

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of Benkelman)	Application No. C-4450
Telephone Co., Inc., Benkelman,)	
seeking a basic local rate)	
increase.)	
)	
)	
In the Matter of Wauneta)	Application No. C-4451
Telephone Company, Benkelman,)	
seeking a basic local rate)	
increase.)	GRANTED
)	
)	
In the Matter of Hartman)	Application No. C-4452
Telephone Exchanges, Inc.,)	
Benkelman, seeking a basic local)	
rate increase.)	
)	
)	Entered: June 5, 2012

BY THE COMMISSION:

On March 2, 2012, Benkelman Telephone Co., Inc. ("Benkelman"), Wauneta Telephone Company ("Wauneta"), and Hartman Telephone Exchanges, Inc. ("Hartman")(collectively, "Companies"), all headquartered in Benkelman, Nebraska, gave written notice to the Nebraska Public Service Commission ("Commission") and customers of the Companies of their intent to increase rates for basic local telephone service pursuant to the Nebraska Telecommunications Regulation Act¹ ("the Act").

The Commission received petitions from more than five percent (5%) of Wauneta and Hartman customers affected by the rate increase seeking a review by the Commission of the proposed rate increases. On March 13, 2012, the Commission notified Wauneta and Hartman that pursuant to the Act, the Commission would hold a hearing to gather evidence to conduct a review of whether the proposed rates are fair, just, and reasonable and set the rates. The review for Wauneta was docketed by the Commission as Docket No. C-4451. The review for Hartman was docketed as Docket No. C-4452.

On March 19, 2012, the Commission received a written request from Benkelman seeking a review by the Commission of Benkelman's proposed rates. Benkelman's proposed rate increase is related to the rate increases proposed by Wauneta and Hartman, the Companies are commonly owned. As of the date of the request from Benkelman, the number of petitions from

¹ See Neb. Rev. Stat. § 86-101 et seq.

Benkelman customers had not reached the five-percent (5%) threshold. However, in the event the threshold was reached, Benkelman desired to initiate Commission review concurrently with Wauneta and Hartman to save time and resources. Therefore, pursuant to the Act, the Commission notified the company that pursuant to its request, the Commission would hold a hearing to gather evidence to conduct a review of whether the proposed rates are fair, just, and reasonable and set the rates. The review of Benkelman's proposed rates was docketed by the Commission as Docket No. C-4450.

A public hearing in all three of the above-captioned dockets was held on May 24, 2012, at 10:00 a.m. at the Weeth Theatre in Tipton Hall on the campus of McCook Community College, located at 402 East M Street, McCook, Nebraska. All parties stipulated that as the Commission review of the Companies' proposed rate increases were legally and factually related, the record in the above-captioned dockets would be consolidated.

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

The Companies are all rural independent local exchange telecommunications carriers. Benkelman provides service in the Benkelman, Nebraska area, Wauneta provides service in the Wauneta, Nebraska area, and Hartman provides service in the Haigler, Danbury, and Lebanon exchanges in Nebraska.

Randall J. Raile, the General Manager of Benkelman, Wauneta and Hartman testified on behalf of the Companies in support of the proposed rates. Mr. Raile's prefiled direct testimony was accepted into the record as Exhibits 16, 19 and 22. Mr. Raile testified regarding recent plant and equipment investment and upgrades completed by the Companies in recent years, including installing new digital switches and electronic subscriber circuit equipment, and a fiber backbone in rural areas allowing the Companies to install fiber to the home in the exchanges served by the Companies.

Mr. Raile stated the Companies provide fast, efficient and high quality service to their customers, pointing out no formal complaints had been filed by any customer of the Companies in the previous year. Further, he testified the Companies received very few trouble tickets, referring to Exhibit RJR-2 attached to his prefiled direct testimony, showing 79 trouble tickets in

Benkelman, 36 in Wauneta, and 54 in Hartman for the previous year.²

Mr. Raile stated the Companies all propose to increase their basic local service rate to \$19.95 from the current rate of \$17.50, representing an increase of \$2.45 or fourteen percent (14%). Mr. Raile testified that the proposed \$19.95 was comparable to the rates charged by other similar carriers in the surrounding area. Further, Mr. Raile stated the Companies have not increased their basic local service rates since 1999.

Mr. Raile testified that the proposed increase is necessary due to the changing environment in the industry, including the recently adopted Federal Communications Commission ("FCC") intercarrier compensation and universal service reform order released in November, 2011.³ The FCC's CAF Order has resulted in material reductions in the revenues previously realized by the Companies, Mr. Raile explained. Moreover, Mr. Raile stated the Commission set the local service benchmark rate for rural carriers in 2006 at \$19.95, the same rate proposed by the Companies.⁴

Ms. Linda L. McKain, the Chief Financial Officer and Office Manager for Benkelman, Wauneta and Hartman, testified in support of the proposed rate increases of the Companies. Confidential and public versions of Ms. McKain's prefiled direct testimony were accepted into the record as Exhibits 17 & 18, 20 & 21 and 23 & 24. Ms. McKain testified regarding the general financial operations of the Companies, and included as exhibits to her prefiled direct testimony various financial documents including audited financial statements for all three of the Companies.

Ms. McKain stated that the number of access lines served by the Companies is declining and the cost per access line to the Companies continues to increase. Additionally, Ms. McKain testified that the recent FCC CAF Order⁵ will have a negative

² See Application No. C-4450/4451/4452, Direct Testimony of Randall J. Raile, Exhibit Nos. 16, 19 and 22, Attachment RJR-2, (a version of RJR-2 was attached to Mr. Raile's prefiled direct testimony in each of the above-captioned dockets).

³ Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform - Mobility Fund, 76 Fed. Reg. 73830 (2011)(to be codified at 47 C.F.R. pts. 0,1,20,36,51,54,61,64 and 69)("CAF Order").

⁴ See Docket NUSF-50, *In the Matter of the Nebraska Public Service Commission, on its own motion, to make adjustments to the universal service fund mechanism established in NUSF-26.*

⁵ *Supra* Connect America Fund, 76 Fed. Reg. 73830 (2011).

impact on the Companies, jeopardizing their ability to continue to provide high quality of service to their customers. Finally, Ms. McKain stated her conclusions that based on all these factors the proposed basic local rate increases by the Companies are fair and reasonable.

Mr. Steven G. Stovall, a staff accountant for the Commission, provided testimony on behalf of the staff. Confidential and public versions of Mr. Stovall's prefiled direct testimony were accepted into the record as Exhibits 10 - 15. Mr. Stovall and other staff accountants conducted an examination of the books and records of Benkelman, Wauneta and Hartman. After reviewing the Companies' records, Mr. Stovall proposed no adjustments to the net rate base of Benkelman and Wauneta, and only a minor adjustment to the net rate base of Hartman. Mr. Stovall proposed the following adjustments to the revenue and expenses of the Companies: 1) a normalization adjustment for known and measureable changes in revenues reflecting an increase from the proposed basic local rate increase and reductions in access charge revenues and universal service support due to the FCC CAF Order⁶ and recent Commission decisions; 2) removal of non-regulated operating revenues; 3) removal of expenses related to an aircraft; 4) removal of expenses paid by the Companies for early termination of a lease agreement as a one-time, non-reoccurring expense; and 5) correction of an allocation error and depreciation rates for certain items resulting in minor adjustments.⁷

No members of the public offered testimony at the hearing.

The Commission finds the resulting overall rate of returns for Benkelman, Wauneta and Hartman, after the adjustment proposed by the Companies and Commission staff are below ten percent (10%)⁸ and reasonable. After reviewing the service quality and offerings of the Companies, the capital investment in plant and other equipment in exchanges served by the Companies, and recognizing the changing environment in the telecommunications industry in which the Companies are operating, the basic local rates as proposed by Benkelman, Wauneta, and Hartman are fair and reasonable.

Therefore, after consideration of the evidence provided and being fully advised, the Commission is of the opinion and

⁶ *Supra* Connect America Fund, 76 Fed. Reg. 73830 (2011).

⁷ See Application No. C-4450/4451/4452, Direct Testimony of Steven G. Stovall Confidential Versions, Exhibit Nos. 10, 12 and 14, Attachments 1-7.

⁸ *Id.* Ex. 10 at p. 5, Ex. 12 at p. 5, Ex. 14 at p. 5.

finds that the rates as proposed by Benkelman, Wauneta, and Hartman should be granted.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that Application Nos. C-4450, C-4451 and C-4452 be, and are hereby, granted.

IT IS FURTHER ORDERED that Benkelman Telephone Co., Inc., Wauneta Telephone Company and Hartman Telephone Exchanges, Inc., are hereby authorized to increase their basic local rate as proposed in the above-captioned proceeding.

IT IS FURTHER ORDERED that Benkelman Telephone Co., Inc., Wauneta Telephone Company and Hartman Telephone Exchanges, Inc., file appropriate rate lists with the Commission reflecting the changes herein.

MADE AND ENTERED in Lincoln, Nebraska, on this 5th day of June, 2012.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Chairman

ATTEST:

Executive Director

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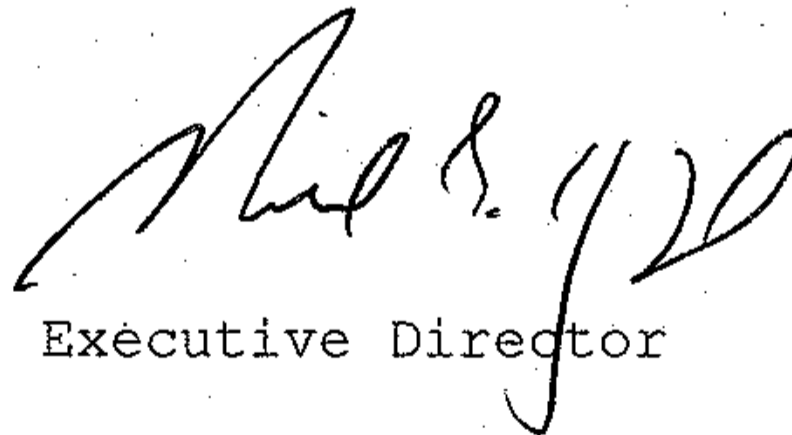


//s// Rod Johnson
//s// Frank Landis

Chairman



ATTEST:



Executive Director