

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG SANDY RURAL)
ELECTRIC COOPERATIVE CORPORATION,)
ET AL., FOR DEVIATION FROM STANDARD) CASE NO.
METHODOLOGY FOR ESTABLISHING RATES) 8689
FOR CABLE TELEVISION POLE ATTACH-)
MENTS)

and

APPLICATION OF TAYLOR COUNTY RURAL)
ELECTRIC COOPERATIVE CORPORATION)
FOR DEVIATION FROM STANDARD) CASE NO.
METHODOLOGY FOR ESTABLISHING RATES) 8711
FOR CABLE TELEVISION POLE ATTACH-)
MENTS)

O R D E R

On October 28, 1982, the following petitioners applied to the Commission for a deviation from the standard methodology for establishing rates for cable television ("CATV") pole attachments set forth in the Commission's Order dated September 7, 1982, in Administrative Case No. 251:

Big Sandy Rural Electric Cooperative Corporation
Paintsville, Kentucky

Blue Grass Rural Electric Cooperative Corporation
Nicholasville, Kentucky

Clark Rural Electric Cooperative Corporation
Winchester, Kentucky

Cumberland Valley Rural Electric Cooperative Corporation
Gray, Kentucky

Farmers Rural Electric Cooperative Corporation
Glasgow, Kentucky

Fleming-Mason Rural Electric Cooperative Corporation
Flemingsburg, Kentucky

Fox Creek Rural Electric Cooperative Corporation
Lawrenceburg, Kentucky

Grayson Rural Electric Cooperative Corporation
Grayson, Kentucky

Green River Electric Corporation
Owensboro, Kentucky

Harrison Rural Electric Cooperative Corporation
Cynthiana, Kentucky

Henderson-Union Rural Electric Cooperative Corporation
Henderson, Kentucky

Inter-County Rural Electric Cooperative Corporation
Danville, Kentucky

Jackson Purchase Electric Cooperative Corporation
Paducah, Kentucky

Licking Valley Rural Electric Cooperative Corporation
West Liberty, Kentucky

Meade County Rural Electric Cooperative Corporation
Brandenburg, Kentucky

Nolin Rural Electric Cooperative Corporation
Elizabethtown, Kentucky

Owen County Rural Electric Cooperative Corporation
Owenton, Kentucky

Salt River Rural Electric Cooperative Corporation
Bardstown, Kentucky

Shelby Rural Electric Cooperative Corporation
Shelbyville, Kentucky

South Kentucky Rural Electric Cooperative Corporation
Somerset, Kentucky

On October 29, 1982, Taylor County Rural Electric Cooperative Corporation, in Case No. 8711, joined in the petition of the foregoing utilities, seeking the same deviations. These cases were consolidated for all purposes.

Petitioners first requested a deviation from the Commission's finding in Administrative Case No. 251 that the embedded cost of the average bare pole for electric utilities should be 85 percent of the amount on Federal Energy Regulatory Commission ("FERC") Form 1, Account 364. In support of this, petitioners assert that they do not include appurtenances in Account 364, and therefore, the 85 percent factor should not apply to them.

Petitioners further requested a deviation from the Commission's Order in Administrative Case No. 251 requiring that the embedded cost of all 35-foot, 40-foot and 45-foot poles be used for the purpose of calculating the pole attachment rate. They asserted that CATV attachments are made on poles installed in urban areas, in the last 25 years or less, at a cost in excess of the average bare pole cost in Account 364.

On January 26, 1983, Blue Grass Rural Electric Cooperative Corporation, Jackson Purchase Electric Cooperative Corporation, and Owen County Rural Electric Cooperative Corporation withdrew their applications for deviations. At the same time, the remaining petitioners moved to amend their application to the extent

that only the cost of poles installed in the last 20 years be used for establishing pole attachment rates.

DISCUSSION

Evidence at the hearing on December 15, 1982, supported the petitioners' assertion that many of them include only bare pole costs in FERC Form 1 Account 364, with appurtenances recorded in sub-accounts. The Commission's Order in Administrative Case No. 251 recognized that many utilities do not segregate the cost of "minor" appurtenances, and that 85 percent of the amount recorded in Account 364 is an appropriate provision for average bare pole costs for such utilities. However, when a utility can show that it separately records the cost of all appurtenances, it should be allowed to use 100 percent of Account 364 for its bare pole cost. The Commission will allow this deviation, but the burden of proof will be on the utility to show, in documentation accompanying its tariffs, that the costs of all appurtenances are separately recorded.

Petitioners' second request for deviation is not so readily disposed of. The Commission's Order of September 17, 1982, in Administrative Case No. 251 stated on p. 8 that, "The Commission has determined that the methodology shall be (1) the embedded cost of an average bare pole of the utility of the type and size which is or may be used for the provision of CATV attachment" (Emphasis supplied.)

Petitioners' evidence at the hearing, consisting of oral testimony and exhibits, was based on utility surveys, a few by physical count and others by utility plant records, tending to show that existing cable attachments were generally located in urban areas, where poles newer than their total pole population are installed. Petitioners' position is that only these newer poles should be used for purposes of computation of pole attachment rates.

The Commission cannot accept this viewpoint, nor grant the requested deviation, for the following reasons:

1. The Commission has determined that CATV operators requesting pole attachments are customers of the utility pole owners. No other class of customers of petitioning utilities is required to pay rates which vary with the age of the facilities (poles, lines, transformers, etc.) used to serve those particular customers. While cost of service is a determining consideration in developing tariff rates for particular classes of customers, those rates are charged to all customers in the same classification, no matter how long the customer has had the particular service;

2. Petitioners' surveys do not purport to take into account the age of poles available for possible future CATV attachments, and in fact many of the utilities at the hearing did not check all their poles and could not state authoritatively that they had found and reported on all attachments on their systems. To allow the requested deviation for existing systems only would require

new surveys each time a new attachment customer was authorized or discovered. The methodology was intended to establish rates which would be applicable to all CATV attachments, present or future, to be periodically updated by tariff only when embedded cost elements change;

3. All the parties to Administrative Case No. 251 agreed that a complete physical pole count and measurements were not necessary, economical, nor even desirable for the purpose of developing attachment rates. The Commission agreed, and based its methodology on appropriately weighted averages. Many of the petitioners recognized the practicality of this approach by utilizing only a sampling of their poles with CATV attachments. Therefore the Commission finds no reason to deviate from the methodology utilizing weighted averages; and

4. The entire methodology is based upon appropriate averaging techniques. These included not only the age and cost of poles used or available, but also the height of poles, the space occupied by the parties, including CATV operators, the clearance from ground to the lowest attachment on a pole, the depth of the pole in the ground, etc. To grant a deviation for one element would destroy the effectiveness of the methodology. Utilities would be forced, at great cost, to physically examine, count, and measure each pole and its attachments, and continually to update its records and tariff filings as new poles and attachments came into service.

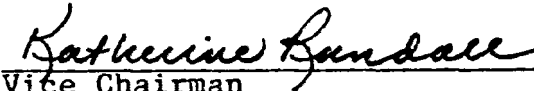
IT IS THEREFORE ORDERED that the petitioners be and they hereby are granted a deviation from the methodology prescribed in Administrative Case No. 251 for CATV pole attachment rate calculations to the extent that upon a suitable showing such petitioners shall not be required to deduct 15 percent from FERC Form 1 Account 364 for minor appurtenances in order to determine average bare pole costs.


IT IS FUTHER ORDERED that the petition for deviation with respect to the averaging of all pole vintages in such pole accounts be and it hereby is denied.

Done at Frankfort, Kentucky this 16th day of February, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary