

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE FILING OF CONTINENTAL TELEPHONE) CASE NO. 9604
OF ITS LATEST DEPRECIATION STUDY)

O R D E R

On June 4, 1986, Continental Telephone Company of Kentucky ("Contel") filed its depreciation study with the Commission in accordance with the requirements of the Commission's Regulation 807 KAR 5:064. The purpose of that study is to develop the proper Projection Life, Future Net Salvage, and Curve Shape, as appropriate, for each of Contel's plant accounts. Given these parameters, along with realized historical data, a depreciation rate is developed for each account.

In accordance with 807 KAR 5:064, Contel's study period is based on plant account balances as of December 31, 1985. At that time, the composite depreciation rate was 6.43%. The proposed composite rate, to be effective January 1, 1987, would be 7.74%, with a resulting annual change in accrual for depreciation of \$1,577,494.

On October 6, 1986, the Commission staff released its "Staff Proposal" of parameters for each of Contel's plant accounts. The staff's proposal would result in a composite depreciation rate of 6.76%, and a change in annual accrual for depreciation of \$422,613.

On November 4, 1986, Contel filed a counter-proposal to the staff's proposal and requested a conference call two-way meeting with Commission staff to attempt to reach agreement on parameters for each account. Contel's counter-proposal would produce a composite depreciation rate of 6.96%, and a change in annual accrual for depreciation of \$659,549.

On November 14, 1986, an informal two-way conference was conducted between Contel and Commission staff, and agreement was reached on appropriate parameters for each plant account. These parameters would produce a composite depreciation rate of 6.86%, and an annual increase in accrual for depreciation of \$540,418.

FINDINGS AND ORDER

The Commission, having considered this matter, including all evidence of record, is of the opinion and FINDS that:

- 1) A public hearing is not required in this matter since a complete record has been filed and no one has asked to intervene;
- 2) The agreement relative to parameters which has been reached between Contel and the Commission staff, and set forth in Appendix A to this Order, is fair, just, and reasonable to both Contel and its ratepayers, and should be approved effective January 1, 1987; and
- 3) Contel should begin booking its depreciation expense in accordance with the depreciation rates for each of its plant accounts as set forth in Appendix A to this Order on January 1, 1987.

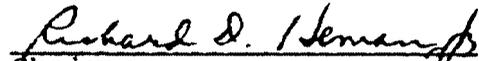
IT IS THEREFORE ORDERED that:

1. The depreciation parameters and rates set forth in Appendix A to this Order be and they hereby are approved for Contel effective January 1, 1987.

2. Contel shall begin booking its depreciation expense in accordance with the depreciation rates for each of its plant accounts set forth in Appendix A to this Order on January 1, 1987.

Done at Frankfort, Kentucky, this 22nd day of December, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE NO. 9694 DATED 12/22/86

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Statement A

CONFIDENTIAL TELEPHONE COMPANY OF KENTUCKY
Change in Depreciation Rates
Company and PSC Staff Proposal

