

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Application of) Application No. C-1455
Great Plains Communications, Inc.)
seeking authority to increase its) GRANTED
rates for local telephone service)
pursuant to Nebraska Revised Statute)
Section 86-803(4).) Entered: April 24, 1997

APPEARANCES:

For Great Plains Communications:
Wyman E. Nelson
P.O. Box 186
Blair, Nebraska 68008

For the Commission Staff:
Deonne Bruning
Legal Counsel
300 The Atrium; 1200 N St.
Lincoln, NE 68508

BY THE COMMISSION:

On December 9, 1996, Great Plains Communications, Inc. of Blair, Nebraska filed an application seeking authority to increase its rates for local telephone service pursuant to Nebraska Revised Statute Section 86-803(4) (Reissue 1994). 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 December 13, 1996.

The applicant is a corporation organized and existing under the laws of the State of Nebraska with its principal office located at Blair, Nebraska. It is engaged in offering telecommunications services in 63 exchanges throughout the state serving approximately 32,300 access lines.

Public hearings were held on the application in three locations. The first hearing was held March 11, 1997 at 2:00 p.m. in the Commission Hearing Room, Lincoln, Nebraska with appearances as shown above. Additional hearings were held in Imperial, Nebraska on March 12, 1997 at 10:30 a.m. and in Bloomfield, Nebraska on March 13, 1997 at 11:00 a.m.

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

The Application was filed pursuant to Nebraska Revised Statute Section 86-803(4) (Reissue 1994) which provides the Commission may be requested to prescribe fair, just and reasonable rates upon application from any telecommunications company. The application was also filed pursuant to Commission Rule 2.29A5b which exempted the Application generally for Commission Rule 2.29 because the Application did not seek to increase revenues by more than one percent.

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Michael Pinguoch, Controller for the applicant, testified that competition in the telecommunications industry, as well as the many changes caused by the Telecommunications Act of 1996, left Great Plains with little choice but to rebalance its rates by adjusting prices closer to the actual cost of providing service. He also referred to portions of FCC proceedings which support the need to lower access rates in the new environment. For these reasons, the applicant proposed to increase its current monthly local service rates from \$10.75 for residential customers and \$18.55 for business customers to \$14.00 and \$20.00 respectively. The applicant stated that rates for customers in the Great Plains exchanges acquired from US West will not be affected by this application.

While Mr. Pinguoch testified that this rate increase would result in Great Plains earning additional revenue in the amount of \$936,833 annually, he stated these revenues would be offset by a proposed reduction in access charges. Great Plains proposes to reduce access rates as follows:

	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Annual Reduction</u>
Local Switching	\$0.04	\$0.035	\$ (447,335)
Local Transport Termination	0.0142	0.0091	(242,184)
Local Transport Facility	0.0013	0.0011	(248,030)
			\$ (937,549)

The witness added this plan would reduce access charges overall by 1.1 cents per minute and result in a revenue shortfall to the Great Plains of \$716 annually. The Commission staff verified this.

The Commission staff presented testimony regarding the earnings of Great Plains using a projected 1997 test year. This level of earnings results in a rate of return of 11.7% on the Great Plains intrastate operations.

At the hearing, Commission staff proposed an adjustment to the income statement to reduce revenues by an additional \$220,000. The basis for this adjustment was to allow the company to earn a rate of return of 11.25%, which is recognized by the Federal Communications Commission as a reasonable earnings level and is designated as the appropriate interstate rate of return. Staff proposed that either additional access charge reductions or a combination of access reductions and local rate reductions for business customers in the US West purchased exchanges should be implemented if this application is accepted.

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In its review of this application, the Commission should consider the service quality and type of service that is being provided by the company, comparable rates being charged in adjacent exchanges, and the earnings level of the company. The official files of the Commission indicate that the company has had very few service complaints, and the testimony of public witnesses at the hearings does not reflect concerns about quality of service.

The Commission finds the proposed local service rates to be fair, just and reasonable. The applicant's Exhibit 6 shows the proposed local service rates to be reasonable in comparison to other local exchange carriers in Nebraska.

The applicant provides one-party service, equal access, touchtone, and other services over buried distribution plant, 540 miles of fiber optic cable and digital switching. The applicant provides interactive video to seventeen schools, and will have toll free access to the Internet available throughout its serving territory by the middle of 1997.

For a number of years, this Commission has endorsed the concept that toll rates are too high and that access charges must be reduced in order to accomplish lower long distance rates within the state. This concern is shared by Nebraska subscribers who have complained about long distance rates and have repeatedly filed extended area service applications to provide toll relief. This application addresses our continuing concern about the level of access rates within our state.

