL )  
MATTERS RELATING TO THE COMMISSION'S )  
MIRRORING POLICY ARTICULATED IN )  
CAUSE NO. 40785 AND THE EFFECT OF THE )  
FCC'S MAG ORDER ON SUCH POLICY, )  
ACCESS CHARGE REFORM, UNIVERSAL )  
SERVICE REFORM, AND HIGH COST OR )  
UNIVERSAL SERVICE FUNDING )  
MECHANISMS RELATIVE TO TELEPHONE )  
AND TELECOMMUNICATIONS SERVICES )  
WITHIN THE STATE OF INDIANA )

**FILED**

**APR 29 2002**

INDIANA UTILITY REGULATORY COMMISSION

CAUSE NO. 42144

You are hereby notified that on this date the Indiana Utility Regulatory Commission ("Commission") has caused the following entry to be made:

On April 11, 2002, Clay County Rural Telephone Cooperative, Inc., Smithville Telephone Company, Inc., Northwestern Indiana Telephone Company, Inc., Indiana Exchange Carrier Association, Inc., ("INECA") on behalf of certain of its members, AT&T Communications of Indiana G.P. and TCG Indianapolis (collectively "AT&T"), Sprint Communications Company, L.P. and United Telephone Company of Indiana, Inc., d/b/a Sprint (collectively "Sprint"), and Indiana Bell Telephone Company Incorporated d/b/a Ameritech Indiana (collectively the "Settling Parties") submitted a Settlement Agreement ("Settlement Agreement") that resolves Phase I of Cause No. 42144, along with prefiled testimony in support of the Settlement Agreement provided by Ms. Cate Hegstrom and Mr. Don Johnson. On April 25, 2002, AT&T filed the Revised Direct Testimony of Cate Hegstrom in this Cause.

The Presiding Officers have reviewed the Settlement Agreement and the supporting testimony and have identified several issues that should be addressed by the Settling Parties.

### General Issues

1. While the Settlement Agreement explains the formula for the Settlement, it does not contain actual figures. In addition, the Settlement Agreement does not contain a breakdown of the specific elements that increased or decreased for each

- company. In addition, the Settlement Agreement does not include a company-by-company calculation of Steps 1 and 2 Revenue Loss, Intrastate SLC Capped Increase, Residual Revenue Loss, and the CCL additive outlined in the Settlement Agreement in Sections 3.A and 3.B.<sup>1</sup> Therefore, the Presiding Officers are unable to determine the impact of the MAG Plan on each company's rate-of-return.
2. On page 2, lines 10-12 of Ms. Hegstrom's testimony she states that the Settlement Agreement is revenue neutral. However, the Settlement Agreement does not include each company's authorized rate-of-return and its current rate-of-return for 2000 or 2001, and does not contain an analysis that demonstrates that upon approval of the Settlement Agreement, companies under traditional rate-of-return regulation will be earning a rate-of-return equal to their authorized rate-of-return.
  3. The Settlement Agreement does not differentiate between companies within the Commission's jurisdiction and companies that have left the Commission's jurisdiction, and does not explain why the terms of the Settlement Agreement should be applied equally to all of the Settling Parties, regardless of their regulatory status with the Commission.
  4. The Settlement Agreement does not indicate which of the Settling Parties have recently distributed dividends, or patronage capital credits, to their members; the amounts of any credits or dividends and the years paid; and, does not discuss why it would be in the public interest to allow a company that has recently distributed dividends or patronage capital credits to increase the SLC and implement a Common Carrier Line ("CCL") Additive.
  5. On pages 7 and 8 of Cate Hegstrom's Supplemental Direct Testimony, she indicates that an analysis must still be performed as to issues of affordability and rate comparability of universal service. However, the Settlement Agreement does not include an indication as to whether issues of affordability and comparability were examined during Phase I of this proceeding.
  6. The FCC's MAG Order sets forth the opportunity for LECs to establish new local switching and transport rate elements (a flat charge for dedicated trunk port costs; a flat charge for the costs of DS1/voice grade multiplexers associated with terminating dedicated trunks at analog switches; and a per-minute charge for shared trunk ports and any associated DS1/voice grade multiplexer costs) as proposed in the 1998 Notice. These rate structures are similar to those modifications previously implemented for price cap carriers and foster more efficient pricing. The Settlement Agreement fails to indicate whether the Settling Parties have considered this opportunity to recover additional costs in lieu of a CCL additive.

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<sup>1</sup> The Settlement Agreement should include workpaper detail for all parts of the calculations, and should include a breakdown of all access charge elements and the rates associated with each.

