

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE KENTUCKY PUBLIC SERVICE COMMISSION	)	
	)	
vs.	)	CASE NO. 9085
	)	
LESLIE COUNTY TELEPHONE COMPANY	)	

O R D E R

Background

On April 12, 1984, the Commission received a petition containing the signatures of approximately 315 people who objected to the recent rate increase request filed by the Leslie County Telephone Company ("Leslie County"). The basis of their complaint was inadequate and unsatisfactory repair service and the inability of Leslie County to provide adequate facilities to supply its present and future subscribers with the quality of telephone service desired.

Based upon the petition cited above, 15 individual complaints concerning inadequate service at Leslie County within the last 12 months and Leslie County's failure to meet the service objectives set forth in 807 KAR 5:061, Section 11(1) and 22(2), the Commission established this show cause proceeding. A hearing was held on September 18, 1984, in the Commission's offices at Frankfort, Kentucky, to allow Leslie County to show why it should not be subject to the penalties prescribed under KRS 278.990 for failure

to comply with the Commission's regulations and Orders. At the show cause hearing, Leslie County offered testimony, as did the Commission staff and several subscribers to Leslie County service. The Attorney General's Consumer Protection Division ("AG") intervened and participated in the hearing.

#### Discussion

The record in this show cause proceeding evidences the existence of extensive service deficiencies in the communities served by Leslie County. The Commission is particularly troubled by the violation of Commission regulations and service problems experienced by Leslie County's subscribers in light of the fact that this show cause proceeding is the third show cause case brought against Leslie County in 3 years for essentially the same problems and violations of Commission regulations.

The Commission further observes that during this same 3-year period Leslie County has had at its disposal \$6.8 million in low cost funds from REA which the Commission authorized Leslie County to borrow by its Order dated June 9, 1981, in Case No. 8190, In the Matter of the Application of the Leslie County Telephone Company for Authority to Issue Notes. The stated purpose for which Leslie County sought approval for these funds was to upgrade existing service or provide initial service to new customers. Despite the influx of this new capital into the system, Leslie County's problems have continued to mount.

The construction to which the Commission gave its approval in Case No. 8190 was to have been completed within 5 years. However, in the preceding show cause case, Case No. 8779, In the

Matter of the Public Service Commission vs. Leslie County Telephone Company, Leslie County's President, Edward Mattingly, testified that construction had fallen 13-14 months behind schedule.<sup>1</sup> At the time of that show cause hearing, less than 2 years of the construction schedule had passed, but the majority of the period had been consumed in delays. In the instant show cause proceeding, Leslie County described an additional 6-9 months of delays in the construction program. Thus, 39 months of the 5-year construction program have elapsed, but 19-23 months of that 39 have been delays in the construction.<sup>2</sup> This fact is further illustrated by Leslie County's expenditure of only \$2.3 million of the \$6.8 million construction loan as of December 31, 1983, halfway through the 5-year construction schedule.<sup>3</sup> In trying to ascertain the reason for these delays, the outside plant portion of the construction was examined. This component alone involves \$4.1 million, or roughly 60 percent of the \$6.8 million construction plant.<sup>4</sup> Apparently, Mr. Mattingly's reluctance to utilize outside contractors more extensively, rather than a limited in-house work crew, contributed to the delays experienced. In Mr. Mattingly's opinion, outside contractors would not bid on a project unless it involved \$60,000

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<sup>1</sup> Transcript of Evidence ("T.E."), April 21, 1983, p. 12.

<sup>2</sup> T.E., September 18, 1984, page 84.

<sup>3</sup> Case No. 9002, In the Matter of Leslie County Telephone Company, Inc.'s Intent to File a Rate Adjustment Application, Financial Exhibit attached to Application/Notice.

<sup>4</sup> Response to hearing request number 7, filed October 26, 1984.

to \$100,000.<sup>5</sup> However, the outside plant portion of the construction for each of the six exchanges served by Leslie County significantly exceeded \$100,000. In the four exchanges where outside contractors were not utilized, the total outside plant expenditures were \$1.2 million, while in the two exchanges where outside contractors were used the outside plant expenditures were only \$1.3 million and \$764,844.<sup>6</sup> It is difficult to understand why Leslie County did not take bids from outside contractors on all or most of those four exchanges. Mr. Mattingly was asked this question at the show cause hearing but he did not offer a reason which adequately explains why he rejected that approach in favor of the slower procedure.<sup>7</sup>

The delays in the construction program may also be attributed to a lack of effective coordination between Mr. Mattingly and Leslie County's consultants. According to Mr. Marvin DeBell, Vice President and General Manager of Consolidated Design Consultants, the delays could not be attributed to completion of contracts.<sup>8</sup> Although the consultants proposed a schedule for construction on July 9, 1981, no work began on a given exchange until Leslie County directed the consultant to proceed and at that time a new schedule was devised by the consultant.<sup>9</sup>

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<sup>5</sup> T.E., September 18, 1984, p. 69.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid., p. 73.

