BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

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| In the Matter of the Commission on its own motion seeks to amend Section (20) Accounting of Chapter V Telephones of its Rules and Regulations. | Proposed Rule and Regulation 54 |
| In the Matter of the Nebraska Public Service Commission, on its own motion, in the matter of the expensing of station connections. | Application No. C-149<br>Entered: September 1, 1981 |

APPEARANCES: For Northwestern Bell Telephone Company
Richard L. Johnson, Attorney
100 South 19th Street
Omaha, Nebraska

For United Telephone Company of the West
Robert L. Lehr, Attorney
6666 West 110th Street
Overland Park, Kansas

OPINION AND FINDINGS

BY THE COMMISSION:

On April 21, 1981 the Commission, on its own motion, required all telephone companies to appear at a hearing regarding the impact of expensing station connections. This matter was assigned Application No. C-149.

Public hearing was held on Application No. C-149 on May 19, 1981 at 1:30 p.m. in the Commission Hearing Room, Lincoln, Nebraska with appearances as set forth above.

Subsequent to this hearing, the Commission proposed for adoption Rule and Regulation No. 54, which would require telephone companies to continue to capitalize station connections.

Public hearing was held on Proposed Rule and Regulation No. 54 on June 19, 1981 at 1:30 p.m. in the Commission Hearing Room, Lincoln, Nebraska.

1. On March 31, 1981 the Federal Communications Commission released its First Report and Order in Docket No. 79-105 with respect to accounting for station connections.

2. The FCC order directs that, effective October 1, 1981, Part 31 of its Rules and Regulations, Uniform System of Accounts for Class A and Class B Telephone Companies, be amended to require the expensing of the inside wire portion of station connections and that the embedded investment in Account 323 representing inside wire be amortized over 10 years. The order further provided that companies could elect to make the accounting change effective January 1, 1981 and could accomplish the expensing on either a "flash cut" basis or a four year "phase-in".

3. In the May 19th hearing testimony was presented by witnesses representing 14 telephone companies and the Nebraska Telephone Association. Northwestern Bell indicated that, using the phase-in method, its 1981 intrastate revenue requirement would increase $1,580,000 due to the FCC accounting change; the increase in 1982 would be $4,813,000; in 1983, $8,902,000; in 1984, $13,318,000. For The Lincoln Telephone and Telegraph Company the revenue requirement increase would be $1,007,000 the first year, $2,129,000 the second, $3,391,000 the third and $4,760,000 in the fourth year. For United Telephone Company of the West the increased revenue requirement with phase-in would be $89,000, $164,000, $234,000 and $297,000 in years 1 through 4. For Continental Telephone Company of Nebraska the revenue requirement of phase-in for the four year period would be $71,000.

4. Testimony of the companies differed significantly as to their proposed responses to the FCC ruling. Some favored phase-in and some flash cut. Many also proposed to continue to depreciate embedded investment over shorter lives than the 10 years provided by the FCC's ruling.

5. Having heard the testimony of the telephone industry as to the increased intrastate revenue requirements which will result from the accounting change, the Commission proposed for adoption Rule and Regulation No. 54 attached hereto as Schedule A and incorporated herein by reference. Witnesses who testified at the hearing on the proposed rule and regulation substantially reiterated their testimony in C-149, which was made a part of the rule proceeding.

6. It appears that the primary purpose of the FCC's accounting rule change was to cause the cost-causitive subscriber to pay the full cost, or in other words, that service connection charges should cover the full cost of the work involved. Rates and charges for service connections are not within the jurisdiction of the states. This Commission is fully capable of determining appropriate rate levels for service connections in the State of Nebraska and finds that the FCC ruling is another of its attempts to usurp state jurisdiction.

7. Proposed Rule and Regulation No. 54 is reasonable and necessary and should be adopted, effective upon approval as required by law.

ORDER

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that proposed Rule and Regulation No. 54, set forth on Schedule A attached hereto and incorporated herein by reference, be and it is hereby adopted effective upon approval as required by law.

MADE AND ENTERED at Lincoln, Nebraska, this 1st day of September, 1981.

NEBRASKA PUBLIC SERVICE COMMISSION

Harold D. Simpson

Vice Chairman

ATTEST:

COMMISSIONERS CONCURRING:

Tonda Quinn

Acting Secretary