

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the matter of the Application of)	Application No. C-227
Northwestern Bell Telephone Company,)	
Omaha, Nebraska, for authority to)	
adjust its rates and charges for)	AMENDMENT TO PRIOR ORDER
telephone service in the State of)	
Nebraska.)	Entered: December 18, 1984

APPEARANCES: For the applicant
Richard L. Johnson, Attorney
100 South 19th Street
Omaha, Nebraska 68102

For the Commission
John Boehm, Attorney
2115 State Capitol Building
Lincoln, Nebraska 68509

OPINION AND FINDINGS

BY THE COMMISSION:

By its application filed January 22, 1982, Northwestern Bell Telephone Company, Omaha, Nebraska, sought authority to adjust its rates and charges for telephone service furnished by it in the State of Nebraska sufficient to produce additional annual revenue of \$42,377,321. On January 11, 1983, the Commission entered an order authorizing an annual increase in revenues in the amount of \$8,032,684. This order was appealed by the Applicant to the Nebraska Supreme Court, and on November 2, 1984, the Court issued its decision affirming in part and reversing in part the Commission's order of January 11, 1983.

This amendment to the prior order is being entered by the Commission in order to make the necessary adjustments to the order of January 11, 1983 so that it will comply with the Decision and Mandate of the Nebraska Supreme Court rendered in Docket No. 83-101. Except as herein modified, the original order remains in all other respects unchanged. The amended paragraphs are as follows:

RATE BASE

9. Staff originally proposed seven adjustments to Applicant's rate base, however, the Staff has withdrawn its proposed adjustment relating to equal life group depreciation. Based on the Supreme Court Mandate in Docket No. 83-101, the Commission rejects the adjustment to reflect capitalization of station connections. The remaining five adjustments are:

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|---|-------------|
| a. Furniture expensed which
should have been capitalized | \$ 8,369 |
| b. To disallow working capital | (2,614,248) |
| c. To disallow pre-1971 investment
tax credit | (576,543) |

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- d. To disallow unamortized interest during construction \$ (667,553)
- e. To disallow short-term plant under construction (6,949,872)

The foregoing adjustments reduce Applicant's rate base by \$10,799,847 to \$299,483,960.

14. We find that the appropriate rate base to be used in this case is \$306,380,689.

RESULTS OF OPERATIONS

17. Staff proposes an adjustment to continue capitalization of station connections, an adjustment increasing in net earnings by \$1,253,739. The Nebraska Supreme Court Mandate has determined that this adjustment be reversed, thus, the Commission rejects this adjustment.

20. Staff proposes to disallow wage increases included in Applicant's operating results which occurred on April 1 and August 8, 1982. The Staff adjustment would increase earnings by \$1,616,472. The Supreme Court Mandate in Docket 83-101 requires that the Applicant's adjustment be included in the operating results, therefore, we reject the Staff adjustment.

24. Staff has proposed that license contract expenditures be limited to 1% of revenues which would increase net earnings by \$991,677. The Supreme Court Mandate in Docket 83-101 found this Staff adjustment to be arbitrary. The Commission rejects the proposed Staff adjustment.

25. We find that after all of the above adjustments and the tax effect that Applicant's net earnings for the year 1981 are \$26,943,135.

CONCLUSION

35. As a result of our original order entered on January 11, 1983 and this amendment to that order, we now find that Applicant is entitled to an increase in annual revenues of \$17,221,827.

36. Since appealing the order entered January 11, 1983, Applicant has filed a new application for a general rate increase in the annual amount of \$34.4 million in Docket No. C-484. During hearings on that application, the Staff has recommended that the Applicant be granted additional annual revenues in that docket of \$22,633,746. The Applicant has entered into a Stipulation with the Commission in this case agreeing that if the Commission approves the Staff's recommendation and enters an order in Docket No. C-484 authorizing the Applicant to revise its rates and charges to produce additional annual revenue of at least \$22.6 million, then the Applicant shall consider its claims in Docket No. C-227 to be fully satisfied and shall not seek any rates and charges to produce additional annual revenue in Docket No. C-227 above the \$8,032,684 originally granted by the Commission. The Commission has reviewed the disallowances proposed by the Staff in Docket No. C-484 and has found the Staff's recommendation to be reasonable. Accordingly, the Commission has now entered an order in

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Docket No. C-484 authorizing the Applicant to revise its rates and charges to produce additional annual revenue of \$22,633,746. Since the Applicant has agreed that such an order in Docket No. C-484 satisfies all of its claims in this docket, the Commission shall not direct the Applicant to file with the Commission for its approval any schedule of rates and charges which will produce additional annual revenue above the \$8,032,684 authorized on January 11, 1983.

MADE AND ENTERED at Lincoln, Nebraska, this 18th day of December, 1984.

NEBRASKA PUBLIC SERVICE COMMISSION

Harold D. Simpson

Chairman

COMMISSIONERS CONCURRING:

Duane D. Gay

ATTEST:

Donald Adams

Executive Secretary