

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Application of) Application No. C-1428
Curtis Telephone Company of Curtis,)
Nebraska, Pursuant to Commission) GRANTED
Rule 002.30 Proposes to Increase)
its Basic Local Exchange Service)
Rates.) Entered: September 30, 1997

APPEARANCES:

For Curtis Telephone Company:
Paul Schudel
Woods & Aitken
206 S. 13th Street, Suite 1500
Lincoln, Nebraska 68508

For the Commission Staff:
Deonne Bruning
Legal Counsel
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Lincoln, Nebraska 68508

Steve Herman
P.O. Box 151
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BY THE COMMISSION:

On October 28, 1996, Curtis Telephone Company (Curtis) of Curtis, Nebraska, filed an application with the Commission stating it was seeking to increase its rates for local telephone service pursuant to Commission Rule 002.30. Notice of the filing of the application was published pursuant to the provisions of the Commission's Rules and Regulations in The Daily Record, Omaha, Nebraska, on October 31, 1996. More than five percent (5%) of Curtis's residential customers filed petitions requesting the Commission to set rates for Curtis and to review the proposed rate increase. Accordingly, a public hearing was held on the application in Curtis at the American Legion on September 18, 1997, at 6:30 p.m.

O P I N I O N A N D F I N D I N G S

The applicant is a corporation organized and existing under the laws of the State of Nebraska with its principal office located at Curtis, Nebraska. It is engaged in offering telecommunications services in Curtis, Nebraska, and serves roughly 813 access lines.

Ed Cole, Jr., General Manager and CEO for Curtis, testified the application was filed to rebalance rates, specifically to increase the residential basic local exchange rate and to decrease access charges. Mr. Cole stated that the rate increase would not result in Curtis earning additional revenue, as an equal reduction in access charges will be implemented. Mr. Cole testified the application would actually result in an annual revenue decrease of \$89.97.

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Mr. Cole stated Curtis provides quality telecommunications services to customers. Outlined in Exhibit 3, Curtis has available E911, equal access, local Internet access and one-party service. Curtis has invested over \$1.44 million in its network since 1992. Referring to Exhibit 4, Mr. Cole stated no complaints were filed with the Public Service Commission against Curtis in 1996. Further, there have been no held orders of any kind in the last seven years. Curtis averaged less than 1.1 trouble tickets per 100 access lines per month during 1996.

Mr. Cole stated Curtis has not increased basic residential rates since 1985. Mr. Cole testified that had Curtis adjusted its residential basic service rates commensurate with changes in the Consumer Price Index, basic rates would be approximately \$20.14 for residential service. This information was entered into the record as Exhibit 6.

Mr. Cole testified that many residential customers receiving basic service adjacent to Curtis's territory pay higher rates than those proposed by Curtis. The exchanges of North Platte, McCook, Lexington and Gothenburg have higher residential rates than Curtis.

Gerard Van Hoet, President of Van Hoet & Company, Chartered, Certified Public Accountants, testified in support of the application. Mr. Van Hoet stated he provided consultative support to Curtis concerning the application by acting as a liaison between the company, the company's attorneys and the Commission staff.

Mr. Van Hoet testified that Curtis would not realize an overall increase in revenues if this application is granted. Further, he testified that the proposed rate increase is lower than the estimated cost of service published by the trade group, OPASTCO. The proposed rate is also lower than the estimated cost of service generated by the Benchmark Cost Model.

For these reasons, the applicant proposes to increase its current monthly local service rates from \$13.50 per month for residential customers to \$16.00. Touchtone and EAS to and from the Maywood exchange are included in the proposed basic local service rate.

The Commission staff called Steve Stovall, staff accountant, to present testimony. Mr. Stovall and other staff accountants audited the books and records of Curtis in response to this application. After examining the company's records, Mr. Stovall proposed the following adjustments to the rate base: (1) remove the impact of the payphone operations since the Federal Communications Commission has determined payphones are deregulated telecommunications services; (2) remove the cellular tower investment from the land account; (3) reduce the expense account

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to remove expenses considered either non-rate payer or out-of-period expenses; (4) make normalized adjustments for known and measurable events that are representative, but not reflected in the 12 month test year and are deemed to be usual and recurring in nature; and (5) reduce access charge revenues.

Testimony was received by two subscribers served by Curtis, Mr. Dennis Chipman, Superintendent of the Medicine Valley Schools, and Mr. Gene Erpelding, a businessman in Curtis. Both testified in favor of the application. A letter supporting the application was submitted by Mr. Don A. Woodman, Dean of the University of Nebraska, College of Technical Agriculture. No one in attendance objected to the application.

The Commission finds that the overall earnings of Curtis in this application are below the established interstate rate of return. After reviewing the company's service quality, the level of comparable local service rates being charged in areas surrounding Curtis, and recognizing the changing environment in which the company is operating, the rate proposal is reasonable and justified.

Upon consideration of the application, and being fully advised, the Commission is of the opinion that the application is fair and reasonable, is in the public interest, and should be granted.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application No. C-1428 be, and it is hereby, granted and Curtis Telephone Company is hereby authorized to increase its residential basic local service rate and to reduce access charges as requested.

IT IS FURTHER ORDERED that Curtis Telephone Company file appropriate rate lists with the Commission reflecting the changes made herein.

MADE AND ENTERED at Lincoln, Nebraska this 30th day of September, 1997.

COMMISSIONERS CONCURRING:

NEBRASKA PUBLIC SERVICE COMMISSION

Anne C. Boych

Vice Chairman

//s//Lowell C. Johnson
//s//Frank E. Landis

ATTEST:

Robert S. Logsdon
Executive Director

