

1 Public Utilities Commission

2

3 Adopted Permanent Rules Relating to Telephone Company Filing  
4 Requirements

5

6 Rules as Adopted

7

#### FILING REQUIREMENTS

8 7810.8100 PURPOSE.

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

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

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

19 C. competitive services under Minnesota Statutes,  
20 sections 237.59, 237.60, and 237.62~~7~~~~-and-237.625~~; and

21 D. incentive plans under Minnesota Statutes, section  
22 237.625.

23 7810.8200 DEFINITIONS.

24 Subpart 1. **Scope.** The terms used in parts 7810.8100 to  
25 7810.8940 have the meanings given them in this part.

26 Subp. 2. **Attorney general's office.** "Attorney general's  
27 office" means the Residential and Small Business Utilities  
28 Division of the Office of the Attorney General.

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

33 Subp. 4. **Capital structure.** "Capital structure" means the  
34 total capitalization of the telephone company, such as  
35 outstanding common stock, paid-in surplus in excess of par

1 value, retained earnings, preferred stock, long-term debt, and  
2 short-term debt.

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

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

19 Subp. 7. **Department.** "Department" means the Minnesota  
20 Department of Public Service.

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

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

34 Subp. 10. **Emerging competition.** "Emerging competition"  
35 exists for services listed in Minnesota Statutes, section  
36 237.59, subdivision 1. Emerging competition also exists when

1 the commission determines that ~~the criteria of~~ it exists under  
2 Minnesota Statutes, ~~section~~ sections 237.57, subdivision 4, and  
3 237.59, subdivision 5, paragraphs (a) and (c), ~~have been~~  
4 satisfied subdivisions 2 to 6.

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

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

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

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

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

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

28 Subp. 17. **Language change.** "Language change" means a  
29 miscellaneous tariff change under Minnesota Statutes, section  
30 237.63, subdivision 2, or a price list change under Minnesota  
31 Statutes, section 237.60, paragraph (c), that changes the  
32 language describing the rate, price, term, or condition of a  
33 service that does not substantially alter the application of the  
34 tariff or price list.

35 Subp. 18. **Minnesota company.** "Minnesota company" refers  
36 to the Minnesota combined interstate and intrastate operations

1 of a telephone company.

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

7 Subp. 20. **Noncompetitive service.** "Noncompetitive service"  
8 means a service not classified by Minnesota Statutes, section  
9 237.59, subdivision 1, as subject to emerging competition or  
10 classified by commission order as subject to effective or  
11 emerging competition.

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

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

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

23 Subp. 24. **Rate.** "Rate" means the amount of compensation,  
24 price, charge, toll, rental, or classification observed,  
25 charged, or collected for a service or element of service; and  
26 the rules, regulations, and practices that are subject to  
27 regulation by the commission under Minnesota Statutes, chapters  
28 216, 216A, and 237.

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

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

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

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

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

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

19 Subp. 31. **Weighted cost of capital.** "Weighted cost of  
20 capital" means the total cost of capital, expressed as a sum of  
21 percentages, each of which is determined by multiplying each  
22 component's cost in the capital structure by the ratio of the  
23 amount of that component to the total capitalization of the  
24 telephone company.

25 7810.8300 SCOPE.

26 Parts 7810.8100 to 7810.8940 apply to telephone companies  
27 regulated by the commission under Minnesota Statutes, chapters  
28 216, 216A, and 237, and their regulated services.

29 TARIFFS, PRICE LISTS, NEW SERVICES

30 7810.8400 TARIFFS AND PRICE LISTS.

31 Subpart 1. **Tariffs and price lists.** A telephone company  
32 shall keep on file with the department its tariffs and price  
33 lists showing or referencing specific rates, tolls, rentals, and  
34 other charges for the services offered by it either alone or  
35 jointly and concurrently with other telephone companies. The

1 tariffs or price lists must also include the regulations,  
 2 classifications, practices, and limitations on liability of the  
 3 telephone company. The tariffs and price lists must:

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

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

10 ~~C. for individually priced noncompetitive services,~~  
 11 ~~describe each service and include a statement that prices are~~  
 12 ~~determined on a contractual basis, and~~

13 ~~B. for individually priced emerging competitive~~  
 14 ~~services,~~ describe each service and the conditions that relate  
 15 to each service.

