

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Application of) Application No. C-1482
Hamilton Telephone Company of)
Aurora, Nebraska, Pursuant to)
Nebraska Statute 86-803(4) and)
Commission Rule 002.29A5b Proposes) GRANTED
to Increase its Basic Local Exchange)
Rate and to Establish Company-Wide)
Extended Area Service Pursuant to)
Commission Rule 002.27.) Entered: September 9, 1997

APPEARANCES:

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

For the Commission Staff:
Deonne Bruning
Legal Counsel
300 The Atrium; 1200 N St.
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BY THE COMMISSION:

On January 31, 1997, Hamilton Telephone Company (Hamilton) of Aurora, 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) and to establish company-wide extended area service (EAS) pursuant to Commission Rule 002.27. 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 February 3, 1997. A public hearing was held on the application in Aurora on August 14, 1997.

The applicant is a corporation organized and existing under the laws of the State of Nebraska with its principal office located at Aurora, Nebraska. It is engaged in offering telecommunications services in Aurora, Doniphan, Giltner, Hampton, Hordville, Marquette, Phillips, Stockham and Trumbull, Nebraska. Hamilton serves approximately 6,030 access lines.

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

Phillip C. Nelson, President for Hamilton, testified the application was filed to rebalance rates, to discontinue the separate charge for touch-tone service and to establish company-wide EAS. While Mr. Nelson stated that this rate increase would result in Hamilton earning additional local revenues, he stated these revenues would be offset by an equal reduction in access charges.

Mr. Nelson stated Hamilton provides quality telecommunications services to customers. Outlined in Exhibit 7, Hamilton

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has available on a company-wide basis 911, equal access, local Internet access and one-party service. Hamilton has invested \$4.85 million in its network since 1992. Referring to Exhibit 8, Mr. Nelson stated minimal complaints have been filed with the Public Service Commission against Hamilton, with only five being filed since 1993. Further, Hamilton had no held orders in 1996 and averaged only one trouble ticket per month during 1996.

Mr. Nelson stated Hamilton has not increased rates since 1976. Using information prepared by the Bureau of Business Research (BBR) at the University of Nebraska - Lincoln, Mr. Nelson demonstrated that had Hamilton adjusted its basic rates commensurate with changes in the Consumer Price Index, basic rates would be approximately \$16.68 to \$26.41. This information was entered into the record as Exhibit 9.

Mr. Nelson testified that most residential customers receiving basic service adjacent to Hamilton's territory pay higher rates than those proposed by Hamilton. Further, in most cases, the business rates Hamilton proposes are much lower than adjacent telephone companies. These statistics were entered into the record as Exhibit 14.

For these reasons, the applicant proposes to increase its current monthly local service rates for Aurora and Stockham from \$7.00 per month for residential customers and \$9.50 for business customers to \$10.75. The remaining exchanges would increase from \$6.00 for residential service and \$7.00 for business service to \$10.75. Touchtone and company-wide EAS would be included with basic local service.

The Commission staff called John Burvainis, staff accountant to present testimony. Mr. Burvainis and other staff accountants audited the books and records of Hamilton in response to this application. After examining the company's records, Mr. Burvainis 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) allow for a three year amortization on the remaining value of the switch that has been replaced; (3) allow for capitalization of the new switch serving Hamilton customers; (4) reduce the expense account to remove expenses considered either non-rate payer or out-of-period expenses and (5) reduce access charge revenues. Hamilton objected to the testimony offered by Mr. Burvainis and to Exhibit 16. Both objections are overruled.

Testimony was received by several consumers served by Hamilton. All voiced support for the application and expressed that Hamilton was providing quality service to their community. No one in attendance objected to the application.

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The Commission finds that the remaining value of the replaced switch should be amortized over two years; and, that the overall earnings of Hamilton in this application do not vary significantly from 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 Hamilton, 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-1482 be, and it is hereby, granted and Hamilton Telephone Company is hereby authorized to increase its basic local service rates, to reduce access charges and to establish company-wide extended area service as requested.



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

IT IS FURTHER ORDERED that Hamilton Telephone Company amortize the remaining value of the replaced switch over two years, commencing January 1, 1997.


MADE AND ENTERED at Lincoln, Nebraska this 9th day of September, 1997.

NEBRASKA PUBLIC SERVICE COMMISSION


COMMISSIONERS CONCURRING:

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

Chairman 

ATTEST:


Executive Director

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION
