

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Application of )	Application No. C-641
AT&T Communications of the Midwest, )	
Inc., Omaha, Nebraska, for approval of )	GRANTED IN PART
revisions and additions to its Message )	
Telecommunications Service Tariff. )	Entered: June 24, 1986

APPEARANCES: For the applicant,  
Richard A. Peterson, Attorney  
P.O. Box 5526  
Lincoln, Nebraska 68505

For the Intervenor,  
Paul M. Schudel, Attorney  
1500 American Charter Center  
Lincoln, Nebraska 68508

OPINION AND FINDINGS

BY THE COMMISSION:

By its application filed February 27, 1986, AT&T Communications of the Midwest, Inc., Omaha, Nebraska, seeks approval of revisions and additions to its message Telecommunications Service Tariff by withdrawing the provisions for optional calling plan (OCP) service. Alternatively the application seeks a reduction in the amount of access charges paid by applicant in connection with service provided under its OCP; or that in lieu of applicant's service local exchange carriers be certified to provide interexchange service under an OCP arrangement; or that applicant be allowed to increase its OCP rates.

Notice of the filing of the application was published pursuant to the provisions of the Commission's Rules and Regulations. No formal protests were filed to the application, however a number of letters of protest were received. Lincoln Telephone and Telegraph Company filed a petition to intervene pursuant to Rule 16 of the Rules of Commission Procedure.

Pursuant to notice required by law, public hearing was held on the application on April 23, 1986, in Lincoln, Nebraska, with appearances as shown.

1. Applicant is an Iowa Corporation duly authorized to do business in the State of Nebraska with its principal place of business at Omaha, Nebraska. It is engaged in the business of providing intrastate interLATA telecommunications services in Nebraska pursuant to a certificate granted by the Commission.

2. Prior to the federal court ordered divestiture of Northwestern Bell Telephone Company and the other Bell operating companies by AT&T, Northwestern Bell began offering an Optional Calling Plan ("OCP") as a part of its intrastate toll service. The OCP was intended to be an alternative to extended area service ("EAS") which is available at many of the smaller communities in the state. The OCP allows a subscriber to make calls to exchanges up to 15 or 25 miles from the subscriber's exchange upon payment of a flat hourly fee.

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

Application No. C-641

Page two

3. On January 1, 1984, as a part of the divestiture process, applicant was ordered by the Commission to adopt the former Northwestern Bell OCP rates as they applied to interLATA calls. These rates were not based on applicant's cost of providing the service and did not take into account the access charges applicant must pay to the local exchange carriers in connection with each call placed under the OCP.

4. The current OCP rates which applicant is allowed to charge are \$3.50 per hour for calls within a 15 mile band and \$4.35 per hour for calls within a 25 mile band. These rates do not even cover the cost of applicant's access charges. For example, a 5 minute call placed under the 25 mile band rates generates 36 cents in revenue to the applicant. The access charge for that same call is \$1.01. As a result, applicant is losing approximately \$330,000 per year on its OCP service.

5. On July 2, 1985, applicant filed Application No. C-598 in which it asked the Commission for permission to withdraw the OCP provisions from its tariff. On January 28, 1986, the Commission entered an order denying the application on the ground that other alternatives had not been considered.

6. In the instant application, applicant has requested that the Commission consider each of the alternatives listed in the Commission's order of January 28, as well as again considering applicant's original request that it be allowed to discontinue its OCP.

7. The two public witnesses who appeared in opposition to the application were from Plattsmouth, one of the communities in the state where OCP service is available. They both testified to the advantage in being able to make calls from Plattsmouth to Omaha without paying ordinary toll charges. One of the witnesses opposed any increase in OCP rates while the other was willing to pay more for the service. The intervenor, Lincoln Telephone Company, offered no evidence.

8. It appears from the evidence that none of the alternatives is appropriate by itself. In order to allow applicant to cover just its access charge and billing costs, OCP rates would have to be increased to \$11.63 per hour. A 70% reduction in access charges would be required to allow applicant's present OCP rates to cover the cost of the service. However, a 35% reduction in the access charge for OCP calls along with an increase in the rate to \$6.55 per hour would appear to eliminate the applicant's losses.

9. The rate of \$6.55 per hour established herein would be for interLATA Plan 2 (1-25 miles). InterLATA Plan 1 (1-15 mile) would be discontinued. In addition, all revenue from the interLATA plan would be paid to applicant. IntraLATA OCP will not be affected by this order, however customers who wish intraLATA OCP would subscribe to a separate plan with their local exchange carrier.

10. The 35% reduction in access charges shall be in the form of a discount for both originating and terminating OCP calls and may be expressed as .0679¢ times the number of interLATA OCP calls. Any interexchange carrier who offers the OCP could obtain the discount.

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

Application No. C-641

Page three

11. The access charge discount, the rates and the usage of the OCP will be reviewed after six months to see if further action is warranted.

12. The Commission strongly encourages and recommends that the local exchange carriers, such as the intervenor, who offer OCP service on an intraLATA basis, apply to the Commission for authority to take over the interLATA OCP service which applicant has been providing. The Commission will expedite disposition of any such applications.

13. The rate change and access charge discount established herein shall become effective September 1, 1986. At least two weeks prior to September 1, 1986 affected subscribers shall be notified by the exchange carrier of the change in the OCP authorized herein.

ORDER

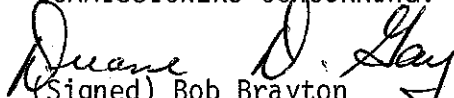
IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application No. C-641 be and it is hereby granted in part and AT&T Communications of the Midwest, Inc. be and it is hereby authorized to increase the rate for the Optional Calling Plan to \$6.55 per hour as set forth in the Opinion and Findings herein effective September 1, 1986.

IT IS FURTHER ORDERED that exchange carriers access tariffs be amended to provide for a 35% discount for all OCP calls.

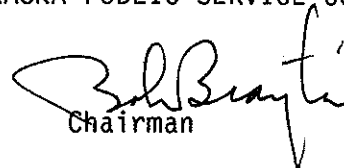
MADE AND ENTERED at Lincoln, Nebraska, this 24th day of June, 1986.

NEBRASKA PUBLIC SERVICE COMMISSION


COMMISSIONERS CONCURRING:

  
(Signed) Bob Brayton  
(Signed) James F. Munnelly  
(Signed) Harold Simpson

COMMISSIONER DISSENTING:  
(Signed) Eric Rasmussen

  
Chairman

ATTEST:

  
Executive Secretary

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

Application No. C-641

Page four

DISSENTING OPINION OF COMMISSIONER RASMUSSEN:

I must dissent from the majority opinion in Application No. C-641. AT&T should not be required to continue to provide the interLATA optional calling plan (OCP) it inherited from Northwestern Bell. This service was originally proposed by local exchange carriers as an alternative to EAS. Therefore it is the local exchange carriers who should be authorized to provide this service.

The Commission action which separates the OCP into inter and intraLATA plans will only confuse subscribers while increasing the rate 150%. I cannot support an increase of this magnitude as the record is not complete concerning the impact this service has on local exchange carrier revenues. The record does however support the applicant's position that they are losing approximately \$330,000 annually on the OCP service. I do not believe the action taken by the Commission adequately addresses this problem.

  
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COMMISSIONER ERIC RASMUSSEN