

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of

NOTICE OF SOUTH CENTRAL BELL)
TELEPHONE COMPANY OF AN)
ADJUSTMENT IN ITS INTRASTATE) CASE NO. 8467
RATES AND CHARGES)

O R D E R

On April 23, 1982, South Central Bell Telephone Company ("Bell") filed a notice with the Commission proposing to increase its rates and charges to produce an increase in revenue of approximately \$66.1 million annually to be effective May 13, 1982. In order to investigate the matter, the Commission suspended the proposed rates and tariffs for a period of 5 months after May 13, 1982.

Bell in its notice further requested that if the Commission suspended the proposed permanent rates, it be permitted to place interim tariffs into effect on May 13, 1982, producing an annual increase in revenue of approximately \$15.1 million.

To justify this increase, Bell submitted financial exhibits detailing the basis for the requested interim increase.^{1/} Bell has adjusted its test period in this exhibit to conform with the Commission's order in its last general rate increase

^{1/}Ballard, Appendix Sheets 1-3.

proceeding, Case No. 8150. Following adjustments to the test period including salary adjustments effective in March and April 1982, Bell's adjusted return on equity based on a capital structure of 55 percent equity and 45 percent debt is approximately 11.6 percent. Bell has requested that the Commission grant interim revenues to allow it to earn the 13.25 percent return on equity authorized in Case No. 8150.

Under KRS 278.190 the Commission has the authority, following a hearing, to place interim rates into effect during the 5-month suspension period if it "finds that an emergency exists or that the company's credit or operations will be materially impaired or damaged by the failure to permit said rates to become effective during said five (5) months' suspension period." Bell's adjusted rate of return on equity of 11.6 percent does not indicate that an interim increase is warranted under the conditions of KRS 278.190 and, furthermore, the total evidence presented does not indicate that a hearing to consider an interim increase is warranted.

Reference is again made to the Commission's statement of March 1, 1982, calling upon utilities to exercise an enlightened self-restraint before requesting rate increases:

With unemployment at 11.5% of the working force in Kentucky, with labor unions being asked for givebacks, with federal assistance programs being reduced, and with many persons still struggling with the payment of record heating bills, this is no time for conducting utility businesses as usual. In the public interest, in the long-range best interests of shareholders and members, and in the showing of an enlightened sensitivity to the financial plight of thousands

of consumers, this is a time for a showing of restraint in seeking rate increases. We call upon the Kentucky utility companies to exercise this self-restraint during this critical period in Kentucky's economic history. At the present time it is not enough to say that a utility cannot earn its allowed rate of return when otherwise operating in the black.

From the information submitted, the Commission concludes that, at the current time, Bell is very definitely operating in the black.

The Commission is therefore of the opinion and finds that Bell has not met its burden of proof to show the necessity for the interim increase and, moreover, finds that the interim increase should be denied and revenue requirements should be determined following a full investigation in the general rate proceedings.

IT IS THEREFORE ORDERED that South Central Bell Telephone Company's request to place interim tariffs into effect on May 13, 1982, be and it hereby is denied.

Done at Frankfort, Kentucky, this 13th day of May, 1982.

PUBLIC SERVICE COMMISSION

Marlin M. Vohy
Chairman

Katharine Randall
Vice Chairman

Lin Caruga
Commissioner

ATTEST:

Secretary