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

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

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

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

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

36 Subp. 4. Charges per unit. Rates for services must show

1 the applicable charges in dollars and cents per unit.

2 Subp. 5. Tariffs and price lists no longer in effect.

3 Tariffs and price lists remain in effect until superseded by  
4 tariffs and price lists subsequently filed, canceled, or  
5 withdrawn under the procedures in parts 7810.8100 to 7810.8940  
6 or as ordered by the commission.

7 7810.8500 NEW SERVICE OFFERINGS.

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

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

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

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

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

27 GENERAL RATE CHANGES

28 7810.8600 NOTICE.

29 A notice of a general rate change must include:

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

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

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



1 D. the informational requirements in parts 7810.8610  
2 to 7810.8690;

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

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

9 7810.8605 PETITION.

10 A general rate change petition must include:

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

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

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

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

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

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

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

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

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



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

3 7810.8610 EXPERT TESTIMONY AND SUPPORTING EXHIBITS.

4 A general rate change notice must include expert testimony  
5 and exhibits in support of the telephone company's proposed  
6 general rate change. The testimony and exhibits must be  
7 presented by telephone company personnel or other expert  
8 witnesses as considered appropriate by the company. The  
9 company's chief executive officer or other company officer shall  
10 provide expert testimony in support of the proposed general rate  
11 change. Expert testimony must contain statements of fact,  
12 expert opinion, and explanations of the supporting exhibits.  
13 The expert testimony of a witness must be written in question  
14 and answer format. The preparer of the expert testimony or the  
15 person under whose supervision it was prepared must be  
16 identified. Each page of the expert testimony must be numbered  
17 sequentially. Each line of the expert testimony must also be  
18 numbered sequentially beginning with line one on each new page.  
19 Supporting exhibits must be consistent with the information  
20 required by parts 7810.6200 to 7810.6400 and 7810.8610 to  
21 7810.8650. The company shall identify expert witnesses  
22 responsible for the information required by parts 7810.8610 to  
23 7810.8650.

24 7810.8615 TEST YEAR.

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

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

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

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

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

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

9           Either an average or year-end rate base may be used. If a  
10 year-end rate base is selected, a year-end capital structure  
11 must be shown and the operating income statement must be  
12 adjusted to ~~reflect-known-and-measurable-changes~~ year-end levels.  
13 If an average rate base is selected, an average capital  
14 structure or a year-end capital structure may be shown.

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

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

29 7810.8620 JURISDICTIONAL FINANCIAL SUMMARY SCHEDULE.

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

34           A. the proposed rate base amount;

35           B. the proposed rate of return;

- 1 C. the proposed net operating income requirement;  
 2 D. the net operating income under present rates; and  
 3 E. the calculation of:  
 4 (1) the net operating income deficiency;  
 5 (2) the gross revenue deficiency;  
 6 (3) the gross revenue from present rates; and  
 7 (4) the gross revenue requirement.

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

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

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

25 7810.8625 RATE BASE SCHEDULES.

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

- 28 A. the proposed jurisdictional rate base by major  
 29 rate base component such as:  
 30 (1) telephone plant in service, less accumulated  
 31 depreciation reserve to show net investment in telephone plant  
 32 in service;  
 33 (2) cash working capital;  
 34 (3) plant held for future use;  
 35 (4) short-term telephone plant under

1 construction;

2 (5) materials and supplies; and

3 (6) deductions for capital not supplied by

4 investors, such as accumulated deferred income taxes, pre-1971

5 unamortized investment tax credits, and customer deposits; and

6 B. the unadjusted average jurisdictional rate base

7 amounts for the previous fiscal year, for each major component.

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

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

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

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

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

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

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

1 company to calculate its revenue requirement according to  
2 Minnesota Statutes, section 237.62, subdivision 1 or 1a.

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

8 7810.8630 OPERATING INCOME SCHEDULES.

9 Subpart 1. Categories; other filing requirements.

10 Operating income schedules must be included in each general rate  
11 change notice and must specify revenues, expenses, and taxes  
12 according to the categories shown in items A to D.

13 A. The schedules must show operating revenues in  
14 categories such as local network services, network access  
15 services, long-distance network services, and miscellaneous.  
16 Similar revenue categories are found in the Uniform System of  
17 Accounts Revised, Code of Federal Regulations, title 47, part  
18 32, as amended through June 1, 1990.

