

March 15, 1982

LB 573

SENATOR CLARK: You would have to get an accountant to set your basic cost of everything you own including the central office, the trouble equipment, your telephones, your lines, everything has to be on a cost and then the PSC sets a return on that including your operating costs, sets a return on that, seven percent or whatever the cost is going to be, they set that on that at that time.

SENATOR SCHMIT: All right, if they do not go through the regular rate review procedure, how are they going to determine what kind of a rate increase to ask for if they don't do this anyway.

SENATOR CLARK: Well, Senator Schmit, I will tell you what is going to happen the way I look at it and I have been in on this a long time, of course. Some of those companies are five and a half, six dollars, six and a half for their rate right now. They are going to have to make that eighteen or twenty dollars because they are not going to get any money to operate that company with. The separation formula will not be there. Do you know what the separation formula is now? Senator Higgins says she doesn't know. Let me explain that to you.

SENATOR SCHMIT: Go ahead.

SENATOR CLARK: All long distance services, I don't care who generates the money, goes into one fund. AT&T has that fund. That is given back to those companies on a formula basis of what it costs them to operate the company and what their company is worth. Now some of them are getting seventy, eighty percent of their operating cost from that formula. That is because the long lines are very profitable and they have subsidized small telephone companies. The communications act of 1934 which you are amending now is the one that says that everyone can have a telephone in the State of Nebraska at the least possible cost (interruption).

SENATOR SCHMIT: Senator Clark, I would just like to break in here. First of all, I think that Senator Clark ought to perhaps explain this in more detail for us. I would hope he would do it in a further explanation of the bill. I would just like to say at this time, Senator Clark, that, number one, what we are doing, we are in effect taking away all regulation of the small telephone companies in the State of Nebraska.

SENATOR CLARK: No, not if five percent of the people can petition for it, that is all it takes.

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