

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the matter of the application of
K & M Telephone Company, Chambers,
Nebraska, for approval of extended
area service adder.

) Application No. C-451

) GRANTED IN PART

) Entered: May 1, 1984

APPEARANCES: For the applicant
Max G. Dreier, Attorney
P.O. Box 1367
Norfolk, Nebraska 68701

For the protestants
Jack L. Shultz, Attorney
P.O. Box 82028
Lincoln, Nebraska 68501

For the Commission Staff
Hal Hasselbalch, Attorney
301 Centennial Mall South
Lincoln, Nebraska 68509

OPINION AND FINDING

BY THE COMMISSION:

By application filed October 4, 1983, K & M Telephone Company, Chambers, Nebraska seeks approval of an extended area service adder.

Notice of the filing of the application was published pursuant to the provisions of the Commission's Rules and Regulations. A number of letters and petitions protesting the application were received.

Pursuant to notice required by law, public hearing was held on the application on March 22, 1984 at 9:00 a.m. in the Courthouse, O'Neill, Nebraska with appearances as shown.

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 Nebraska corporation with its principal place of business at Chambers, Nebraska it is engaged in the telephone business as a common carrier and serves 661 subscribers through exchanges at Chambers and Inman, Nebraska.

2. Applicant provides extended area service between its exchanges and between each of them and the O'Neill exchange of Northwestern Bell Telephone Company. Because of this service arrangement applicant alleges that its income is deficient and seeks to increase rates \$4.00 per month as an extended area service adder.

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3. Larry G. Esser, Manager of applicant testified. He described the extended area service offering including that it was first offered in the early 1960's (Commission records indicate that E.A.S. was authorized between Chambers and O'Neill in 1963 and between Inman and O'Neill and Inman and Chambers in 1964). Mr. Esser also indicated that applicant is on a cost basis for toll settlement; that E.A.S. calls are counted as local usage; and that between 1972 and 1980 the portion of toll revenue retained by the applicant has declined from 101% to 64%.

4. Dean Erickson testified for applicant concerning the financial exhibits. Based on actual results as of May 31, 1983, annualized, and giving effect to the proposed increase in rates, his exhibits indicated a rate base of \$769,430, operating income of \$28,122 and a rate of return of 3.66%.

5. The Commission's staff accountant testified that, using actual results as of November 30, 1983, annualized, would produce a rate base of \$770,637, operating income of \$23,602 and a rate of return of 3.1%.

6. The Commission's chief engineer testified concerning service tests which he conducted at applicant's exchanges. He found satisfactory completion of toll and E.A.S. calls but experienced below expected completion on local calls. Applicant testified that it had performed maintenance to correct the problems encountered. Applicant should be required to submit a report outlining the action taken to correct the local call problem.

7. Ten witnesses testified in opposition to the proposed rates. Their testimony was generally that, while they were willing to pay more for E.A.S., the increase requested was excessive.

8. We find that while applicant has shown a need for an increase in rates and charges, there is no adequate evidence to justify assigning this increase to E.A.S. An increase in rates of \$3.00 per month should be allowed and applicant should be directed to submit a study of the costs of E.A.S. within six months.

ORDER

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that application No. C-451 be and it is hereby granted in part and the K & M Telephone Company be and it is hereby authorized to increase its rates and charges \$3.00 per month.

IT IS FURTHER ORDERED that applicant submit, within six months from the date of this order, a study of the cost of providing extended area service.

IT IS FURTHER ORDERED that applicant submit within 30 days from the date of this order, a report of the action taken to correct local call completion problems.

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MADE AND ENTERED at Lincoln, Nebraska, this 1st day of May, 1984.

NEBRASKA PUBLIC SERVICE COMMISSION

Harold D. Simpson
Chairman

ATTEST:

Terence L. Kubacko
Executive Secretary

COMMISSIONERS CONCURRING:

Quane D. Gay