19 B. The schedules must show operating expenses in  
20 categories such as network support, general support, central  
21 office switching, central office transmission, information  
22 origination or termination, cable and wire facilities, network  
23 operations, customer services, executive and planning, and  
24 general and administrative. Similar expense categories are  
25 found in the Uniform System of Accounts Revised, Code of Federal  
26 Regulations, title 47, part 32, as amended through June 1,  
27 1990. Operating expenses for the categories of depreciation,  
28 amortization, pension, and employee benefits must be shown in a  
29 separate supporting schedule.

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

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

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

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

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

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

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

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

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

31       Subp. 6. **Competitive and noncompetitive services.** If a  
32 telephone company notifies the commission in writing under  
33 Minnesota Statutes, section 237.58, subdivision 1, of its  
34 decision to be subject to Minnesota Statutes, section 237.62, a  
35 general rate change notice shall include a schedule that  
36 demonstrates the operating income used by the company to

1 calculate its revenue requirement according to Minnesota  
2 Statutes, section 237.62, subdivision 1 or 1a.

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

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

15 Subp. 9. **Tax rates detailed.** Unless a telephone company  
16 is tax exempt, a general rate change notice must include a  
17 detailed schedule showing the development of the combined  
18 federal and state tax rates used for the tax computation under  
19 subpart 8.

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

25 7810.8635 SUPPLEMENTAL FINANCIAL INFORMATION.

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

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

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



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

5           C. supporting calculations showing the development of  
6 the revenue requirement under Minnesota Statutes, section  
7 237.62, subdivision 1 or 1a, including a detailed description of  
8 the methods used to prepare cost studies, to separate costs, and  
9 to make the appropriate allocations.

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

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

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

29          Subp. 5. **Charitable contributions.** The company shall file  
30 a schedule of charitable contributions made or to be made by the  
31 telephone company during the test year for which the company  
32 seeks reimbursement. The schedule must show the recipient, the  
33 Minnesota company amount, the jurisdictional amount, and the  
34 amount for which the telephone company seeks reimbursement. The  
35 company shall also provide testimony and evidence that the  
36 contribution is prudent and complies with Minnesota Statutes,

1 section 290.21, subdivision 3, clause (b) or (e). Charitable  
2 contributions include in-kind contributions such as donated  
3 employee time and other noncash contributions.

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

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

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

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

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

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

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

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

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

35 Affiliated transactions must be recorded and valued  
36 according to the Uniform System of Accounts Revised, Code of

1 Federal Regulations, title 47, part 32, as amended through June  
2 1, 1990, which is adopted by reference.

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

10 7810.8640 RATE OF RETURN, COST OF CAPITAL SCHEDULES.

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

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

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

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

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

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

32 Subp. 3. Historical test year cost of capital schedule.

33 If a historical test year is proposed and the proposed test year  
34 capital structure or embedded costs of debt and preferred stock  
35 differ from the actuals for the test year, a general rate change

1 notice must include a schedule showing adjustments used to  
2 arrive at the proposed capital structure or embedded costs of  
3 debt and preferred stock.

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

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

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

21 7810.8645 RATE STRUCTURE AND RATE DESIGN INFORMATION.

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

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

33 Subp. 3. Supporting workpapers. A general rate change  
34 notice must include an embedded direct cost study and an  
35 incremental cost study for each proposed rate change for those

1 services that generate revenues in excess of the greater of  
2 either \$100,000 or one-tenth of one percent of the company's  
3 annual gross revenue for the test year period. The embedded  
4 direct cost study and incremental cost study must identify the  
5 procedures and underlying reasons for cost and revenue  
6 allocations. The company shall explain why the proposed method  
7 is appropriate for ratemaking purposes. The form, content, and  
8 level of detail of any cost study required by this subpart must  
9 reflect the relative size of the company's intrastate operations  
10 in Minnesota and the amount of revenues it receives from the  
11 services for which cost studies are required.

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

16 7810.8650 ADDITIONAL INFORMATION.

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

20 Subp. 2. **Information as ordered.** The company shall file  
21 information required by the commission's most recent general  
22 rate change or other applicable orders for that company.

