BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

Nebraska Public Service Commission RELATOR, vs. Lincoln Telegraph and Telegraph Company, A Common Carrier, RESPONDENT.	Application Nos. C-801 and C-882
In the Matter of the Application of The Lincoln Telephone and Telegraph Company, Lincoln, Nebraska, which seeks authority to adjust its rates and charges for telephone service in accordance with the Commission's order entered in Application No. C-801 on March 5, 1991.	**MOTION TO GRANT STIPULATION APPROVED; ORDER** Entered: February 16, 1993

APPEARANCES

For Lincoln Telephone Company Paul M. Schudel, Esq. WOODS & AITKEN Law Firm 1500 American Charter Bldg. Lincoln, NE 68508 (402) 474-5777	For the Communications Dept. Jeffrey P. Goltz, Esq. P.O. Box 94927 1200 "N" Street Lincoln, NE 68509 (402) 471-3101

BY THE COMMISSION

This matter came before the Commission as a result of Orders entered in Application Nos. C-801 (March 5, 1991) and C-882 (May 28, 1991). Hearing was held in the Commission Hearing Room, 1200 "N" Street, The Atrium Building, Lincoln, Nebraska on February 5, 1993 with appearances as shown. Notice of the hearing was sent to all parties and intervenors of record in the above-described dockets January 5, 1993. Notice of the hearing was also published January 7, 1993 in the Lincoln Journal. Commissioner Landis chaired the hearing.

Background:

Prior to the original dockets, the Commission received several Extended Area Service (EAS) applications in the Lincoln Telephone Company's (LT&T's) 22 county service area. The Commission opened the C-801 docket to investigate the most effective means of providing EAS to LT&T telephone subscribers. The Commission sought a plan from the company which would be revenue neutral, i.e., the company would earn no more revenue under the new EAS plan than it would have earned absent the plan. The Commission further intended that the quality of service be maintained at the level provided prior to the plan's implementation and that the company improve the service where possible.

The Commission in its C-801 Order found that to accomplish this goal, it was necessary to revise the company's basic local exchange rates. Further, with LT&T's concurrence, the Commission found that the public interest would be served by (a) restructuring LT&T's rates for EAS, (b) establishing an Enhanced Local Calling Area (ELCA) consisting of a 25 mile radius surrounding each LT&T exchange, (c) establishing rates for calls within the ELCA, (d) revising toll rates within LT&T's service area, (e) reducing Touch Call rates, and (f) revising the terms under which LT&T's Optional Calling Plan (OCP) is offered.

With these goals and adjustments in mind, on March 5, 1991 the Commission entered the C-801 Order establishing the required changes in the various affected rates and services offered by LT&T. On May 28, 1991, the Commission entered an Order in Application No. C-882 which approved LT&T's application to adjust its rates to conform to the requirements of the standards set forth in Application No. C-801.

The Commission's C-801 Order required LT&T to submit reports of revenues, expenses, intraLATA toll minutes, and access lines at the time the plan went into effect and monthly thereafter until further Order of the Commission. The Commission further Ordered that if, after at least six months of operation under the new plan, the plan was found not to be revenue neutral by a significant amount, the Commission would revisit the matter and, after notice and hearing, effect changes deemed necessary.

Subsequent review of the above-cited reports did raise the issue of whether the adjustments were "revenue neutral." The Commission set the matter for a November hearing date and then continued it at the request of the parties until February 24, 1993 while they completed their studies and pre-hearing investigation. On January 5, 1993, both parties filed a motion to advance the hearing date to February 5, 1993 and proposed a joint stipulation setting forth proposed rate adjustments to eliminate a windfall and to establish revenue neutrality. The Commission granted the motion to advance the hearing date and consider the joint stipulation.

The Hearing:

Gene Hand testified on behalf of the Communications Department. Hand became Director of the Department in July of 1991 and has worked for the Commission 17 years. He has been closely involved in the C-801 and C-882 dockets since their inception, including the preparation of the Department's case and evaluating LT&T's ELCA proposals.

Hand testified that the original docket was opened by the Commission to find an effective means of providing EAS throughout LT&T's service area. As a result, the ELCA plan was implemented. The plan changed LT&T's toll rate structure, its rate grouping, and the cost of touch tone; finally, several services were re-priced in order to create a revenue neutral ELCA plan. One of the important aspects of the plan was that it should not generate more revenue for LT&T, but instead restructure the services and re-price them to achieve a neutral effect on revenues.

The ELCA plan has been in effect for approximately a year and a half. After the plan went into effect, the Department worked with LT&T to develop reporting requirements, gathered information about the plan's effect, and developed forecasting techniques to aid in determining whether revenue neutrality was accomplished.

Hand further testified that the Department concluded LT&T earned more revenue during the period than would have occurred but for the plan's implementation. LT&T also did a study and found there was a degree of revenue non-neutrality, but the two studies showed a significant degree of difference in the amount of excess revenues.