Account Number	Class of Plant	Whole Life Basis				Composite Life Basis						
		Effective 1/1/84 A.S.L.	Effective 1/1/84 A.M.S.	Rate	Incl. with Circuit A.M.S.	Effective 1/1/87 A.S.L.	Effective 1/1/87 A.M.S.	Rate	Incl. with Circuit A.M.S.			
212	Buildings	36 Yrs.	04	2.8%	36 Yrs.	04	2.8%	2.8%	20 Yrs.	08	20.7%	2.8%
221-xx	C.O.E. SXS & Other	11.0	0	9.1	0	9.9	12.2	2.4	0	60.8	13.0	
221-22	C.O.E. Switchboard	15.0	0	6.7	0	-	10.6	-	0	-	-	
221-23	C.O.E. Analog Electronic	10.3	0	9.7	0	Amort.	24.06	-	0	62.4	Amort.	
221-24	C.O.E. Microwave	9.1	0	11.0	0	10.4	17.4	2.5	0	76.5	9.4	
221-25	C.O.E. Power	12.5	0	8.0	0	8.3	10.0	6.9	0	34.6	9.5	
221-26	C.O.E. Circuit	13.5	2	7.3	0	10.2	8.63	6.6	0	31.4	10.4	
221-27	C.O.E. MUI/Ticketing	10.7	0	9.3	Incl. with SXS	6.6	19.7	13.9	Incl. with SXS	2.3	7.0	
221-28	C.O.E. Digital	22	0	4.5	0	15.2	4.91	-	0	-	-	
231-33/38	Sta. App. - Spl. Sec. Rec.	9.5	20	8.4	Incl. with Circuit	9.1	9.1	-	Incl. with Circuit	-	9.1	
231-34	Sta. App. - EDCe	9.5	20	8.4	20	8.4	9.1	-	0	46.1	Amort.	
232-20	Sta. Coan. - I.W.	-	0	Amort.	0	Amort.	Amort.	-	0	-	-	
235	Public Telephones	9.5	20	8.4	-10	11.5	9.1	5.3	-10	50.8	11.2	
241	Pole Line	20	-32	7.6	-38	7.8	8.76	12.7	-38	33.9	8.2	
242-1	Aerial Cable	28	-3	3.7	-9	4.5	4.09	18.7	-9	21.0	4.7	
242-2	Underground Cable	32	-8	3.4	-8	4.2	3.64	30	-8	23.4	4.2	
242-3	Buried Cable	39	2	3.4	1	4.1	3.5	18.0	1	20.2	4.4	
243	Aerial Wire	11.4	-40	12.3	-40	12.6	23.9	3.5	-40	40.0	28.6	
244	Underground Conduit	40	0	2.5	0	2.5	2.6	25	0	36.0	2.6	
261	Furniture & Office Equip.	24	5	4.0	5	4.3	3.6	16.1	5	36.6	3.6	
262	Official Terminal Equip.	9.5	20	8.4	10	10.6	9.1	6.4	10	13.4	12.0	
264-xx	Vehicles (Sedans & Sm. Vans)	-	-	-	15	17.0	-	-	15	-	-	
264-xx	Vehicles (Heavy Coast.)	10	5	9.5	15	10.6	8.6	-	15	86.4	10.6	
264-86	Other Work Equip.	16.0	1	6.2	4	7.5	6.2	9.7	4	43.2	5.4	

* Proposed rates as presented.

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE NO. 9604 DATED 12/22/86

COMMERCIAL TELEPHONE COMPANY OF KENTUCKY
Change in Annual Depreciation Accruals
Company and PSC Staff Proposal

