

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Commission,) Application No. NUSF-5/C-2045
on its own motion, seeking to)
prescribe fair, just, and)
reasonable local rates for all)
incumbent local exchange) PROGRESSION ORDER #3
carriers in the state of)
Nebraska pursuant to Neb. Rev.)
Stat. sec. 86-803(4).) Entered May 2, 2000

BY THE COMMISSION

1. As set forth in the Commission order dated January 13, 1999, in Docket No. C-1628, all incumbent local exchange carriers (hereinafter, "ILECs") were required to file transition plans with the Commission for approval. Inter alia, each transition plan was to set forth any annual basic local exchange rate increases necessary to transition the carriers from current rates to rates that are at or above the lower of the Commission adopted benchmarks or cost by the end of the transition period. The transition period is three years for non-rural ILECs and four years for rural ILECs. The Commission has adopted benchmarks of \$17.50/month and \$27.50/month for residential and single-line business basic local exchange rates respectively.

2. Further, the Commission encouraged each ILEC to file, as a part of its initial transition plan, a request pursuant to Neb. Rev. Stat. sec. 86-803(4) that the Commission prescribe and approve as fair, just and reasonable the local exchange rate revisions (a) for the entire three-year period for each non-rural carriers's transition plan, and (b) for the entire four-year period of each rural carrier's transition plan.

3. The Commission proposed to deem rates set forth in the transition plan as "fair, just and reasonable" basic local exchange rates if a company's transition plan was in compliance with the Commission's Findings and Conclusions, contained in Docket No. C-1628, and the rates do not represent an increase in current basic local exchange rates that are already above the Commission adopted benchmarks at the time of the filing.

4. As such, the Commission, on its own motion, opened this docket to review the proposed basic local exchange rate increase portion of companies' transition plans and to prescribe fair, just and reasonable basic local exchange rates for ILECs in the state of Nebraska who have requested the Commission to prescribe such rates pursuant to Neb. Rev. Stat. sec. 86-803(4).

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5. Thirty eight (38) ILECs filed requests pursuant to Neb. Rev. Stat. sec. 86-803(4) that the Commission prescribe and approve as fair, just and reasonable the basic local exchange rate increases contained in their respective transition plans. On August 3, 1999, the Commission entered an order in this docket approving, for year one, the proposed basic local exchange rate increases contained in the transition plans of these ILECs. Any company that proposed basic local exchange rates increases, if necessary, for years two, three and four of their transition plan that are less than the maximum permitted by statute, as set forth in the Commission's January 13, 1999, C-1628 Order, was required to appear before the Commission to request a waiver specifically authorizing the alternate rate adjustments.

6. On March 14, 2000, the Commission found that the basic local exchange rate increases proposed for years two, three and four, where necessary, in the transition plans by 19 ILECs were: 1) fair, just and reasonable; 2) generally in compliance with the Commission's orders in Docket No. C-1628/NUSF; 3) are in the public interest; and 4) do not represent increases in local exchange rates where existing rates are already above the local rate re-balancing targets.

7. The remaining nineteen ILECs either proposed not to raise rates by the statutory maximums set forth by the Commission in Docket No. C-1628 or certain proposed rates do not reach the Commission adopted benchmarks by the end of the relative transition period. Accordingly, these ILECs were directed to appear before the Commission. A public hearing was held on April 17, 2000, at 10:00 a.m. in the Commission Hearing Room.

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

8. Prior to the April 17, 2000, hearing, Home Telephone Comp. of Nebraska (hereinafter, "Home"), corrected their transition plan to include basic local exchange rates that reach the Commission adopted benchmark. As a result, Home was not required to appear at the April 17, 2000, hearing. In the notification letters sent to customers prior to the public hearing in this matter held July 6-8, 2000, Home indicated that basic local exchange rates would reach the Commission adopted benchmarks in the fourth year of the transition plan. Therefore, the Commission finds that the basic local exchange increases proposed for years two, three and four, where necessary, in the transition plan by Home are 1) fair, just and reasonable; 2) generally in compliance

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with the Commission's orders in Docket No. C-1628/NUSF; 3) are in the public interest; and 4) do not represent increases in local exchange rates where existing rates are already above the local rate re-balancing targets.

