

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the matter of the application of)	Application No. C-539
Clarks Telephone Company, Clarks,)	
Nebraska, for an order authorizing)	GRANTED IN PART
an increase in local service rates.)	
)	Entered: July 2, 1985

APPEARANCES: For the applicant
John W. Hummel, Attorney
1615 17th Avenue
Central City, Nebraska

OPINION AND FINDING

BY THE COMMISSION:

By its application filed August 13, 1984, the Clarks Telephone Company, Clarks, Nebraska seeks authority to increase local service rates.

Notice of the filing of the application was published pursuant to the provisions of the Commission's Rules and Regulations. Eleven letters of protest were received.

Pursuant to notice required by law, public hearing was held on the application on March 4, 1985 at 10:00 a.m. in the Ulysses Community Hall, Ulysses, Nebraska with appearance as shown. A further public hearing was held May 8, 1985 in the Ulysses Community Hall.

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 Clarks, Nebraska. It is engaged in the telephone business as a common carrier serving approximately 976 subscribers through exchanges located at Clarks, Staplehurst and Ulysses, Nebraska.

2. Applicant alleges that its existing rates and charges do not provide an adequate rate of return on its investment in telephone plant and equipment and it seeks to increase rates as follows:

	<u>Present Rate</u>	<u>Proposed Rate</u>	<u>Increase</u>
<u>Clarks and Ulysses:</u>			
Business 1 party	\$12.00	\$15.00	\$3.00
Residence 1 party	8.00	11.00	3.00
<u>Staplehurst:</u>			
Business 1 party	13.00	17.00	4.00
Residence 1 party	9.50	13.50	4.00

3. Both applicant and the Commission Staff have used as a test year the actual results for the calendar year 1984.

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4. Applicant's witness, Dean Erickson, presented its rate base as of December 31, 1984 consisting of the original cost of its plant and equipment, less accumulated depreciation and including materials and supplies and amounting to \$1,005,454. The Commission Staff's rate base was the same except that it included a deduction for Deferred Federal Income Taxes and amounted to \$990,187. We find that the staff rate base is appropriate to use in this case.

5. The proposed rates would produce additional annual revenue of \$38,424. Net operating income after adjustment for the income tax effect of the proposed increase would be \$38,371 based on applicant's exhibits. Staff's exhibit reflects disallowances for advertising, cable TV and certain other expenses as well as different amounts for income taxes and shows net operating income to be \$34,908.

6. The Commission's Chief Engineer testified concerning service tests which he had conducted. The results of these tests was good except at the Ulysses exchange where local call completion was lower than expected. It was recommended that testing and maintenance procedures be revised to include dialing all seven digits of the telephone number, which would result in improved call completion.

7. Five protestants testified and presented letters of protest from four other individuals and petitions containing 751 signatures opposing the applications. The protestants expressed concern about service problems such as noise on their lines, the limited calling area and visits by servicemen to replace telephones that worked properly. Protestants also called attention to the company's 1984 retained earnings (\$629,403), the 2% interest rate on funded debt, high salaries of officers and low interest earned on investments. They also indicated that the economy of the area served by applicant had experienced deflation and could not afford the increase requested.

8. Having considered all of the evidence, we are of the opinion that an increase of \$2.00 per month at Clarks and Ulysses and \$3.00 per month at Staplehurst is fair and reasonable and the application should be granted in part. The schedule of allowed rates is:

	Clarks Ulysses	Staplehurst
Business 1 party	\$14.00	\$16.00
Residence 1 party	10.00	12.50

ORDER

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that application No. C-539 be and it is hereby granted in part and the Clarks Telephone Company be and it is hereby authorized to charge and collect the schedule of allowed rates set forth in the Opinion and Findings, effective July 2, 1985.

IT IS FURTHER ORDERED that applicant report to the Commission within 60 days from the date of this order on the steps it has taken to revise its maintenance procedures.

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MADE AND ENTERED at Lincoln, Nebraska, this 2nd day of July, 1985.

NEBRASKA PUBLIC SERVICE COMMISSION

Harold D. Simpson

Chairman

COMMISSIONERS CONCURRING:

Duane D. Gay

ATTEST:

Donald Adams

Executive Secretary