Account Number	Class of Plant	Cost 12/31/85	Whole Life Basis			Composite Life Basis					
			Effective Dates	Accrual 1/1/84	Effective Dates	Accrual 1/1/87	Effective Dates	Accrual 1/1/88	Change in Accrual		
212	Multilamp	\$ 5,819,753	2.8 %	\$ 162,953	2.8 %	\$ 162,953	0	0	0		
221.2X	C.O.E. SWS & Other	7,006,749	9.1	717,604	9.9	700,708	63,094	12.2	962,183	63,094	
221.22	C.O.E. Switchboard	0	6.7	0	-	-	0	10.6	0	0	
221.23	C.O.E. Analog Electronic	2,765,046	9.7	260,207	Amort.	375,761	107,474	24.06	665,463	(289,702)	
221.24	C.O.E. Microwave	696,033	11.0	76,564	10.4	72,307	(4,177)	17.4	121,110	(55,603)	
221.25	C.O.E. Power	1,713,611	8.0	137,009	8.3	142,320	5,141	10.0	171,261	(6,568)	
221.26	C.O.E. Circuit	9,694,007	7.3	107,643	10.2	940,700	281,126	6.63	836,593	171,584	
221.27	C.O.E. AM/FM/Cellular	376,037	9.3	25,671	9.9	27,327	1,656	19.7	54,377	(18,493)	
221.28	C.O.E. Digital	11,221,077	4.5	504,948	6.6	740,591	235,643	4.91	550,955	234,520	
231.33/ 38	Stn. App. - Spec. Svc. Etc.	0	8.4	0	Incl. with Circuit	0	0	9.1	0	0	
231.34	Stn. App. - MOC	7,656	8.4	643	8.4	643	0	9.1	697	0	
232.20	Sta. Equip. - L.W.	4,197,203	Amort.	300,004	Amort.	300,004	0	Amort.	300,004	0	
239	Public Telephones	332,877	8.4	27,942	11.5	38,201	10,319	9.1	30,392	37,202	6,990
241	Pole Line	11,487,927	7.6	873,002	7.8	896,090	22,976	8.76	1,006,242	942,010	(64,322)
242.1	Aerial Cable	26,454,525	3.7	1,346,817	4.5	1,640,454	291,637	6.09	1,490,990	1,713,362	222,373
242.2	Underground Cable	1,092,434	3.4	37,142	4.2	45,802	8,760	3.64	39,764	45,802	6,118
242.3	Buried Cable	23,111,095	3.4	785,717	4.1	947,595	161,778	3.5	808,808	1,016,888	208,000
243	Aerial Wire	1,280,188	12.3	157,443	12.6	161,304	2,841	23.8	305,965	366,134	60,169
244	Underground Conduit	607,574	2.5	19,189	2.5	19,189	0	2.6	19,797	19,797	0
261	Furniture & Office Equip.	354,100	4.0	14,244	4.3	15,313	1,069	2.6	12,820	12,820	0
262	Official Terminal Equip.	241,532	8.4	20,300	10.6	25,601	5,313	9.1	31,979	28,983	7,004
264.2X	Vehicles (Buses & Small Vans)	0	-	-	17.0	-	-	-	-	-	-
264.3X	Vehicles (Heavy Conct.)	25,985	9.5	2,449	10.6	2,754	285	8.6	2,235	2,754	519
264.8X	Other Work Equip.	396,879	6.2	24,606	7.5	29,766	5,160	6.2	24,606	21,421	(3,175)
Total		\$119,603,066	5.26%	\$6,289,555	6.26%	\$7,489,630	\$1,201,075	6.41%	\$7,665,274	\$9,205,792	\$540,418

* Proposed same as present.

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 9604 DATED 12/22/86

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STATEMENT C

CONTINENTAL TELEPHONE COMPANY OF KENTUCKY
PARAMETER SUMMARY
DECEMBER 31, 1985 STUDY

Acct No.	Class of Plant	First Proj. Year or ELG	Life or AYFR	Future Net Salvage	Curve Shape or Interim Retirement Rate
212	Buildings		2015	0%	.0029
221.XX	C.O.E.-SXS & Other		Various	0	.0056
221.22	C.O.E.-Switchboard		Amort.	0	
221.23	C.O.E.-Analog Elec.		Amort.	0	
221.24	C.O.E.-Microwave		1988.5	0	0
221.25	C.O.E.-Power	Comp.	of Switching	0	
221.26	C.O.E.-Circuit	1984	11	0	Iowa L 0
221.27	C.O.E.-ANI/Tktg.		Incl. with	C.O.E. - SXS	
221.28	C.O.E.-Digital	1984	20	0	Iowa R 1.5
231.33	Sta. App. -				
.38	Spl. Svc. Etc.				
231.34	Sta. App. - HDC		Incl. with C.O.E. - Circuit		
232.20	Sta. Conn. - I.W.		Proposed same as present		
			Amort.	0	
235	Public Telephones	1984	10	-10	Iowa L 2
241	Pole Lines	1984	19	-38	Iowa L 2
242.1	Aerial Cable	1984	26	-9	Iowa S 1
242.2	Underground Cable	1984	30	-8	Iowa R 1.5
242.3	Buried Cable	1984	25	1	Iowa S 1
243	Aerial Wire	1984	10	-40	Iowa S 0
244	Underground Conduit	1984	40	0	Iowa S 3
261	Furn. & Office Eq.	1984	24	5	Iowa S 1
262	Off. Terminal Eq.	1984	10	10	Iowa L 2
264.XX	Vehicles (Sedans & Small Vans)		5	15	
264.XX	Vehicles (Heavy Construction)		8	15	
264.86	Other Work Eq.	1984	16	4	Iowa S 0