

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Application of )  
Northeast Nebraska Telephone Company, )  
Jackson, Nebraska, for Accelerated )  
Depreciation. )

Application No. C-325

DENIED

Entered: April 12, 1983

APPEARANCES: For the applicant  
Robert Scoville, Attorney  
1913 Dakota Avenue  
South Sioux City, Nebraska

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

OPINION AND FINDINGS

BY THE COMMISSION:

By its application filed November 29, 1982, the Northeast Nebraska Telephone Company, Jackson, Nebraska seeks approval of accelerated depreciation.

Notice of the filing of the application was published pursuant to the provisions of the Commission's Rules and Regulations. A letter protesting the application was filed by Northwestern Bell Telephone Company.

Pursuant to notice required by law, public hearing was held on the application on February 7, 1983 at 1:30 p.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 Jackson, Nebraska. It is engaged in the telephone business as a common carrier and provides telephone service to 3,567 subscribers through several exchanges.

2. Applicant seeks authority to increase the rates of depreciation used in connection with account 231, Station Apparatus to 32% for the sub-account customer premises equipment and 35% for the sub-account mobile telephone and paging equipment. Applicant seeks to make the proposed depreciation rates effective October 1, 1982.

3. Applicant presented the testimony of four witnesses including its General Manager, Accountant, Vice President of the Board of Directors and a consultant employed by the firm of Ernst and Whinney.

4. This application was prompted by the recent action of the Federal Communications Commission which directed that investment in and costs related to customer premises equipment be phased out of the toll separations process over a five year period beginning January 1, 1983.

5. Applicant has determined that in order to maximize its recovery from toll settlements during this period, its customer premises equipment will have a remaining useful life of 2.75 years and no salvage value. It appears that the applicant has calculated the proposed depreciation rates using the remaining life method, although the record is not clear on this. At the present time the applicant is authorized a 20% depreciation rate for this account using the whole life method.

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6. Protestant presented the testimony of its District Manager - Capital Recovery and District Manager - Bell Independent Cost Settlements. They challenged the reasonableness of the proposed depreciation rates, giving consideration to estimated useful life and salvage value and pointed out that granting the application would increase the toll settlement due the applicant, thereby reducing the settlement share for all other Nebraska companies. Protestant also alleged that if the same depreciation rates were allowed all other independent companies in Nebraska the increased revenue requirement for Northwestern Bell would be approximately \$2.5 million.

7. It appears from the evidence that the applicant has misinterpreted the action of the FCC with respect to toll separations and the purpose of depreciation. The fact that depreciation expense will or will not be included in the separations process has no effect on the appropriate service life, salvage value and depreciation rate. Depreciation expense is intended to recover the investment over the service life, not recover the investment from toll settlements. Applicant has also erred in allowing no salvage value for station equipment.

8. The application should be denied.

ORDER

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that application No. C-325 be and it is hereby denied.

MADE AND ENTERED at Lincoln, Nebraska, this 12th day of April, 1983.

NEBRASKA PUBLIC SERVICE COMMISSION

*Harold D. Simpson*  
Chairman

ATTEST:

*Terrence L. Kubicek*  
Executive Secretary

COMMISSIONERS CONCURRING:

*Duane D. Lay*