COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

NOTICE OF CONTINENTAL TELEPHONE COMPANY OF KENTUCKY OF AN ADJUSTMENT OF RATES ) 8428

## O R D E R

IT IS ORDERED that Continental Telephone Company of Kentucky shall file an original and six copies of the following information with the Commission, with a copy to all parties of record, by March 29, 1982.

1. How were the wages increases determined? Are the same determinates for a salary increase applied to both the salaried and hourly workers?

2. If wage increases are based on employee performance would it be correct to assume that you equate employee performance in terms of equivalent employee productivity? Does Continental expect that employee performance will increase over 16 percent in the coming 12 month period? (Provide the basis for this expectation)

3. Given the present state of the economy with unemployment high and the inflation rate dropping, how does your company justify a 10 or 11 percent increase in salaries per year for the next two years?

4. Provide a description of the other employers in Continental's service area which provide Continental with its

greatest competition for employees. In this description provide a comparison of the salaries and benefits provided by the various employers in comparable jobs to Continental's employees.

5. Does Continental have any plans for increasing the number of employees above its current level? If so by how much? What is the basis for this decision?

6. In the previous rate case, C.N. 8182, Mr. Morris testified that the Continental Telephone system has an active productivity committee which is establishing procedures by which to study productivity. Has the committee made any findings at this time? If yes, provide the Commission with 6 copies of these findings and any other reports issued by Continental concerning the measurement of productivity. If there have been no findings by this committee on productivity provide the Commission with 6 copies as soon as they become available.

7. In the balance sheet provided by Continental in response to Staff Request No. 1, Item 1B, page 1 of 2, Account No. 113, Cash, has a balance of $2,946,365. Describe why this balance is so large at year-end? Is this a normal requirement of cash?

8. Were the charges for services rendered by the various service organizations of Continental Telephone System (provided in response to Staff Request Number 1, Item 20c) charged to Continental of Kentucky during the test period?

9. Provide a detailed explanation of any rate case expenses associated with this current application giving a breakdown between the various functions such as legal, accounting, Engineering,

outside services, etc. and the number of hours and the cost per hour for each function and which duties the time was spent on by each function. Indicate where the charges have been included in the application.

10. Provide an explanation as to what is included in accounts No. 102, 103, and 674.2, Other Investment, Miscellaneous Physical Property, CSL Public Relations.

11. In calculating the IDC rate (provided in response to Staff Request Number 1, Item 21) how was the cost of capital determined? Provide the calculations.

12. Itemize any expenses incurred from outside consultants which have not been included in the rate case information previously requested.

13. Provide a detailed explanation of the test period increases in the following accounts over the previous 12-months period:

Plant in Service

| Account No. | Account | % Increase |
|---|---|---|
| 212.17 | Buildings - General | 86,96 |
| 221.23 | C.O.E. - X Bar Electric | 31.63 |
| 221.28 | C.O.E. Digital Equipment | 49.41 |
| 231.33 | Station Appartus - Spec. Soc. | 23.90 |
| 232.02 | St. Conn. - Bus IW to Main | 84.46 |
| 232.04 | St. Conn. - Res. IW to Main | 86.43 |
| Other | | |
| 602-612 | Total Maintenance | 34.6% |

(With respect to this account describe any non-recurring expenses such as unusual storm damages, managements decisions to perform maintenance neglected in past years, etc.)

Provide:

14. A reconciliation of Charles Olson's schedule 13 with the response to staff request No. 1 Item 28A. The reconciliation should consider the 400,000 shares of stock issued in February 1973 and the 2,000,000 shares issued in June 1977.

15. A reconciliation of the embedded debt cost rate calculation in the response to Staff Request No. 1 Item 2B with the calculation on page 1 of Item 26B of the same response and with the cost rate stated on page 31 of Charges Olson's prefiled testimony.

13. A reconciliation of the preferred stock embedded cost rate calculation for 9-30-81 on response to Staff Request No. 1 Item 27B page 1 with the cost rate stated on page 31 of Charles Olson's prefiled testimony.

Done at Frankfort, Kentucky, this 15th day of March, 1982.

PUBLIC SERVICE COMMISSION

Marlin M. Volz

For the Commission

ATTEST:

Secretary