COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

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| THE APPLICATION OF HIGHLAND TELEPHONE COOPERATIVE, INC., TO CONSIDER CHANGES WITH RESPECT TO THE EXPENSING OF STATION CONNECTIONS RESULTING FROM THE AMENDMENT OF THE UNIFORM SYSTEM OF ACCOUNTS | ) | CASE NO. 8632 |

O R D E R

On August 27, 1982, Highland Telephone Cooperative, Inc., ("Highland") submitted financial data in accordance with finding No. 3 of the Commission's Order in Case No. 8342 dated September 28, 1981. Highland also filed its revised tariff sheet with the Commission on August 27, 1982, wherein it proposed changes to its tariff pursuant to the Commission's Order entered September 28, 1981, authorizing it to recover increased operating costs caused by the expensing of station connections.

In the Order of September 28, 1981, Highland was directed to adopt the phase-in approach to the expensing of station connections and to maintain its records in Account 232 of the Uniform System of Accounts as directed by the Federal Communications Commission in its Order of March 31, 1981, in Docket No. 79-105. Highland was further granted the authority to file tariffs on or after October 1, 1981, 1982, 1983, and 1984, to recover the increase in operating costs caused by the expensing of station connections.

## DISCUSSION

In the financial data submitted by Highland Telephone on August 27, 1982, the annual depreciation expense for Account 232 at present rates was based on an incorrect depreciation rate of 5 per cent. In its response to an information request by the Commission, Highland correctly used an 8 per cent annual depreciation rate for Account 232 at present rates but incorrectly applied this same rate to depreciation on other service connections, which should have remained at the 5 per cent rate as stated on page 2 of the Appendix to the Commission's Order dated September 28, 1981. Under this incorrect application, Highland showed an increase in expenses of $29,053. A correct application of the 4-year phase-in method results in a reduction of Highland's operating expenses of $4,949 for the second year. Consequently, no increase in the revenue requirement is necessary.

## SUMMARY

The Commission, after consideration of this matter and being advised is of the opinion and finds that:

1. No additional revenues are required in the second year of the phase-in approach of expensing station connections because the corrected financial data actually result in decreased operating expenses of $4,949.

2. The proposed tariff for station connection charges will provide additional revenues and should be denied as no additional revenues are required.

IT IS THEREFORE ORDERED that the proposed tariffs be and they hereby are denied as they produce revenue in excess of the revenue required for the second phase of the expensing of station connections.

IT IS FURTHER ORDERED that all provisions of the Commission's Order entered September 28, 1981, shall remain in full force and effect.

Done at Frankfort, Kentucky, this 8th day of December, 1982.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

Secretary