

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Application)
of Northwestern Bell Telephone)
Company, Omaha, Nebraska, for)
approval of tariff sheets of its)
Local and General Exchange Tariffs.)

Application No. C-540

GRANTED AS MODIFIED

Entered: February 3, 1987

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

For the protestant,
American Data System
Thomas H. Dahlk, Attorney
1000 Woodmen Tower
Omaha, Nebraska

BY THE COMMISSION:

By its application filed August 13, 1984, Northwestern Bell Telephone Company, Omaha, Nebraska, seeks approval of tariff sheets of its Local and General Exchange Tariffs.

Pursuant to notice required by law, and in response to the mandate of the Nebraska Supreme Court, additional public hearings in this matter were held on October 15, 1986 and November 12, 1986 in the Commission Hearing Room, Lincoln, Nebraska with appearances as shown.

OPINION AND FINDINGS

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. Applicant is an Iowa corporation with its principal place of business at Omaha, Nebraska. It is engaged in the telephone business as a common carrier subject to the jurisdiction of this Commission.

2. On January 21, 1985, this Commission adopted Rule and Regulation No. 75, allowing the connection of Customer Provided Semi-Public Telephones often referred to as Customer Owned Coin Operated Telephones (COCOTs). These rules provide that in the absence of a Commission approved rate for COCOT service, the rate shall be the existing one-party business rate.

3. The Commission on February 5, 1985, entered an order approving rates for COCOT service for Northwestern Bell (NWB). The rate for this service was set at \$30.00 per month, plus 10¢ each for the first 200 calls, 8¢ each for the 201st to 400th call and 6¢ each for calls over 400. Where this metered service is not offered, the flat rate of \$55.00 per month is to be applied.

4. At the hearing on October 15, 1986, Alan L. Bergman, General Manager - Regulatory for Nebraska testified for the Applicant that the rates charged should cover all appropriate costs of providing the service including a ratable portion of the company overhead costs. He stated that the monthly access line

rate of \$30.00 covers the total non-traffic sensitive access line costs that are present each month regardless of the amount of usage by the customer.

5. Mr. Bergman proposed to amend the Applicant's current usage rate to charge 8¢ per metered call instead of the current structure. As explained by Mr. Bergman, there is a usage cost each time that a call is set up on the telephone network and a cost per conversation minute. Studies have shown that neither of these usage costs varies with the volume of calls, so that the single metered price per call is more appropriate than a staircase structure.

6. Mr. Bergman further testified that over the years, local telephone companies such as the Applicant have provided public telephone service at many low usage, unprofitable locations. In the past, the losses suffered by telephone companies in the low use areas have been offset by the revenues from the profitable locations. With the advent of competition, local telephone companies are now losing many of the profitable locations. As evidence of this, Mr. Bergman stated that today NWB's Nebraska public telephones average about 275 calls per month, whereas COCOTs in Nebraska are currently averaging about 430 calls per month. Mr. Bergman stated that as long as local telephone companies are required to serve low usage, unprofitable locations, COCOT service should be priced in such a manner as to help preserve current revenue levels from coin telephones in order to prevent a shift of the revenue burden onto other users.

7. Mr. Bergman proposed that COCOT service be priced at a monthly flat rate of \$55.00 in those locations where metered service is not available, recognizing that metering may not be available in some of the smaller communities and that the calling volumes in such communities will probably be lower than the Nebraska average of 430 calls per month.

8. Paul M. Swanberg - Director--Economic Analysis for the Applicant, presented under Protective Order the Nebraska non-traffic sensitive access line costs and the traffic sensitive usage costs incurred by NWB when providing COCOT service. Mr. Swanberg described the methodologies used in determining the costs and identified the direct costs that relate to the provision of this service. In addition, he prepared a calculation showing recovery from this service of a proportionate share of the Applicant's Nebraska common overhead costs.

