

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

Entered: October 19, 1982

## OPINION AND FINDINGS

3. Applicant's first witness, Kenneth Werner, president and chairman of the board of K & M Telephone Company, testified concerning the history of the company and described the service offered. He also testified that because of the anticipated need for plant additions for extended area service and the need for additional revenue, the company would have to either increase local rates or discontinue the extended area service. Applicant held several meetings with its subscribers and thereafter mailed a survey to all of its customers. The survey offered the following choice: "1 --- Do away with 'eas' or extended area service and make the subscriber who makes the calls pay for them; 2 --- Raise your local service rates". The results of the survey were: Inman exchange 178 mailed, 115 returned, 10 votes to discontinue eas, 7 votes to increase rates, 98 other. Chambers exchange; 497 mailed, 398 returned, 127 to discontinue eas, 26 to increase rates, 239 other.

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4. Applicant's manager, Larry Esser, testified concerning toll rates and offered comparisons of rates and other statistics between K & M and other telephone companies.

5. Earl Bishop, a manager of the firm that prepares applicant's toll separation studies, testified concerning the difference in toll revenue which would result from discontinuing eas. Based on the latest cost study, the elimination of two-way eas would result in increased toll revenue from settlements of \$45,547 annually.

6. Robert Moore, Nixon Engineering Company testified that Northwestern Bell Telephone Company studies indicated that additional trunks would be required from both Inman and Chambers to maintain adequate service levels. Mr. Moore indicated that the additional circuits required would cost \$81,984.00.

7. Eldean Erickson, a Certified Public Accountant testified concerning the financial condition of the applicant. He indicated that if the applicant were to achieve a 7% rate of return and continue to provide eas that an increase in local rates of \$7.83 per subscriber would be required. If eas were discontinued, an increase in local rates of \$1.58 would be required to achieve a 7% rate of return.

8. Sixteen witnesses testified for the protestants. These witnesses were from O'Neill, Inman and Chambers. All of these witnesses indicated that they opposed the discontinuance of extended area service and that continued eas was necessary to afford them adequate service. They indicated that their community of interest included O'Neill and that the O'Neill trade area extended to Chambers and Inman. Almost all of these witnesses indicated that, given only two choices, they preferred to keep the eas and pay higher local rates.

9. The evidence does not indicate that the majority of applicant's subscribers prefer the discontinuance of eas to a local service rate increase. In fact, applicant's survey would indicate that the subscribers prefer some other alternative altogether.

10. The evidence indicates that a community of interest exists between O'Neill, Chambers and Inman. Applicant has presented no evidence that the extended area service is used by fewer than a substantial majority of its subscribers.

11. While the Commission recognizes that continuation of eas may require additional plant investment which may in turn require increased rates, it should be pointed out that this is not an application for increased rates and no increase in rates will result from this order.

12. Applicant has not shown that it is in the public interest to discontinue extended area service and the application should be denied.

ORDER

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that application No. C-224 be and it is hereby denied.

MADE AND ENTERED at Lincoln, Nebraska, this 19th day of October, 1982.

NEBRASKA PUBLIC SERVICE COMMISSION

*Harold D. Simpson*  
Chairman

ATTEST:

*Lawrence L. Kubic*  
Executive Secretary

COMMISSIONERS CONCURRING:

*James D. Gay*