

COMMONWEALTH OF KENTUCKY

BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of:

NOTICE OF ADJUSTMENT OF RATES AND)
CHARGES OF SOUTH CENTRAL RURAL)
TELEPHONE COOPERATIVE CORPORATION,) CASE NO. 7925
INC., TO BE EFFECTIVE SEPTEMBER 1,)
1980)
AND)
APPLICATION OF SOUTH CENTRAL RURAL)
TELEPHONE COOPERATIVE CORPORATION,)
INC., FOR ORDER PERMITTING ADJUST-)
MENT OF RATES)

O R D E R

On July 29, 1980, South Central Rural Telephone Cooperative Corporation (Applicant) filed its Notice with this Commission requesting authority to increase its rates and charges by \$965,902 annually, an increase of 25.2%, to become effective on and after September 1, 1980. In order to determine the reasonableness of the proposed increase the Commission by Order dated July 30, 1980, suspended the proposed rates for a period of five months on and after the effective date.

On August 4, 1980, the Division of Consumer Intervention in the Department of Law filed a motion to intervene in this proceeding which was sustained. This was the only party of interest formally intervening herein. A hearing was scheduled for November 25, 1980, at the Commission's offices in Frankfort, Kentucky. All parties were notified and the hearing was conducted as scheduled. At the conclusion of the hearing and following response to all requests for additional information the matter was submitted to the Commission for final determination.

Commentary

South Central Rural Telephone Cooperative Corporation is a Kentucky Corporation, duly authorized to do business within the Commonwealth of Kentucky, Applicant provides telephone service to approximately 16,300 subscribers in its service area.

Test Year

South Central Rural Telephone Cooperative Corporation proposed and the Commission has accepted the twelve month period ending May 31, 1980, as the test period for the purpose of determining the reasonableness of the proposed rates and charges. Applicant stated that the test period reflected normal operating conditions for a twelve month period with no extraordinary revenues or expenses.

Valuation

Net Investment

Applicant proposed a total investment of \$29,069,732 which included a working capital allowance of \$143,917. The Commission is of the opinion that the allowance for working capital should not be included in calculating the net investment rate base inasmuch as the subscribers of Applicant provide the required working capital through the advance payment of local service rates. The Commission is further of the opinion that prepayments should be included in determining the rate base. After consideration of these adjustments Applicant's net investment rate base would appear as follows:

Telephone Plant in Service	\$ 25,699,435
Telephone Plant Under Construction	9,162,839
Total Telephone Plant	\$ 34,862,274
Materials and Supplies	470,833
Prepayments	89,715
Less: Depreciation Reserve	6,407,292
Net Investment	\$ <u>29,015,530</u>

Capital Structure

Applicant did not propose a capital structure in this matter. However, the Commission has determined from the record herein that Applicant's capital structure at the end of the test year was \$29,047,243 and consisted of \$26,560,029 in Long Term Debt and \$2,487,214 in Equity.

The Commission has given consideration to these and other elements of value in determining the reasonableness of the proposed rates and charges.

Revenues and Expenses

South Central proposed proforma adjustments to increase local service revenue with no proforma adjustments to operating expenses.

The Commission has adjusted operating revenue by \$61,639 to reflect the normalization of revenue based on the test year end subscribers, \$19,634 to include the loss of revenue due to the policy of Applicant of providing free local service to its employees, and \$339,070 to include the interest during construction in operating revenue for rate making purposes. The Commission is of the opinion that concession rates can no longer be justified in view of the ever increasing costs all other customers must pay in order to return the lost revenue to the Applicant.

Therefore Applicant's test period operations are adjusted as follows:

	<u>Actual</u>	<u>Proforma Adjustments</u>	<u>Adjusted Test Year</u>
Operating Revenues	\$3,842,577	\$ 420,343	\$4,262,920
Operating Expenses	<u>3,214,868</u>		<u>3,214,868</u>
Net Operating Income	\$ 627,709	\$ 420,343	\$1,048,052
Other Income & Deductions (Net)	648		648
Interest on Long Term Debt (Net)	<u>599,018</u>	<u>339,070</u>	<u>938,088</u>
Net Income	<u>\$ 29,339</u>	<u>\$ 81,273</u>	<u>\$ 110,612</u>

Revenue Requirements

The actual rate of return on Applicant's net investment rate base established herein for the test year was 2.16%. After taking into consideration the proforma adjustments, Applicant's rate of return would be 3.61%. The Applicant did not adjust operating expenses as of the test year end and the record indicates that interest on long term debt and depreciation expense have increased substantially. Therefore, the Commission is of the opinion that the applicant should be allowed to increase its annual revenue by approximately \$965,902 which is the total amount of revenue requested herein. This would provide Applicant with a more reasonable rate of return of 6.94% which will be sufficient to allow Applicant to pay its operating expenses, service its debt, and provide a surplus for equity growth.