7. The Settlement Agreement does not discuss the possible impact of the FCC's suspension of NECA's tariffed rates associated with its common line pool on January 30, 2002 in proceeding DA 01-3023.
8. The Settlement Agreement and supporting testimony does not explain why the Settling Parties believe that it would be in the public interest for the Commission to approve a Settlement Agreement that ties a set of specific events from Phase I of the instant proceeding (i.e., CCL additive decrease and SLC rate increases) to a final Commission order resolving issues in Phase II of this proceeding.<sup>2</sup>

#### **Subscriber Line Charge ("SLC") Issues**

1. The terms of the Settlement Agreement contemplate an increase in the Subscriber Line Charge ("SLC") but do not indicate how customers are to be notified about the increase. The Settlement Agreement should include the manner in which notice would be provided to customers if intrastate SLC changes increase.
2. The Settlement Agreement does not indicate how the Settling Parties propose to handle new tariff filings to reflect increased SLC rates and the proposed CCL additive and does not discuss whether the increase in the SLC affects customers who do not pre-subscribe to a toll carrier.
3. Please explain if it is possible for a LEC to forego implementing any portion of the Step 1 Intrastate SLC Capped Increase and/or Step 2 Intrastate SLC Capped Increase, as calculated in paragraphs 3.A.2 and 3.B.2 respectively, without affecting the Step 1 CCL Additive or Step 2 CCL Additive amounts as calculated in paragraphs 3.A.3 and 3.B.3. Furthermore, have the Settling Parties concluded that in order to determine a company-specific additive amount, one must initially know the residual loss amount which includes the SLC rate increase?

#### **Transport Interconnection Charge ("TIC") Issues**

1. The Settlement Agreement does not indicate whether, or how, the reduction in the Transport Interconnection Charge ("TIC") has been reallocated to other access elements for each company, pursuant to the FCC's MAG Order (paragraph 98).
2. If applicable, please submit to the Commission the specific rate elements that have absorbed the costs previously associated and collected by Transport Interconnection Charge ("TIC"). This data should reflect the specific and applicable rates prior to January 1, 2002 and on and/or after January 1, 2002.
3. INECA states in its prefiled Direct Testimony of Mitchell Proctor dated March 15, 2002 that costs previously recovered through the Transport Interconnection

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<sup>2</sup> This issue is discussed in Don Johnson's Direct Testimony on page 6, Section C, paragraphs 1 and 2.

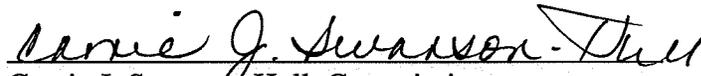
Charge ("TIC") were reapportioned over the remaining access rate elements. In addition, a portion of line port costs were removed from the local switching rate element and reallocated to the Common Line category and recovered through substantial increases in interstate SLCs. Please explain the purpose and necessity of the proposed CCL additive in light of the cost reallocation mechanisms already set up by the MAG Order.

**Carrier Common Line ("CCL") Issues**

1. Is it the understanding of the Settling Parties that rural LECs are still able to collect a CCL charge, although transitional in nature, from IXCs until July 1, 2003? If so, please explain what purpose the proposed CCL additive serves in light of this and in addition to SLC increases if the proposed additive is different from the transitional CCL charge the FCC described in their Order.
2. The FCC has found that the CCL charge, which has been largely phased out for price cap carriers, should also be removed from the rate structure of rate-of-return LECs. Also, AT&T notes on page 7, lines 13-18 in Cate Hegstrom's testimony that currently there are implicit subsidies contained in the switched access charges of the rate-of-return LECs. Please explain why the CCL additive is consistent with TA-96 and subsequent FCC and IURC policies and orders.

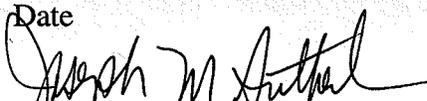
The Settling Parties should respond fully to these issues on or before May 8, 2002. If the Settling Parties determine that, in order to respond fully to each of the issues identified by the Presiding Officers, it will be necessary to provide additional prefiled testimony and/or a revised Settlement Agreement, the Settling Parties are hereby granted leave for this purpose. If the Settling Parties determine that it is necessary to submit additional prefiled testimony and/or a revised Settlement Agreement, these documents should be filed with the Commission on or before May 8, 2002.

**IT IS SO ORDERED.**

  
Camie J. Swanson-Hull, Commissioner

  
Scott R. Storms, Chief Administrative Law Judge

4/29/02  
Date

  
Joseph M. Sutherland, Secretary to the Commission