The methodologies used by the two parties also differed significantly and therefore they submitted a joint stipulation to the Commission which strikes a middle ground between their respective positions (See Appendix Exhibit 1). Hand described the contents of the stipulation in detail. To clarify our review, we repeat a portion of the stipulation here, but, for brevity's sake, we hereafter rely on the stipulation as incorporated into this Order.

"5. Based upon the information submitted by LT&T and evaluation thereof by the Staff, the parties agree as follows:

Actual Revenues of LT&T September 1, 1991 through August 31, 1992[1]	$60,847,328
Projected Revenues of LT&T September 1, 1991 through August 31, 1992[2]	$59,668,820
Excess Revenues Before Implementation Expenses	$ 1,178,508
Implementation Expenses	$ (894,358)
Net Excess Revenues for September 1, 1991	

[1]Includes revenue form basic local exchange service, extended area service, enhanced local calling area service, Touch Tone, Optional Calling Plan and intrastate intraLATA toll.

[2]Projected revenues which the NPSC Staff and LT&T believe would have been received if the Plan had not been approved by the Commission and implemented.

through August 31, 1992	$ 284,150
Excess Revenue for September 1, 1992 through March 1, 1993[3]	$ 715,242
Excess Revenue through March 1, 1993	$ 999,392

6. The parties jointly recommend that this Commission enter an Order approving disposition of the $999,392 of excess revenues in the following manner:

Access Line Credit	
Residential: 169,465 lines x $1.00 per access line	$ 169,465
Business: 37,155 lines x $2.25 per access line	$ 83,599
Balance to be Applied to Two-Year IntraLATA Toll Rate Reduction	$ 746,328

7. Since $746,328 of excess revenues are to be amortized and applied to IntraLATA toll rate reductions over the two-year period commencing March 1, 1993, a five percent (5%) annual carrying charge shall be applied to such amount which results in annual IntraLATA toll rate reductions of $410,480 ($746,328 x 1.1 divided by 2) for each year of such two-year period.

8. In addition to the application of excess revenues as described in the preceding two paragraphs, LT&T agrees to implement the following rate revisions:

Touch Call Rates:	
Residential: $.50/Month[4]	$ 264,564
Business: $1.50/Month[5]	$ 199,387
Additional IntraLATA Toll Rate Reduction	$ 714,558

9. As a result of the IntraLATA toll rate reductions set forth in paragraphs 7 and 8, LT&T agrees to implement the following IntraLATA toll rate revisions effective as of March 1, 1993.

	Current	Revised
IntraLATA Toll Calls (1-55 Miles)		
Day (8-5)	$ .24/Min.	$ .20/Min.
Evening and Night	$ .12/Min.	$ .12/Min.
IntraLATA Toll Calls		

[3]Based upon estimated excess revenues per month of $119,207.

[4]Residential Touch Call Rates established in the Order entered on March 5, 1991 in Application No. C-801 were $.75/month.

[5]Business Touch Call rates established in the Order entered on March 5, 1991 in Application No. C-801 were $2.00-$2.25/month.

	Current	Revised
(56 Miles and Over)		
Day (8-5)	$ .30/Min.	$ .20/Min.
Evening and Night	$ .15/Min.	$ .12/Min."

The stipulation also provides that between March 1 and April 30, 1993 a subscriber may change his or her calling plan on a one-time basis, without charge.

Hand testified that in his opinion, adoption of an Order incorporating the stipulation satisfies the goals the Commission set forth in its previous Orders in Dockets C-801 and C-882 because adoption of the stipulation will result in the plan being revenue neutral.

F I N D I N G S

After review of this matter and being fully informed, the Commission finds that the ELCA Plan and the rate restructuring set forth in its Orders in C-801 and C-882, in which LT&T concurred, has, since its implementation, continued to serve the public interest. The terms of this Commission's Orders entered in C-801 and C-882 are hereby reaffirmed by the Commission in all respects, except as revised or amended by this Order.

We find that adoption of an Order which incorporates the parties' proposed stipulation will further the public interest. Our initial goal was to, as nearly as possible, eliminate the disparities in calling between communities in the LT&T service area. A majority of the Commission in both the original Orders entered in Application Nos. C-801 and C-882 believed that the subsequent adjustments made to the LT&T service offerings accomplished that goal in as reasonable a fashion as was possible. The remaining issue was to insure that those changes were revenue neutral.

There appear to have been honest disagreements between the parties as to the proper method of measuring revenue neutrality. We believe the proposed stipulation is a reasonable compromise which is reasonably accurate in its determination and which treats LT&T, the Communications Department, and the ratepayers fairly. The stipulation should be approved and the Order should incorporate the stipulation.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that this Commission's Orders entered in C-801 and C-882 on March 5, 1991 and March 28, 1992, respectively, are reaffirmed in all respects, except as revised or amended by this Order.