Summary

The Commission, after consideration of all the evidence of record and being advised, is of the opinion and finds that the rates proposed by Applicant and as set out in Appendix "A" attached hereto and made a part hereof are the fair, just, and reasonable rates for South Central Rural Telephone Cooperative Corporation.

Applicant's tariff contains a foreign exchange rate mileage charge based on the cable route mileage to the subscriber rather than the air mileage. The Commission is of the opinion and finds that the foreign exchange mileage charge should be established based on the air mileage to the subscriber. Therefore, the rate set out in Appendix "A" is based on the air mileage to the subscriber.

IT IS THEREFORE ORDERED, that the rates set out in Appendix "A" are hereby approved as the fair, just, and reasonable rates for South Central Rural Telephone Cooperative Corporation to be charged for service rendered on and after the date of this Order.

IT IS FURTHER ORDERED, that South Central Rural Telephone Cooperative Corporation shall file with this Commission within thirty (30) days from the date of this Order, its revised tariff sheets setting forth the rates approved herein.

Done at Frankfort, Kentucky, this the 23rd day of January, 1981.

UTILITY REGULATORY COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

Secretary

Summary

The Commission, after consideration of all the evidence of record and being advised, is of the opinion and finds that the rates proposed by Applicant and as set out in Appendix "A" attached hereto and made a part hereof are the fair, just, and reasonable rates for South Central Rural Telephone Cooperative Corporation.

IT IS THEREFORE ORDERED, that the rates proposed by South Central Rural Telephone Cooperative Corporation are hereby approved as the fair, just, and reasonable rates to be charged for service rendered on and after the date of this Order.

IT IS FURTHER ORDERED, that South Central Rural Telephone Cooperative Corporation shall file with this Commission within thirty (30) days from the date of this Order, its revised tariff sheets setting forth the rates approved herein.

Done at Frankfort, Kentucky, this 23rd day of January, 1981.

UTILITY REGULATORY COMMISSION

Did not participate.

Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

Summary

The Commission, after consideration of all the evidence of record and being advised, is of the opinion and finds that the rates proposed by Applicant and as set out in Appendix "A" attached hereto and made a part hereof are the fair, just, and reasonable rates for South Central Rural Telephone Cooperative Corporation.

Applicant's tariff contains a foreign exchange rate mileage charge based on the cable route mileage to the subscriber rather than the air mileage. The Commission is of the opinion and finds that the foreign exchange mileage charge should be established based on the air mileage to the subscriber. Therefore, the rate set out in Appendix "A" is based on the air mileage to the subscriber.

IT IS THEREFORE ORDERED, that the rates set out in Appendix "A" are hereby approved as the fair, just, and reasonable rates for South Central Rural Telephone Cooperative Corporation to be charged for service rendered on and after the date of this Order.

IT IS FURTHER ORDERED, that South Central Rural Telephone Cooperative Corporation shall file with this Commission within thirty (30) days from the date of this Order, its revised tariff sheets setting forth the rates approved herein.

Done at Frankfort, Kentucky, this the 23rd day of January, 1981.

By the Commission

Chairman Randall did not participate in this decision.

ATTEST:

Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY
COMMISSION IN CASE NO. 7925 Dated January 23, 1981

The following rates and charges are prescribed for the customers in the area served by South Central Rural Telephone Cooperative Corporation, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the date of this Order.

<u>LOCAL EXCHANGE SERVICE</u>	<u>Monthly RATE</u>
Block A	\$ 14.00
Block B	14.30
Block C	14.60
Block D	14.90
 Business One-Party	
Block A	20.20
Block B	20.60
Block C	21.00
Block D	21.40
 Residence Multi-Party	
Group A 2	9.00
Group B 2	10.75
Group A 4	8.50
Group B 4	10.00
Group A 8	8.25
 Business Multi-Party	
Group A 2	13.25
Group B 2	15.50
Group A 4	11.00
Group B 4	12.25
 <u>SERVICE CHARGES</u>	
New Install, each	\$ 45.00
Reinstall, each	33.40
Install Extension, each	32.90
Install O. P. Extension, each	39.50
Reconnect, each	11.00
Inside Move, each	31.40
Equipment Change, each	26.40
Number Change, each	11.00
Restoral Charge, each	22.00
Bad Check Charge, each	10.00
 <u>CHARGES UNDER SPECIAL CONDITIONS</u>	
Mobile Home Service Charge (Non-recurring), each	\$ 15.00

DIRECTORY LISTINGS

	<u>Monthly Rate</u>
Unlisted Number	\$ 1.00
Non-published Number	1.50
Extra Listings	.85

COIN TELEPHONE SERVICE

Semi-public Telephones

Block A	\$ 20.40
Block B	21.40

(1) Group A & B coin stations moved to block rates.

Local Coin Call	\$.25
Semi-Public Service Fee (Monthly)	4.00

FOREIGN EXCHANGE

Mileage	\$ 7.50/airline mile
Trunk Termination	20.00
Access Charge (Local Loop)	Exchange Rate

KEY TELEPHONE

501 Common Equipment	\$ 28.00
512 Common Equipment	36.50
36A Common Equipment	74.00
Six Button Desk 1800 Rotary	6.50
Six Button Desk 1800 Pushbutton	7.25
Six Button Wall (1800) Rotary	7.00
Six Button Wall (1800) Pushbutton	7.75
Ten Button (10/20/30) Desk Rotary	7.50
Ten Button (10/20/30) Wall Rotary	8.00
Ten Button (10/20/30) Desk Pushbutton	8.25
Twelve Button (1800) Desk Rotary	8.75
Twenty Button (10/20/30) Rotary Desk	11.50
Logic 10	8.00
Companion III Hands Free	7.25
Logic Automatic Dialer	12.00
Ten Button (10/20/30) Hands Free	11.80
Teledialer 32	10.00
Conference Add on	1.50
Music on Hold	1.50
Intercom Rotary (all except 36A)	7.00
Intercom Teletouch (all except 36A)	14.00
Intercom 36A Two Link Rotary	37.00
Paging Access	2.75

PRIVATE BRANCH EXCHANGE

PBX Trunk	2 X B1
Key Trunk Behind PBX	½ B1

MISCELLANEOUS SERVICES

Bridged Service	\$ 1.00
Directory Assistance Per Call	.20
Extensions	
Residence Extensions	
(1) Group	1.40
Block	1.50
Business Extensions	
(1) Group	1.95
Block	2.00
PBX Hotel	3.00
Off Premise Extension (Mileage per 1/4)	.90
Pushbutton Telephone Service Per Key and PBX Trunk	3.00

(1) One-party customer converted from group to block rates - group rate only applies to multi-party service.

AUXILIARY EQUIPMENT

Station Equipment	
Trendline	\$ 1.75
Contempra	1.75
Dawn	1.75
Pushbutton Dial	
Each Single Line Phone	.50
Pushbutton Conversion Pad	3.75
Outdoor Phone	10.00
Amplified Handset	2.00
Explosion Phone	15.00
Bells, Chimes, Horns	
Extension Bell	
Interior	.75
Bell Chimes	1.25
Electronic Ringers	.40
Horn with Relay	4.00
Miscellaneous Signaling	
Two Position Switch	1.00
Three Position Switch	1.25
Pushbutton for Signaling	.50
Buzzer	.65
Signal Lamp	.75
Power Supply	7.00
Paging Equipment	
Amplifier 100 Watt	20.00
Amplifier 200 Watt	25.00
Ceiling Speaker	1.60
Horn Speaker	2.75
Wood Baffle Speaker	1.50
Micro-Phone	2.50
Hands Free Speaker Phone	
Companion I	6.75
Automatic Dialer	
Teledialer 32 (1)	10.00
Automatic Answering Phones	
Code A Phone 333	15.00
Code A Phone 555	20.00
Miscellaneous	
Single Line Phone	
Hold Button	1.00

CUSTOMER PROVIDED EQUIPMENT

Alarm Coupler	8.15
Recorder Coupler	7.20
Special Equipment Jack	.85

MOBILE PHONES

Company Provided Mobile Phone	75.00
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OBSOLETE SERVICE OFFERING (1)

	<u>Monthly</u> <u>Rate</u>
Doodle Phone	\$ 2.00
Empress Phone	2.20
Alexander Graham Plane Phone	2.20
Early American Phone	2 20
Candlestick Phone	2.20
Mickey Mouse Phone	2.20
Chest Phone	2.20
502 Exclusion Phone	1.75
3 Line Desk Rotary	3.75
3 Line Desk Pushbutton	4.50
3 Line Wall Rotary	3.75
3 Line Wall Pushbutton	4.50
Manual Key Common Control	7.75
Rotary Dial Intercom (3 line system)	4.00
Pushbutton Intercom (3 line system)	10.00