

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of:

THE APPLICATION OF MOUNTAIN RURAL)
TELEPHONE COOPERATIVE CORPORATION)
INC., FOR AN UPWARD ADJUSTMENT IN) CASE NO. 7960
RATES AND CHARGES FOR TELEPHONE)
SERVICE)

O R D E R

IT IS ORDERED that Mountain Rural Telephone Cooperative Corporation, Inc., shall file with this Commission by December 2, 1980, the following information:

1. Detailed workpapers showing calculations supporting all normalizing and pro forma adjustments to revenues and expenses in the Pro Forma Income Statement. Explain all components of each calculation and index each calculation to the adjustment it supports.
2. A copy of REA Form 479 for each month of the test period and a copy of REA Form 479A for the periods ending December 31, 1978 and 1979. If these reports are not available on a monthly basis, provide the quarterly, semi-annual, or annual reports available for this period.
3. An analysis of Account 642 - Advertising, and Account 675 - Other Expenses. This data should be presented as shown in Format I, attached. Provide workpapers in support of the analysis. The workpapers should show the date, vendor, reference (i.e., voucher no., etc.), dollar amount and brief description of each expenditure. The purpose of each Advertising expenditure should be shown. Detailed analysis are not required for amounts less than \$50 if the items are grouped by classes as shown in the attached format.
4. Provide a schedule of all charitable, social, or community contributions during the test year along with the account charged for each item.
5. Provide a schedule of all industry association and club dues for the test period along with the account charged for each item.

6. Provide the amount of contributions for political purposes (in cash or services), if any.

7. Provide the Applicant's Times Interest Earned Ratio and Debt Service Coverage Ratio, as calculated by the Rural Electrification Administration, for the test year and the five (5) preceding calendar years. Include the data used to calculate each ratio.

8. Provide a calculation of the rate or rates used to capitalize interest during construction for the test year and five (5) preceding calendar years, including a narrative explanation of each component entering into the calculation of this rate.

9.a. Provide an explanation of the settlement contract(s) or method(s) used to arrive at Applicant's Kentucky intrastate and interstate test period toll revenues.

b. Provide the traffic agreement presently in use for settlement purposes.

c. Provide explanations of the method(s) used to divide total toll revenues (whether received through settlements or otherwise) into the intrastate and interstate portions, broken down into message toll, WATS, private line (B-1 and 1-1 if appropriate), foreign exchange, and any other items contributing to these portions.

d. Provide four (4) copies of the toll settlement summary forms for each month beginning three (3) months prior to the test year and continuing up to the most recent month available.

e. Provide a statement of concurrence from South Central Bell that the test period intrastate toll settlement revenue is correct, giving dollar amounts for each major class of toll service settled. If concurrence cannot be obtained, provide a detailed statement of differences.

10.a. Provide the status of all intrastate toll settlements, by major class of toll service, with South Central Bell that were pending at the beginning and at the end of the test period that would affect the test period intrastate toll revenues. Indicate the finality of these settlements, and if they are not final, give the expected amounts and the expected dates they will be finalized.

These amounts are to be reconciled with book entries including amounts accrued for anticipated future settlement adjustments.

b. Provide written explanations with appropriate work-papers of each charge or adjustment in intrastate toll settlements which was booked during the test year but was applicable to settlements outside the test year; and each charge or adjustment which was booked outside the test year but was applicable to settlements covering portions of the test year.

c. Provide a written explanation with appropriate work-papers of all pro forma adjustments made to bring the intrastate toll revenues to an end-of-test year level, such as those caused by settlement contract changes or separations procedure changes.

d. Provide any other information the Applicant deems necessary to explain the debits and credits to its toll revenues in order to arrive at a representative level of end-of-test period intrastate toll revenues.

11.a. Provide a projected timetable for upgrading the system to one party service. Break this down on a quarterly basis showing the projected number of business subscribers (B-1, B-2, and B-4) and residential subscribers (R-1, R-2, and R-4) at the end of each quarter beginning with the third quarter of 1980. This data should be presented as shown in Format IIA, attached.

b. Provide a schedule of projected plant additions related to upgrading the system to one party service. Break this down on a quarterly basis showing balances of all plant accounts at the end of each quarter beginning with the third quarter of 1980. This data should be presented as shown in Format IIB, attached.