9. The Commission in Docket No. C-1628 determined that:

"In each annual filing, companies shall have the option of (1) increasing local service rates by the maximum percentage permitted by Neb. Rev. Stat. §§ 86-803 and 75-609.01 until such time as the rates meet the local rate rebalancing targets; or, (2) increasing local service rates annually at an amount approved by the Commission but less than the allowable statutory maximum so that, at the end of the transition period, residential and business rates are at or above the lower of the local rate re-balancing target or cost, unless otherwise approved by this Commission.

The Commission included the second option in an attempt to limit rate shock to consumers and to give ILECs flexibility in raising basic local exchange rates while still meeting the objective of equalizing basic local exchange rates across the state.

10. The Commission finds that the basic local exchange increases proposed for years two, three and four, where necessary, in the transition plans filed by the ILECs listed in Attachment A are 1) fair, just and reasonable; 2) generally in compliance with the Commission's orders in Docket No. C-1628/NUSF; 3) are in the public interest; and 4) do not represent increases in local exchange rates where existing rates are already above the local rate re-balancing targets.

11. Further, the Commission finds that the residential basic local exchange increases proposed for years two, three and four, where necessary, in the transition plans filed by K & M Telephone Company, Pierce Telephone Company, Inc, and Sodtown Telephone Company are 1) fair, just and reasonable; 2) generally in compliance with the Commission's orders in Docket No. C-1628/NUSF; 3) are in the public interest; and 4) do not represent increases in local exchange rates where existing rates are already above the local rate re-balancing targets.

12. Further, the Commission finds that the business basic local exchange increase proposed for year two in the transition plan filed by Sodtown Telephone Company is 1) fair, just and reasonable; 2) generally in compliance with the Commission's orders

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in Docket No. C-1628/NUSF; 3) are in the public interest; and 4) do not represent increases in local exchange rates where existing rates are already above the local rate re-balancing targets.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that the proposed basic local exchange rates adjustments for years two, three and four filed by Home Telephone Comp. of Nebraska and the ILECs listed in Attachment A are hereby approved pursuant to this order.

IT IS FURTHER ORDERED by the Nebraska Public Service Commission that the proposed residential basic local exchange rates adjustments for years two, three and four filed by K & M Telephone Company, Pierce Telephone Company, Inc, and Sodtown Telephone Company are hereby approved pursuant to this order.

IT IS FURTHER ORDERED by the Nebraska Public Service Commission that the proposed business basic local exchange rates adjustments for year two by Sodtown Telephone Company are hereby approved pursuant to this order.

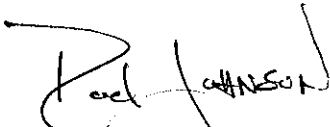
MADE AND ENTERED at Lincoln, Nebraska, this 2nd day of May, 2000.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:



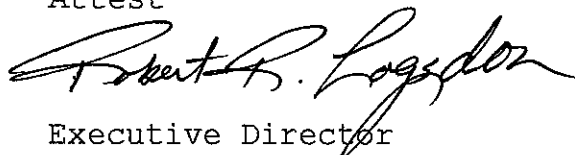




//s//Frank E. Landis
//s//Daniel G. Urwiller


Chairman

Attest


Executive Director

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Attachment A

Aliant Communications Company
Arapahoe Telephone Company
Benkelman Telephone Company
Consolidated Telco, Inc.
Consolidated Telephone Company
Cozad Telephone Company
Dalton Telephone Company, Inc.
Glenwood Telephone Membership Corporation
Great Plains Communications
Hartman Telephone Exchanges
Hershey Cooperative Telephone
Hooper Telephone Company
Keystone-Arthur Telephone Co.
Nebraska Central Telephone Company
Wauneta Telephone Company

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION
