

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Application)	Application No. C-627
of Nebraska Telephone Association,)	
Lincoln, Nebraska, to Establish)	
Uniform Procedures for Intrastate)	GRANTED IN PART
Toll Compensation to Exchange)	
Carriers.)	Entered: December 16, 1986

APPEARANCES: For the applicant
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Lincoln, Nebraska

For United Telephone Company of the West
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For General Telephone Company of the Midwest
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For Northwestern Bell Telephone Company
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For Intervenor MCI Telecommunications Corp.
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For Protestant AT&T Communications of the Midwest, Inc.
Richard A. Peterson, Attorney
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Lincoln, Nebraska
and
Mark E. Belmont, Attorney
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Omaha, Nebraska

OPINION AND FINDINGS

BY THE COMMISSION:

By its application filed December 13, 1985, the Nebraska Telephone Association, Lincoln, Nebraska, seeks to establish uniform procedures for intrastate toll compensation to exchange carriers.

Notice of the filing of the application was published pursuant to the rules and regulations of the Commission. A formal protest to the application was

filed by AT&T Communications of the Midwest. Letters of protest were filed by Stanton Telephone Company, Pierce Telephone Company and Hartington Telephone Company but were subsequently withdrawn. A petition to intervene was filed by MCI Telecommunications Corporation and a protest and a petition to intervene was filed by GTE Sprint Communications Corporation.

Pursuant to notice required by law, public hearing was held on the application on November 6, 1986 at 9:30 a.m. in the Commission Hearing Room, Lincoln, 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 non-profit corporation organized and existing under the laws of the State of Nebraska with its principal place of business at Lincoln, Nebraska. Its members include local exchange carriers (LECs) engaged in the provision of intrastate telecommunications services for hire within the State of Nebraska.

2. This application is made by the Nebraska Telephone Association (NTA) on behalf of its LEC members which includes all LECs in Nebraska except for Pierce Telephone Company.

3. At the present time, LECs use two methods to calculate their compensation for carrying interexchange messages over their facilities. First, interLATA intrastate compensation is determined by use of access tariffs approved by this Commission. Second, intraLATA intrastate compensation is based upon settlements agreed to between the companies.

4. Applicant alleges that the two methods of compensation have resulted in unnecessary and expensive duplication of administrative procedures and revenue shortfalls for some LECs. As a result, applicant proposes to revise the methods of compensation to include the following:

- (a) Compensation to LECs for intrastate toll service to be based on access tariffs designed to more accurately reflect actual LEC revenue requirements;
- (b) Intrastate traffic sensitive rates will mirror or be in parity with interstate rates;
- (c) Billing and collection rates will be detariffed and therefore not made a part of the intrastate access tariffs approved by this Commission, except that as a result of the Modified Final Judgment (MFJ) and in accordance with the GTE Consent Decree, Northwestern Bell Telephone Company and General Telephone Company of the Midwest, respectively, are not permitted to detariff billing and collection;
- (d) Non-traffic sensitive intrastate toll costs to be reduced by not more than \$1.35 per access line per month;
- (e) An access charge residual (ACR) rate element will be implemented as a flat monthly rate added to access charges.

5. In addition, increases in local exchange rates are proposed for subscribers of General Telephone Company of the Midwest, Lincoln Telephone and Telegraph Company, Northwestern Bell Telephone Company, and United Telephone Company of the West.

6. Eight witnesses testified on behalf of the applicant in support of the application. One witness testified for MCI. One witness testified for AT&T Communications and at the conclusion of his testimony, AT&T Communications withdrew its protest.

7. The compensation plan presented herein would provide for access charges for both interLATA and intraLATA calls. In their 1985 toll settlements for intraLATA calls, independent telephone companies effected a 10% reduction in non-traffic sensitive (NTS) costs assigned to toll traffic. The compensation plan recognizes this 10% reduction and also applies a 10% reduction in NTS costs to interLATA calls. The compensation plan provides for a further 25% reduction in such costs, the lesser of 25% or \$1.35 per line per month for cost companies or \$.50 per line per month for average schedule companies, which would apply to both interLATA and intraLATA traffic.

8. The plan provides that the state toll revenue requirement remaining after assignment of all relevant revenue sources would be determined for each company annually and assigned to the interexchange carriers as a flat monthly charge in proportion to their minutes-of-use. Northwestern Bell, however, testified that it proposed to determine a cost per minute for non-traffic sensitive costs and charge each interexchange carrier based on its actual usage. MCI supported the cost per minute approach as opposed to the flat usage charge for the reason that a flat usage charge would act to deter the stimulation of traffic.

9. The application also proposes increases in local service rates for the four largest companies in order to recover the remaining non-traffic sensitive costs not recovered from the interexchange carriers.

10. Having considered all of the evidence, we concur that the existing compensation plan should be revised to provide for access charges for both interLATA and intraLATA calls. A reasonable plan should have the following features:

- (a) The 10% reduction in NTS costs which occurred in 1985 is approved and authorized to continue at that level and extended to interLATA calls effective January 1, 1987. This would leave 90% of the NTS costs assigned to interexchange service.
- (b) Effective October 1, 1987, NTS costs assigned to interexchange shall be 80% of the total study amount. This shift shall be the lesser of 20% of the NTS revenue requirement, or 10% of the NTS revenue requirement plus \$.55 per access line per month.
- (c) In exchanges where interexchange competition exists, the revenue requirement residual shall be recovered from each carrier on a minutes-of-use basis. Only in locations where one interexchange carrier exists may the residual be recovered as a flat monthly charge. As of

October 1, 1987, the revenue requirement residual shall be recovered from all carriers on a minutes-of-use basis. Any company unable to comply with this provision may request a waiver.

- (d) No increase in end user charges will be allowed as a part of this application.
 - (e) Equal access and network reconfiguring costs shall be amortized over 8 years from the date they are incurred except that all such costs incurred prior to January 1, 1987 shall be amortized over 8 years from January 1, 1987. Rates recovering these costs shall be only applicable to Feature Group D access. Any company unable to comply with this provision may request a waiver.
 - (f) Premium access charges will apply to Feature Group C and D traffic. Feature Group A and B traffic occurring in an equal access office will be billed at premium rates. A 25% discount will apply to Feature Group A and B traffic occurring in non-converted offices.
 - (g) Any shift subsequent to January 1, 1987, in NTS costs shall be recognized in determining interLATA and intraLATA toll schedules.
 - (h) AT&T shall reduce interLATA rates January 1, 1987. Subsequent reductions in interLATA and an appropriate reduction in intraLATA toll rates shall take effect on October 1, 1987.
 - (i) Billing and collection rates will be detariffed and therefore not made a part of the intrastate access tariffs approved by this Commission, except that as a result of the Modified Final Judgment (MFJ) and in accordance with the GTE Consent Decree, Northwestern Bell Telephone Company and General Telephone Company of the Midwest, respectively, are not permitted to detariff billing and collection.
 - (j) In order to fully evaluate this plan, the Commission should review the plan periodically after the effective date.
11. As modified above, the application is fair and reasonable, is in the public interest and should be granted in part.

ORDER

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application No. C-627 be and it is hereby granted in part and the Intrastate Toll Compensation Plan as modified in the Opinion and Findings herein be and it is hereby approved to become effective January 1, 1987. Each Local Exchange Carrier is therefore ordered to file their ACR rate element on a minutes-of-use basis with this Commission on or before October 1, 1987.

IT IS FURTHER ORDERED that all Local Exchange Carriers file revised access tariffs to conform with the Opinion and Findings herein on or before January 1, 1987.

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IT IS FURTHER ORDERED that Northwestern Bell Telephone Company file tariffs reducing intraLATA toll rates as set forth in the Opinion and Findings herein effective October 1, 1987.

MADE AND ENTERED at Lincoln, Nebraska this 16th day of December, 1986.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Duane D. Gay
//s//Bob Brayton
//s//James F. Munnelly
//s//Eric Rasmussen
//s//Harold D. Simpson

Bob Brayton
Chairman

ATTEST:

Donald [Signature]
Executive Secretary