23 Subp. 3. **Additional information.** On or after review of a  
24 telephone company's notice of a change in rates or tariff and  
25 within a reasonable time as it may determine, the commission may  
26 require a company to provide additional information to  
27 supplement the information required by parts 7810.8610 to  
28 7810.8650. A telephone company may include in its filing  
29 additional information not required by parts 7810.8100 to  
30 7810.8940.

31 INTERIM RATE CHANGES

32 7810.8655 NOTICE.

33 An interim rate change notice must include:

34 A. an interim rate petition as prescribed in part  
35 7810.8660;

1 B. tariff and price list information as prescribed in  
2 part 7810.8400, subpart 2 1;

3 C. the informational requirements in parts 7810.8665  
4 to 7810.8690; and

5 D. supporting workpapers showing the development of  
6 the interim rate exhibits and proposed interim rates.

7 7810.8660 PETITION.

8 An interim rate petition must include:

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

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

13 C. the date of the filing, which is the date the  
14 commission receives the company's filing or the date designated  
15 by the company, whichever is later, and the proposed effective  
16 date of the proposed interim rate change;

17 D. the statutory authority, including subdivisions or  
18 paragraphs, for the proposed interim rate change;

19 E. a statement of the purpose of the change in rates  
20 and a description of the proposed change in rates;

21 F. the signature and title of the telephone company  
22 officer or company representative authorizing the proposal;

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

26 H. the effect of the proposed interim rate change  
27 expressed both as the total dollar change and the percentage  
28 change in the total jurisdictional revenue in the test year;

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

34 J. a jurisdictional financial summary schedule that  
35 complies with part 7810.8685.

## 1 7810.8665 EXPERT TESTIMONY AND SUPPORTING EXHIBITS.

2 A notice of proposed interim rates must include exhibits,  
3 written statements of fact, expert opinion, and explanations of  
4 the exhibits in support of the telephone company's proposed  
5 interim rates. The written statements, opinions, and  
6 explanations must be in either a question and answer format or a  
7 descriptive narrative, and must identify the preparer or the  
8 person under whose supervision they were prepared. Interim rate  
9 notices and supporting exhibits must comply with Minnesota  
10 Statutes, section 237.075, subdivision 3, and parts 7810.6200 to  
11 7810.6400.

## 12 7810.8670 RATE BASE SCHEDULES.

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

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

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

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

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

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

35 The company shall explain significant changes in dollar



1 amounts for each comparison.

2 7810.8675 OPERATING INCOME SCHEDULE.

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

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

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

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

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

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

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

31 7810.8680 CAPITAL STRUCTURE AND RATE OF RETURN.

32 The interim rate exhibits must include a schedule showing  
33 the capital structure and rate of return calculation approved by  
34 the commission in the telephone company's most recent general  
35 rate change proceeding. The interim rate of return calculation

1 must be based on the proposed test year capital structure and  
 2 test year capital costs, except that the company must use the  
 3 cost of equity that was allowed by the commission in the  
 4 company's most recent general rate change proceeding or the  
 5 company's proposed return on equity, whichever is lower. The  
 6 schedule must include an explanation of the changes in dollar  
 7 amounts of the telephone company's most recent general rate  
 8 change proceeding capital structure and the proposed test year  
 9 capital structure. In the case of a company that has not been  
 10 subject to a commission determination or has not had a general  
 11 rate adjustment in the preceding three years, the company must  
 12 use the cost of equity that was allowed by the commission in its  
 13 most recent determination concerning a similar company.

14 7810.8685 JURISDICTIONAL FINANCIAL SUMMARY SCHEDULE.

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

- 18 A. the proposed interim rate base amount;  
 19 B. the proposed interim rate of return;  
 20 C. the proposed interim net operating income  
 21 requirement;  
 22 D. the interim net operating income under present  
 23 rates; and  
 24 E. the calculation of:  
 25 (1) the interim net operating income deficiency;  
 26 (2) the interim gross revenue deficiency;  
 27 (3) the interim gross revenue from present rates;  
 28 and  
 29 (4) the interim gross revenue requirement.

30 7810.8690 RATE DESIGN.

31 The interim rate exhibits must include a schedule showing  
 32 the test year revenue-producing unit, present rate, proposed  
 33 interim rate, present revenue, and proposed interim revenue for  
 34 each existing and proposed interim rate element of each  
 35 service. The schedule must include subtotals for each major

1 category of revenue such as local network service, network  
2 access, long-distance network service, and extended area service.

3 The telephone company shall provide a written explanation  
4 of proposed interim rates that are not the result of increasing  
5 the existing rate by the average percentage increase in interim  
6 revenues. The explanation must show exigent circumstances or  
7 existence of competing products or services offered by a  
8 nonregulated competitor.

9 OTHER RATE OR TARIFF CHANGES

10 7810.8700 OTHER RATE CHANGE NOTICE.

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

13 A. a petition as prescribed in part 7810.8705;

14 B. tariff and price list information prescribed in  
15 part 7810.8400; and

16 C. the informational requirements in the applicable  
17 part of parts 7810.8710 to 7810.8760.

18 7810.8705 OTHER RATE CHANGE PETITION.

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

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

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

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

29 D. the statutory authority, including subdivisions or  
30 paragraphs, for the proposed change and a statement that the  
31 proposed change is for example a miscellaneous tariff change  
32 such as a cost increase rate change or an emerging competitive  
33 service rate decrease;

34 E. a statement of the purpose of the change in rates  
35 and a description of the proposed change in rates; and

1 F. the signature and title of the telephone company  
2 officer or company representative authorizing the proposal.

3 7810.8710 MISCELLANEOUS TARIFF CHANGE.

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

7 A. a statement of the proposed change in rates;

8 B. statements of fact, expert opinions,  
9 substantiating documents, and exhibits supporting the change  
10 requested;

11 C. the date when the new rates will go into effect;

12 D. a statement that explains with particularity how  
13 the tariff will be changed and why;

14 E. whether the proposed change is a rate increase or  
15 a decrease;

16 F. the annual revenue impact; and

17 G. the impact on affected customers.

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

22 7810.8715 NONCOMPETITIVE SERVICE; LANGUAGE CHANGE.

23 In addition to the notice requirements of part 7810.8700, a  
24 notice for a language change under Minnesota Statutes, section  
25 237.63, subdivision 2, must include an explanation of why the  
26 proposed change does not substantially alter the application of  
27 the tariff.

28 7810.8720 NONCOMPETITIVE SERVICE; COST INCREASE.

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

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

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

4 7810.8725 NONCOMPETITIVE SERVICE; RATE REDUCTION.

5           In addition to the notice requirements of part 7810.8700, a  
6 notice for a rate reduction under Minnesota Statutes, section  
7 237.63, subdivision 4, must include data showing the  
8 relationship between proposed rates and the costs of providing  
9 the service.

10           For purposes of this part, "rate reduction" means a  
11 miscellaneous tariff change under Minnesota Statutes, section  
12 237.63, subdivision 4, to reduce the rates for one or more  
13 noncompetitive services.

14 7810.8730 NONCOMPETITIVE SERVICE; SIGNIFICANT CHANGE IN  
15 CONDITION OF SERVICE.

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

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

27 7810.8735 INDIVIDUALLY PRICED NONCOMPETITIVE SERVICE.

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

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

34           B. an identification of the affected customer or

1 customer groups; and

2 C. the estimated revenue impact on the company.

3 EMERGING COMPETITIVE SERVICES

4 7810.8740 RATE INCREASE OR DECREASE.

5 In addition to the notice requirements in part 7810.8700, a  
6 notice for a rate increase under Minnesota Statutes, section  
7 237.60, subdivision 2, paragraph (b), and a rate decrease under  
8 Minnesota Statutes, section 237.60, subdivision 2, paragraph  
9 (a), must include:

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

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

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

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

22 7810.8745 LANGUAGE CHANGE.

23 In addition to the notice requirements in part 7810.8700, a  
24 notice for a language change under Minnesota Statutes, section  
25 237.60, subdivision 2, paragraph (c), must include an  
26 explanation on why the proposed change does not substantially  
27 alter the application of the price list.

28 7810.8750 SUBSTANTIAL CHANGE IN APPLICATION OF PRICE LIST.

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

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

1 changed; and

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

5 7810.8755 NEW PRICING PLAN.

6 In addition to the notice requirements in part 7810.8700, a  
7 notice for a new pricing plan under Minnesota Statutes, section  
8 237.60, subdivision 2, paragraph (e), must include:

9 A. an identification of the rate elements being  
10 combined;

11 B. an explanation of the change in the definition of  
12 the rate elements;

13 C. the increases and decreases in price for the rate  
14 elements; and

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

18 E. an incremental cost-of-service study or, if  
19 allowed pursuant to Minnesota Statutes, section 237.60,  
20 subdivision 2, paragraph (h), a variable cost study,  
21 demonstrating that the proposed pricing plan is above  
22 incremental cost or, if allowed, variable cost.

23 7810.8760 INDIVIDUALLY PRICED EMERGING COMPETITIVE SERVICE.

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

28 A. data demonstrating that a uniform price should not  
29 be required because of market conditions or costs differences;

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

32 C. the estimated revenue impact on the company.

33 COMPETITIVE SERVICES

34 7810.8800 ELECTION.



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

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

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

17 RECLASSIFICATION

18 7810.8805 SERVICE SUBJECT TO EMERGING COMPETITION.

19 Subpart 1. **General requirement to file petition.** A  
20 petition to classify a noncompetitive service as subject to  
21 emerging competition must be filed under this part.

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

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

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

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

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

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

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

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

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

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

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

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

20 7810.8810 SERVICE SUBJECT TO EFFECTIVE COMPETITION.

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

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

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

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

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

1 7810.8815 NONCOMPETITIVE SERVICE.

2 Subpart 1. **Reclassification authority and initiation.** A  
3 service of a telephone company that has been classified as  
4 subject to emerging competition or effective competition will  
5 keep its competitive classification until the commission, on its  
6 own motion, or on complaint, reclassifies the service as  
7 noncompetitive or subject to emerging competition.

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

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

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

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

23 A. the information listed in part 7810.8805, subpart  
24 2, items A to F and I, if the service is classified as subject  
25 to emerging competition; or

26 B. the information listed in part 7810.8810, subpart  
27 2, if the service is classified as subject to effective  
28 competition.

29 INCENTIVE PLANS

30 7810.8900 REQUIREMENTS, GENERALLY.

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

1 under Minnesota Statutes, section 237.625.

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

9 7810.8905 PETITION.

10 An incentive plan petition must include:

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

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

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

18 D. the proposed effective date of the incentive plan;

19 E. the proposed duration of the incentive plan;

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

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

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

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

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

31 K. the informational requirements in parts 7810.8910  
32 to 7810.8940.

33 7810.8910 RATE BASE SCHEDULES.

34 Subpart 1. **Comparison schedule.** The incentive plan  
35 petition must include a schedule comparing the following

1 jurisdictional amounts:

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

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

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

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

18 7810.8915 OPERATING INCOME STATEMENT.

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

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

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

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

1 required.

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

4 7810.8920 RATE OF RETURN.

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

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

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

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

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

24 7810.8925 REVENUE DEFICIENCY OR SURPLUS.

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

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

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

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

1 fiscal year.

2 7810.8930 FINANCIAL MARKET SCHEDULE.

3 The incentive plan petition must include a schedule showing  
4 12 months of prime interest rates, or 12 months of treasury bill  
5 rates, or other financial market indicators, during the  
6 following periods:

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

10 B. the company's most recent fiscal year.

11 7810.8935 OPERATING EFFICIENCY.

12 The incentive plan petition must include the following:

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

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

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

21 7810.8940 SHARED EARNINGS.

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

25 A. an explanation of how increased earnings will be  
26 shared;

27 B. a statement showing whether increased earnings  
28 will be shared by giving customers credits against bills or by  
29 lowering rates;

30 C. an assessment of the risks borne by the company  
31 and those borne by its customers;

32 D. an explanation of how increased earnings will be  
33 measured by the company and periodically reported to the  
34 commission; and



1 E. a description of proposed pass-through of cost  
2 increases and decreases.

3

4 EFFECTIVE DATE; TRANSITIONAL PROVISIONS.

5 Subpart 1. Part 7810.8645, subpart 3, is effective on a  
6 date 18 months after the effective date of the other provisions  
7 of parts 7810.8100 to 7810.8940.

8 Subp. 2. For a general rate change petition filed before  
9 the effective date of part 7810.8645, subpart 3, the only cost  
10 studies the company may be required to file with the commission  
11 under that subpart are any cost studies it may be required to  
12 perform under Part 36 of Rules of the Federal Communications  
13 Commission or any replacement part.

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