12. To what depreciable plant does the company apply accrual rates for purposes of booking depreciation expenses?

- (a) average of beginning and end-of-year estimated balances.
- (b) average of January 1 and July 1 balances.
- (c) end-of-month plant balances.
- (d) Other. Explain.

13. a. When were the depreciation rates last adjusted?
b. Provide a copy of the most recent depreciation study.
14. Provide a copy of the Company's Articles of Incorporation.
15. Provide a copy of the Company's current by-laws.
16. Provide details of the Company's policies regarding assignment, accumulation, and disbursement of patronage capital.
17. Provide a copy of the auditor's report from the company's most recent audit.
18. Provide the dollar amount of employee concession telephone service for the twelve months of the test year as shown in Format III, attached.

Done at Frankfort, Kentucky, this 13th day of November, 1980.

UTILITY REGULATORY COMMISSION

Chairman



Vice Chairman

Commissioner

ATTEST:

Secretary

Mountain Rural Telephone Cooperative Corporation

Case Number 7960

KENTUCKY COMBINED OPERATIONS
SUMMARY OF ACCOUNT NO. 675 - OTHER EXPENSES
FOR THE TEST YEAR ENDING

<u>Line</u> <u>No.</u>	<u>Description</u> (a)	<u>Amount</u> (b)
1.	Valuations, inventories, and appraisals	
2.	Business Information System (BIS) expense	
3.	Purchase of employees service emblems	
4.	Membership fees and dues	
5.	Directors' fees and expenses	
6.	Printing Annual Report	
7.	FCC Filing and Grant Fees	
8.	Company apportioned amounts for various items	
9.	Other items (itemize)	
10.	-	
11.	-	
12.	Total	

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KENTUCKY COMBINED OPERATIONS
ACCOUNT 642 - ADVERTISING
FOR THE TEST YEAR ENDING

<u>Line</u> <u>No.</u>	<u>Item</u> <u>(a)</u>	<u>Sales</u> <u>Advertising</u> <u>(b)</u>	<u>Institutional</u> <u>Advertising</u> <u>(c)</u>	<u>Rate</u> <u>Case</u> <u>(d)</u>	<u>Total</u> <u>(e)</u>
1.	Newspapers and periodicals				
2.	Booklets and pamphlets				
3.	Bill inserts				
4.	Displays, exhibits, posters, and placards				
5.	Motion pictures				
6.	Radio				
7.	Television				
8.	Salaries and wages				
9.	Other advertising				
10.	Other expenses				
11.	Total				

Timetable for Upgrading System

Mountain RICC - Case No. 7960

	<u>Third Quarter '80 (1)</u>	<u>Fourth Quarter '80</u>	<u>First Quarter '81</u>	<u>Second Quarter '81</u>	<u>Third Quarter '81</u>	<u>Fourth Quarter '81</u>
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- B-1
- B-2
- B-4

Residential Subscribers

- R-1
- R-2
- R-4

(1) Do not include customers added through projected growth.

Projected Plant Account Balances

Mountain RTCC - Case No. 7960

<u>Description</u>	<u>Third Quarter '80 (1)</u>	<u>Fourth Quarter '80</u>	<u>First Quarter '81</u>	<u>Second Quarter '81</u>	<u>Third Quarter '81</u>	<u>Fourth Quarter '81</u>
Buildings						
Central Office Equipment						
Station Equipment						
Station Connections						
Large Private Branch Exchange						
Pole Lines						
Aerial Cable						
Underground Cable						
Buried Cable						
Underground Conduit						
Furniture and Office Equipment						
Vehicles and Equipment						
Other Work Equipment						
Total Depreciable						
Plant In Service						

(1) Do not include customers added through projected growth.

Mountain Rural Telephone Cooperative Corporation
COMMONWEALTH OF KENTUCKY

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EMPLOYEE CONCESSION TELEPHONE SERVICE
TEST YEAR ENDING

	No. of People	Local		Toll	
		Main Stations	Other Services	Intrastate	Interstate
<u>Kentucky Revenue Loss</u>					
General Office Personnel (By percentage allowance)		\$	\$	\$	\$
Kentucky Operations (By percentage allowance)					
Affiliated Company Employees (By percentage allowance)					
Allowance Provided Employees Served by Other Telephone Companies					
Retired and Disabled Employees (By percentage allowance)					
Other					