

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Application of)	Application No. C-456
Northwestern Bell Telephone Company,)	
Omaha, Nebraska, for Authority to Adjust)	
the Rates and Charges for Telephone)	GRANTED IN PART
Service Furnished by it in the State of)	
Nebraska.)	Entered: December 20, 1983

APPEARANCES: For the Applicant
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For United Telephone Company of the West
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OPINION AND FINDINGS

BY THE COMMISSION:

By its application filed October 14, 1983 Northwestern Bell Telephone Company, Omaha, Nebraska, seeks authority to adjust its rates and charges for telephone service furnished by it in the State of Nebraska.

Notice of the filing was published on October 18, 1983 pursuant to the provisions of the Commission's Rules and Regulations. On October 19, 1983, the Commission sent a letter of notification to all mayors, community clubs and newspapers in the area served by Northwestern Bell advising that the application has been filed.

Pursuant to notice required by law, public hearing was held on the application on November 21 and 22, 1983, in the Commission Hearing Room in Lincoln, Nebraska, with appearances as set forth above.

Upon consideration of the application, the evidence adduced at the hearings and being fully advised, the Commission is of the opinion and finds that:

1. The Applicant is a corporation existing under the laws of the State of Iowa with its general operating headquarters at Omaha, Nebraska. It is a common carrier furnishing general communications services in Nebraska, Iowa, Minnesota, North Dakota and South Dakota, and is under the jurisdiction of this Commission.

2. This filing was made by Applicant in compliance with the Modified Final Judgment (MFJ) in United States v. American Telephone and Telegraph Co., Civil Nos. 74-1698, 82-0192, 522 F. Supp. 131 (D.D.C. 1982), aff'd sub nom, Maryland v. United States, 103 S.Ct. 1240 (1983), which mandates that AT&T divest itself of all 22 Bell Operating Companies, including Applicant, as of January 1, 1984, and which changes the scope of telecommunications services that Applicant is allowed to provide after the date of divestiture.

3. Applicant currently furnishes local and long distance service at 94 telephone exchanges in Nebraska serving approximately 702,000 Company-owned telephones and provides long distance connections to 360 exchanges of other telephone companies in the State. After January 1, 1984, Applicant will be allowed to provide local and long distance telephone service only with new geographical areas called Local Access and Transport Areas (LATA's). The MFJ specifically prohibits Applicant from furnishing telephone service between LATAs. Applicant will, however, provide access facilities for the origination and termination of interLATA traffic carried by other carriers known as Inter-exchange Carriers (ICs).

4. Since the MFJ specifically prohibits Applicant from providing telephone service between LATAs, Applicant will no longer have available to it a major source of intrastate revenue to cover the costs of the investment and expenses associated with Applicant's provision of access to the telephone network. This loss of intrastate revenue results in an adverse effect on Applicant's revenues in the annual sum of approximately \$20.1 million which in turn causes a severe decrease in the Company's rate of return for its Nebraska intrastate operations.

5. In this filing Applicant has established a comprehensive rate structure which is in accord with the rules prescribed by the Federal Communications Commission in CC Docket No. 78-72 which rules supersede existing methods used by telephone operating companies to recover their costs of access assigned by the jurisdictional separations process. Applicant proposes that ICs be charged the same usage rate for intrastate access as that contained in the interstate

tariffs on file with the FCC. Applying the interstate carrier access charges to intrastate interLATA service will generate annual revenues of approximately \$20.1 million, which will compensate the Applicant for its loss of interLATA revenue after divestiture. As a result, there will be no end user charge for Applicant's Nebraska telephone customers during 1984.

6. We find that the intrastate carrier access charges should be the same as those filed for interstate access for the reason that it is impossible for Applicant and other local exchange telephone companies to identify at the terminating point and in some cases the originating point, whether a call is interstate or intrastate. The exchange companies will have to rely on the ICs to report whether a call is interstate or intrastate. If there is a difference in carrier access charges, inaccurate reporting could adversely impact the local telephone companies and their revenues.

7. We further conclude that time is of the essence with regard to the implementation of access charge tariffs. Failure to adopt the rates and structure of the interstate tariff will place an insurmountable burden on local telephone companies since there is insufficient time remaining between now and December 31, 1983 to develop a reliable intrastate access charge tariff. Furthermore, even if the local exchange companies were to engage in this task, there has been no showing that the resulting tariff would be substantially different from that filed at the federal level.

8. Although the FCC has suspended the interstate tariffs until April 3, 1984, this does not alter the fact that the separations and settlements process which exist today will be terminated effective January 1, 1984. The FCC's action only delays approval of the filed interstate tariffs; it does not alter the requirements of the MFJ. At the present time the interexchange carriers and the exchange carriers are engaged in negotiations which would call for the currently filed interstate carrier access charges, i.e., those charges applicable to interexchange carriers only, to become effective January 1, 1984 under contract. We believe it is essential that this Commission implement intrastate interLATA access tariffs to be effective on January 1, 1984 so that there will be a mechanism on the state level which will allow the Applicant to recover its costs associated with providing access and so that there will be parity between intrastate carrier access charges and the contractual interstate charges. This Commission, of course, retains jurisdiction to require modification of Applicant's tariff should action at the federal level subsequently dictate the need for such modification.

Northwestern Bell proposes to meet its total intrastate access revenue requirement without considering revenues obtained for billing and collection services. It proposes that these revenues be treated below the line, however, the expenses of billing be treated above the line.

We find that the billing revenues and expense should be treated consistently, and should be above the line items for ratemaking purposes. Any billing and collection revenue that may exceed the intrastate access charge revenue requirement should be applied to the increased expense caused by the reprerescription of depreciation rates for Northwestern Bell's intrastate operations.

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We conclude that the tariff filed by Applicant in this case is a fair and reasonable method of charging for exchange access, is in the public interest and should be granted.

ORDER

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application No. C-456 be and it is hereby granted and Northwestern Bell Telephone Company be and it is hereby authorized to revise its tariff to include the sheets set forth in its application herein.

IT IS FURTHER ORDERED that Applicant file appropriate tariff sheets with the Commission to be effective January 1, 1984.

MADE AND ENTERED at Lincoln, Nebraska, this 20th day of December, 1983.

NEBRASKA PUBLIC SERVICE COMMISSION

Harold D. Simpson
Chairman

COMMISSIONERS CONCURRING:

ATTEST:

Terence L. Kubicek
Executive Secretary