We find the applicant to have met the service quality standard based upon the testimony and evidence.

The staff proposes an adjustment be made to the business rates of customers in exchanges acquired from US West. The applicant, as reflected in Exhibit No. 6, reduced the business rates of those customers by \$7.00 per month when it acquired the exchanges. The applicant also reduced some new recurring charges as well.

Finally, in reviewing the earnings of the company, we find that the projected earnings of Great Plains are within a reasonable range of the allowable interstate rate of return. Further, we must consider the risk involved in the new competitive climate which exists since the adoption of the 1996 Federal Telecommunications Act. We find that after a review of the company's service quality, the level of comparable local service rates, and the overall earnings, the rate proposal is reasonable and justified.

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Therefore, upon consideration of the application and being fully advised, the Commission is of the opinion that the application is fair, just and reasonable, is in the public interest, and should be granted effective July 1, 1997.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application No. C-1455 be, and it is hereby, granted and Great Plains Communications, Inc. is hereby authorized to revise its rates and charges for local exchange service as set forth herein.

IT IS FURTHER ORDERED that Great Plains Communications, Inc. file appropriate rate lists with the Commission prior to implementing the rate changes.


MADE AND ENTERED at Lincoln, Nebraska this 24th day of April, 1997.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

//s//Rod Johnson
//s//Frank E. Landis
//s//Daniel G. Urwiller

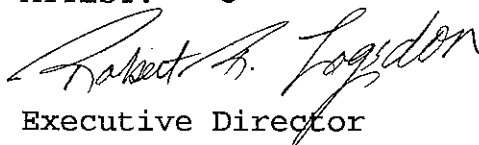
Chairman



ATTEST:

COMMISSIONERS DISSENTING:

//s//Anne C. Boyle
//s//Lowell C. Johnson



Executive Director

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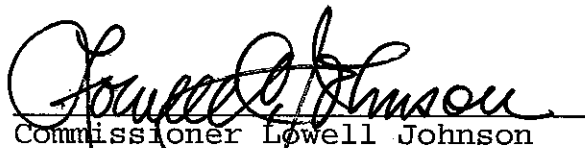
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DISSENT OF COMMISSIONERS LOWELL JOHNSON AND BOYLE:

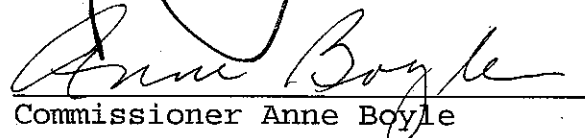
We dissent in the majority decision in this matter. The applicant in this case states that changes in the industry have left them with no choice but to rebalance rates in an effort to remove the subsidies inherent in their current pricing. It has been alleged that there are subsidies in the pricing of access charges and business local rates and that local residential rates need to be increased to cover their costs. The Commission decision allows for the increase in residential rates and the decrease in access rates, but our task of rate rebalancing is not complete until the subsidies in business local rates are removed. Some businesses in the "select" group of Great Plains' exchanges are paying \$20.00 for local service, while businesses at other Great Plains' locations are paying \$30.55 for the same service under this majority decision. Such a variance in rates does nothing to promote fair, reasonable and comparable economic development opportunity for businesses served by the same carrier. Ninety percent of small businesses in Nebraska have four or fewer employees. It is preferable to give businesses savings in real dollars, rather than lower access charges which may result in lower toll rates. If and when lower toll rates are implemented, the benefits will be reflected in fluctuating monthly savings rather than real dollars that consumers will actually notice.

We are convinced that allowing the company to earn a rate of return of 11.25% on its investment is fair and reasonable. This rate is also consistent with findings and probable recommendations developing at the FCC. Had the majority adopted this position, a greater degree of rebalancing access charges, residential and business rates could have been achieved. As adopted, the consumer will likely see rate increases with no immediate rate reductions. In addition, a number of consumers make no long distance calls and will not benefit even if the alleged reductions in long distance rates occur.

State commissions have been assigned a number of leadership and regulatory responsibilities as a result of the Federal Telecommunications Act of 1996. One of those duties is to carry out the promise of the Act and ensure that the consumers will be the ultimate winners in this transition from a monopoly to a competitive environment. The majority decision in this matter may reach this goal. The minority dissent is consistent with the intent of the Federal Act.



Commissioner Lowell Johnson



Commissioner Anne Boyle

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