

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Application of General Telephone Company, Columbus, Nebraska, for authority to adjust its rates and charges for telephone service.))	Application No. C-136
)	GRANTED IN PART
)	Entered: May 25, 1982

APPEARANCES: For the applicant
Allen L. Overcash, Attorney
and
Paul M. Schudel, Attorney
1500 American Charter Center
Lincoln, Nebraska

For the Commission Staff
Shanler D. Cronk, Attorney
Room 2115, State Capitol
Lincoln, Nebraska

OPINION AND FINDINGS

BY THE COMMISSION:

By application filed March 25, 1981, the General Telephone Company of the Midwest, Columbus, 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. Letters of protest to the application were received from Midtown Business Center and Answering Service, Kearney, Nebraska, Arthur L. Struebing, Albion, Nebraska and Lindsay Manufacturing Company, Lindsay, Nebraska.

Pursuant to notice required by law, public hearing was held on the application on March 16, 1982, at 10:00 a.m. in the City Council Chambers, Columbus, Nebraska, with appearances as set forth above.

In accordance with policies adopted by this Commission in 1974, a Staff Attorney was assigned to prepare and present a staff case at the hearing. This was done to insure that the Commission would receive all relevant and material evidence on the record, where it would be subject to cross-examination testing its truthfulness. The assigned Staff Attorney was isolated from the decision-making process and placed in the same status as other participants of record. He, as well as the applicant, presented evidence through witnesses on the record and cross-examined other witnesses.

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

GENERAL

1. The applicant is a corporation organized and existing under the laws of the State of Missouri, with its principal executive office in Grinnell, Iowa. It is a common carrier furnishing telephone service in Nebraska, Iowa, Missouri, Minnesota and Kansas and is under the jurisdiction of this Commission.

2. Applicant furnishes local and long distance service at 37 telephone exchanges in Nebraska serving approximately 71,488 company-owned telephones and 47 subscriber-owned telephones.

3. The rates and charges of the applicant now in effect were approved by the Commission in its order entered March 1, 1976, in Application No. 31027.

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4. Applicant alleges that its earnings are inadequate and do not provide a fair and reasonable rate of return on its property in Nebraska. Applicant seeks to increase rates in an amount to produce additional annual revenue of \$2,018,000.

5. Applicant and the Commission Staff have entered into an agreement (Exhibit C-6) covering the points of agreement concerning the rate base, operating income and certain other issues.

6. For the purpose of determining the results of operations, both applicant and staff have used a test year ending December 31, 1980 and an end of period rate base.

RATE BASE

7. Applicant's exhibits and those of the Commission Staff reflect the rate base as of December 31, 1980 to be \$35,626,947, consisting of the following:

Total Telephone Plant in Service	\$50,947,223
Short-Term Plant Under Construction	282,808
Materials and Supplies	630,517
	<u>51,860,548</u>
Less: Depreciation Reserve	12,913,172
Pre-1971 Investment Tax Credit	66,513
Accumulated Deferred Taxes	3,359,916
	<u>35,520,947</u>
Plus: Unamortized Portion of Interest During Construction on Short-Term Projects	106,000
	<u>\$35,626,947</u>

RESULTS OF OPERATIONS

8. Both applicant's exhibits and those of the staff show adjusted operating income for the year ended December 31, 1980 to be \$3,263,297.

9. Adjustments proposed by applicant and included above represent wage increases, annualization of depreciation rates, postal rate increases, and increases in payroll and other taxes.

10. Proposed staff adjustments, agreed to by applicant, include reductions of the wage increase and depreciation adjustments and out of period and other non-rate payer costs.

11. The agreement between the applicant and the Commission Staff provides that, for the purpose of this proceeding, station connections would be capitalized rather than expensed.

RATE OF RETURN

12. Evidence was presented of applicant's weighted cost of capital as of December 31, 1981. Capital consisted of debt, preferred stock and common equity. Costs for debt and preferred stock are the actual costs as of December 31, 1981. The cost of common equity is the same as allowed by the Commission in Application No. 31027. The resulting cost of capital is 10.54%

13. Having considered all of the evidence, we are of the opinion that applicant should be authorized to increase rates to produce a rate of return of 10.54%, which will require an increase in revenue of \$959,567.

14. Applicant presented evidence of the need to establish a range of rate of return including the current uncertainty in the communications industry, inflation, competition and changes in federal regulations and Congressional legislation. We find that applicant should be allowed a range of rate of return one-half of one percent above the 10.54% allowed herein.

SERVICE

15. Maurice Gene Hand, Commission Engineer, testified that results of central office inspections and tests were acceptable when viewing the offices as a group. He pointed out that sources of trouble during these tests were often isolated and repaired while he was on site. With regard to trouble indexes, Mr. Hand testified that the company's response to a staff prepared information request shows that Platte Center is not meeting the Commission's objective regarding trouble reports and that the response also supplied information regarding repeated trouble reports which showed that 22 of 37 exchanges had an average repeated trouble report percentage exceeding 20% for the six month period ending December, 1980. Mr. Hand indicated that in his opinion repeated trouble reports should not average more than 15% for any six month period.

16. Mr. Hand pointed out that staff information requests revealed that certain Commission objectives were not being met in Kearney regarding answer times for the test period. During rebuttal Mr. Orr testified that these answer time objectives were being met at the present and the low indices reported were not indicative of any deterioration of service but reflected a change in the answer time recording system. He also pointed out that more current trouble index information has shown the Platte Center trouble index for 1981 is 6.99.

17. Testimony was offered by the staff, public witnesses and the applicant concerning free access service and extended area service. Witnesses from applicant's Palmer exchange, which has free access service to Archer, Nebraska testified that such service was inadequate and requested service improvements. Applicant offered evidence of the considerable cost of converting all of its free access service to extended area service. This is a subject which applicant should be directed to study and report to the Commission within sixty (60) days on a plan for free access service including costs and a proposed course of action.

18. The application, as modified above, is fair and reasonable, is in the public interest and should be granted in part.

ORDER

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application No. C-136 be and it is hereby granted in part and the General Telephone Company of the Midwest be and it is hereby authorized to revise its rates and charges to produce additional annual revenue of \$959,567.

IT IS FURTHER ORDERED that applicant file with the Commission for its approval a schedule of rates and charges that will produce additional annual revenue of \$959,567.

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IT IS FURTHER ORDERED that applicant report to the Commission within sixty (60) days from the date of this order on a plan for its free access service including costs and a proposed course of action.

MADE AND ENTERED at Lincoln, Nebraska, this 25th day of May, 1982.

NEBRASKA PUBLIC SERVICE COMMISSION

Harold D. Simpson
Chairman

ATTEST:

Terrence L. Hubert
Executive Secretary

COMMISSIONERS CONCURRING:

Duane D. Gay