IT IS FURTHER ORDERED the parties' proposed stipulation and its paragraphs 1 through 14 inclusive be, and it is hereby, approved and incorporated by reference into this Order and shall be binding on the Commission and on the parties hereafter.

IT IS FURTHER ORDERED that the stipulation shall serve as the basis for adjusting the Lincoln Telephone Company's rates and charges for its services in the manner described in the stipulation.

IT IS FINALLY ORDERED, therefore, that the Lincoln Telephone Company shall adjust its rates and charges for its services in the manner described in the stipulation.

MADE AND ENTERED at Lincoln, Nebraska this 16th day of February, 1993.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING

Daniel G. Urwiller
Duane D. Gay
//s//Rod Johnson
//s//Frank E. Landis, Jr.
//s//James F. Munnelly

Frank Landis
Chairman

ATTEST:

Executive Director

APPENDIX

Exhibit 1

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

Nebraska Public Service Commission, Relator, vs. The Lincoln Telephone and Telegraph Company, Respondent.	Application No. C-801
In the Matter of the Application of The Lincoln Telephone and Telegraph Company, Lincoln, Nebraska, which Seeks Authority to Adjust its Rates and Charges for Telephone Service in Accordance with the Commission's Order Entered in Application No. C-801 on March 5, 1991.	Application No. C-882

FILED
JAN 5 1993
EXECUTIVE DIRECTOR
NEBRASKA PUBLIC SERVICE
COMMISSION

STIPULATION

COMES NOW the Communications Department of the Nebraska Public Service Commission (the "NPSC Staff") and The Lincoln Telephone and Telegraph Company ("LT&T"), and stipulate and agree as follows:

1. The parties enter into this Stipulation for the purpose of providing this Commission with a basis to (a) conclude its monitoring of the revenue neutrality of service plan and rate restructuring set forth in the Commission's Orders entered in Applications No. C-801 and C-882 on March 5, 1991 and May 28,

1991, respectively (the "Plan"), and (b) apply the revenues realized by LT&T which vary from revenue neutrality by a significant amount.

2. The parties agree to be bound by the terms of this Stipulation, and the parties further agree that neither party shall take any position contrary to the terms of this Stipulation at any public hearing concerning these Applications.

3. In accordance with this Commission's Order entered in Application No. C-801, dated March 5, 1991, (the "C-801 Order"), paragraph 10, the parties expressly acknowledge and agree that the negotiation and execution of this Stipulation, and any action which the Commission may take as a consequence of this Stipulation, shall be in accordance with the Commission's authority pursuant to existing statutes and Commission Rules. Nothing herein contained is intended to, nor shall this Stipulation be construed to extend or expand in any respect, the Commission's jurisdiction or authority to prescribe or regulate the rates for telecommunications services provided by LT&T.

4. LT&T has provided the NPSC Staff with written monthly reports of the revenue impact of the Plan for the period of September 1, 1991 through August 31, 1992. LT&T has provided such further information that the NPSC Staff has requested to enable the NPSC Staff to evaluate the revenue neutrality of the Plan, including, but not limited to, LT&T's expenses incurred to implement the Plan.

5. Based upon the information submitted by LT&T and evaluation thereof by the NPSC Staff, the parties agree as follows:

Actual Revenues of LT&T September 1, 1991 through August 31, 1992[1]	$ 60,847,328
Projected Revenues of LT&T September 1, 1991 through August 31, 1992[2]	59,668,820
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Implementation Expenses	(894,358)
Net Excess Revenues for September 1, 1991 through August 31, 1992	$ 284,150
Excess Revenue for September 1, 1992 through March 1, 1993[3]	715,242
Excess Revenue through March 1, 1993	$ 999,392

6. The parties jointly recommend that this Commission enter an Order approving disposition of the $999,392 of excess revenues in the following manner:

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Balance to be Applied to Two-Year IntraLATA Toll Rate Reduction	$ 746,328

7. Since $746,328 of excess revenues are to be amortized and applied to intraLATA toll rate reductions over the two-year period commencing March 1, 1993, a five percent (5%) annual

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[1]Includes revenue from basic local exchange service, extended area service, enhanced local calling area service, Touch Tone, Optional Calling Plan and intrastate intraLATA toll.

[2]Projected revenues which the NPSC Staff and LT&T believe would have been received if the Plan had not been approved by the Commission and implemented.

[3]Based upon estimated excess revenues per month of $119,207.

stay of discovery, to seek a continuance of the hearing in this matter and to request time to prepare for further hearings on this matter.

COMMUNICATIONS DEPARTMENT OF THE
NEBRASKA PUBLIC SERVICE COMMISSION

By: Maurice Gene Hand
Maurice Gene Hand
Director of Telecommunications
Nebraska Public Service Commission
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(402) 471-3101
Dated: January 5, 1993

THE LINCOLN TELEPHONE AND TELEGRAPH
COMPANY

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