

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Application of)	Application No. C-122
Nebraska Central Telephone Company,)	
Gibbon, Nebraska, for authority to)	GRANTED
adjust its rates and charges for)	
telephone service.)	Entered: September 22, 1981

APPEARANCES: For the applicant
Paul M. Schudel, Attorney
1500 Sharp Building
Lincoln, Nebraska

For the Commission
Hal Hasselbalch, Attorney
301 Centennial Mall South
Lincoln, Nebraska

OPINION AND FINDINGS

BY THE COMMISSION:

By its application filed February 17, 1981, the Nebraska Central Telephone Company, Gibbon, Nebraska seeks authority to adjust its rates and charges for telephone service.

Notice of the filing of the application was published pursuant to the provisions of the Commission's Rules and Regulations. No protest to the application was filed.

Pursuant to notice required by law, public hearing was held on the application on July 20, 1981 at 9:30 a.m. in the Commission Hearing Room, Lincoln, Nebraska, with appearances as set forth above.

Upon consideration of the application, the evidence adduced at the hearing and being fully advised, the Commission is of the opinion and finds that:

1. Applicant is a corporation organized and existing under the laws of the State of Nebraska with its principal place of business at Gibbon, Nebraska. It is engaged in the telephone business as a common carrier under the jurisdiction of this Commission and provides telephone service to 3,454 subscribers through exchanges at Ansley, Arcadia, Comstock, Gibbon, Sargent and Shelton, Nebraska.
2. Applicant's present rates and charges were approved by the Commission in its order entered November 3, 1961, in Application No. 23151.
3. Since the last rate order the company has been engaged in a service improvement program which has included: the burying of a substantial part, 550 miles, of its rural lines; the take-over of all toll terminals in its exchanges and the storm-proofing of the toll facilities; the addition of direct dialing, both 0 plus and 1 plus, including automatic number identification; the installation of new central office equipment at Shelton; the installation of conduit at Gibbon; and building additions at all exchanges.
4. In order to provide a reasonable return on its investment applicant seeks an increase in its rates and charges to produce additional annual revenue of \$93,000.

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5. Both applicant and the Commission staff presented evidence concerning the financial statements, revenues, expenses and rate base of applicant. Applicant's exhibits for the year 1980 indicate a net operating income of \$225,007. The staff's exhibit agreed with the applicant on the 1980 actual net operating income. Adjustments to the operating statement and rate base were made by both the applicant and the staff. These adjustments will be discussed below.

6. Applicant's rate base was \$2,624,581 and included adjustments for annualized depreciation, capitalized interest and deferred income taxes. The staff proposed additional adjustments to capitalize several items which had been expensed and to disallow a building addition at Sargent as not in service. The staff's rate base was \$2,599,882. Testimony indicates that the building addition is being used and it should be included in the rate base. We find that the rate base should be \$2,626,320.

7. The staff adjustments to the operating statement included out of period items, capitalized items, charitable contributions and the income tax effect of the other adjustments. The staff exhibit shows adjusted net operating income of \$232,710 and giving effect to the rate increase and annualized depreciation expense, and pro forma net operating income of \$266,505.

8. The applicant's exhibit reflects pro forma net operating income of \$236,555 and includes adjustments to add the proposed rate increase; to annualize revenues, operating expenses and depreciation; to reflect the tax effect of those adjustments; and to reduce net operating income for the effect of the deductability of interest and other deductions.

9. Applicant's annualization is flawed in that main stations are used for revenues while total stations are used for expenses. There is no reasonable justification for reducing net operating income by the tax effect of interest and other deductions. We find that pro forma net operating income should be \$266,162, which is that of the staff after deleting the adjustment for the Sargent building.

10. Applicant's pro forma rate of return is 10.13% which is fair and reasonable.

11. The staff presented evidence that prior to the hearing on this application the chief engineer had conducted service tests at the exchanges of the applicant. These tests were conducted June 8-11, 1981. Mr. Hand (chief engineer) testified that in the exchanges of Ansley, Arcadia and Comstock service test results fell below expected limits in certain areas. Mr. McGreggor (president of applicant) testified that corrective action has been taken in these exchanges with adjustment to the central office equipment (T12: 7-25, T13: 1).

12. As a result of the service review performed by the staff engineer the company has performed testing and adjustment to the central offices the Ansley, Arcadia and Comstock exchanges. The staff engineer should perform subsequent tests at these three central offices within three months from the date of this order to insure continued service quality.

13. The application is fair and reasonable, is in the public interest and should be granted.