9. Four witnesses testified for Protestant, American Data Systems (ADS), all of whom felt that the proposed rates were excessive. Mr. David Gilfillan did state, however, that private coin telephone owners should pay NWB for its costs plus a reasonable profit. Mr. Charles Higgins suggested that the rate should be set somewhere near the rate for residential local service. However, as the record demonstrates, rates for local service have never been cost based, but rather have been priced residually. He also testified that ADS is at a competitive disadvantage because of the following:

- (a) ADS is charged 26¢ per directory assistance (DA) call from NWB. ADS charges its users 25¢ for DA; however, NWB does not charge for DA from their coin instruments.
- (b) NWB pays a 5% commission to their pay phone property owners on all long distance calls. ADS does not receive any commission for long distance calls placed from their COCOTs.

- (c) ADS must change the telephone number when it replaces an existing NWB coin telephone with one of its own. This is very undesirable to the property owners because of existing advertising and the fact several customers are familiar with the telephone number.
- (d) The Commission Rules and Regulations prevent ADS from placing more than one COCOT on a telephone line. This prevents ADS from providing service to a number of COCOTs in a shopping center from a smaller number of central office lines.
- (e) Currently, a technical problem exists in certain central offices which results in 1-plus calls from COCOT lines being blocked. Because of this problem, COCOT users are unable to place a toll call on a cash basis from these locations.

10. Having considered all of the evidence, the Commission finds that:

- (a) The owner of a coin telephone is in the business of reselling telephone service to the public and should pay the local telephone company's costs of providing the service to him.
- (b) Where measured service is available, the COCOT access line should be offered at the tariffed rates for NWB's one-party business measured budget service. Usage should be billed on a measured or metered basis at the option of the COCOT owner. Usage should be billed at the tariffed rates for those owners selecting measured service while the metered rate should be 6¢ for each call.
- (c) Where measured service is not offered, the one-party flat business rate should apply in place of the access line rate and the usage rate.
- (d) NWB shall no longer apply directory assistance charges to subscribers of COCOT service. Should NWB be authorized to collect directory assistance charges from their coin telephone users, they will also be allowed to resume applying directory assistance charges to subscribers of COCOT service.
- (e) NWB shall provide COCOT service at existing NWB coin telephone locations without a change in the existing telephone number.
- (f) NWB shall resolve all technical problems relating to 1-plus dialing from all COCOT locations.

11. The application, as modified herein, is fair and reasonable, is in the public interest and should be granted as modified.

12. At the time of the appeal of the Commission's first order in this matter, NWB elected to make that rate order effective by filing a supersedeas bond. Section 75-139, R.R.S., 1943, provides:

"that a common carrier may make effective a rate order increasing a fixed rate by filing a supersedeas bond with the commission sufficient in amount to insure refund of the difference between the rate finally approved and the rate appealed to shippers or subscribers entitled thereto if the order appealed is reversed."

Since the rates finally approved herein are less than the rates appealed, the Commission directs NWB to refund all amounts collected for COCOT service in excess of the metered service rates or the flat rate authorized by this Order, depending on which charge has been applied to a customer.

ORDER

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application No. C-540 be and it is hereby granted as modified and the Northwestern Bell Telephone Company be and it is hereby authorized to revise its tariff as set forth in the Opinion and Findings herein.

IT IS FURTHER ORDERED that applicant file appropriate tariff sheets with the Commission.

IT IS FURTHER ORDERED that applicant refund all amounts collected for COCOT service in excess of the rates authorized herein.

MADE AND ENTERED at Lincoln, Nebraska this 3rd day of February, 1987.

NEBRASKA PUBLIC SERVICE COMMISSION

Eric Rasmussen
Chairman

ATTEST:

Donald Adams
Executive Secretary

COMMISSIONERS CONCURRING:

Quane D. Gay
//s//James F. Munnelly
//s//Eric Rasmussen
//s//Harold D. Simpson
//s//Daniel G. Urwiller