<sup>8</sup> Ibid., P. 107.

<sup>9</sup> Ibid., pp. 104-105.

Evidently, the delays are associated with decisions over which Leslie County exerts control.<sup>10</sup> Under these circumstances, it is understandable that the consultants did not attempt (nor were they requested) to account for the delays in the construction. However, Leslie County's management did not attempt to explain the delays either. Had Leslie County done so and taken corrective action where necessary, some of the delays may not have occurred or been as lengthy. Moreover, use of management tools, such as a PERT chart, may have facilitated the planning, ordering and construction process by aiding management in avoiding or recognizing bottlenecks in its construction program. However, in this instance the Commission views the likelihood that Mr. Mattingly will utilize such management tools with a certain amount of skepticism in light of his failure on other occasions to use information that is already available to him. For example, Mr. Mattingly admitted that he did not review reports he filed with the Commission which show rather large discrepancies between established service objectives and the actual quality of service being provided by Leslie County.<sup>11</sup>

The service objective reports filed monthly by Leslie County with the Commission indicate that Leslie County has habitually failed to clear 95 percent of its out-of-service troubles, as required by 807 KAR 5:066, Section 28(4), since 1982. According to the evidence of record and by its own admission, Leslie County

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<sup>10</sup> Ibid., p. 106.

<sup>11</sup> Ibid., pp. 44-46.

has not complied with 807 KAR 5:066, Section 22(1) and (2), in that it has not fulfilled 90 percent of its requests for regular service within 5 working days, and that it has not fulfilled 90 percent of its subscribers' requests for regular regrades within 30 days. For example, Leslie County failed to meet 90 percent of requests for regular service within 5 days, as required by 807 KAR 5:066, Section 22(1), in every exchange during the months of March and April, 1984. In four exchanges no service requests were filled in accordance with the regulation during those months, while two exchanges met 20 to 29 percent of service requests within 5 working days. In the only exchange in which construction delays could not have contributed to Leslie County's failure to comply with the regulation (since the exchange is already converted to 1-party service), only 43 percent of service requests were met in a timely fashion. This fact highlights the Commission's finding that Leslie County's management has failed to operate the utility in an efficient and adequate manner, despite the Commission's previous admonitions concerning service problems and the imposition of a monetary penalty in the last show cause proceeding.

The Commission again expresses its displeasure with the management of Leslie County for the quality of service it provides to the citizens in its service area. Leslie County's service record, when compared with surrounding telephone utilities of a similar background, is abysmal.<sup>12</sup> Furthermore, Leslie

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<sup>12</sup> Staff Exhibits 3 and 4.

County's subscribers are frequently inconvenienced and must resort to extreme measures to report service problems according to subscribers who testified at the show cause hearing. A general lack of concern appears to permeate the Leslie County management.

Following the show cause hearing of September 18, 1984, Leslie County filed its current construction schedule dated September 28, 1984 (Revision #3). According to that schedule, completion and cutover of each exchange should occur as follows:

<u>EXCHANGE</u>	<u>SCHEDULED COMPLETION DATE</u>
Hyden/Stinnett	December 1, 1984
Wooton	March 1, 1985
Bledsoe	December 1, 1985
Buckhorn	January 1, 1986
Canoe	March 1, 1986

The Commission expects Leslie County to adhere to and meet its schedule and will no longer tolerate Leslie County's continual disregard of its regulations and Orders. Accordingly, for each violation of Commission regulations and/or Orders, the Commission may, pursuant to KRS 278.990, assess a penalty of \$1,000 per day.

Aside from the matters previously discussed, issues were also raised concerning Leslie County's customers' ability to notify the utility of service problems without incurring a toll charge. Leslie County does provide toll free numbers by which its subscribers are able to report service difficulties. This is accomplished by means of Foreign Exchange (FX) lines and by publishing in its directory the instructions for subscribers in certain exchanges to call the repair service number and reverse the charges. Better publication of these methods appears to be

warranted. Customers also expressed concern about the manner in which adjustments were made for toll calls which a customer denied placing. Adjustment of toll charges denied is a complex matter that must generally be handled on an individual basis. The procedure currently used by Leslie County to adjust and correctly rebill its customers appears to be reasonable and adequate.

IT IS THEREFORE ORDERED that Leslie County shall adhere to its "Construction Schedule of Activities" dated September 28, 1984, Revision #3, attached hereto as Appendix A.

IT IS FURTHER ORDERED that Leslie County shall immediately institute procedures to provide the Commission with a monthly report outlining its progress in completing the construction program. This monthly report shall include the following information at a minimum, by exchange: (1) the amount and type of cable and/or wire placed; (2) the amount and type of central office equipment installed; (3) funds expended for outside plant and central office improvement; (4) percentage of completion, to date, of the entire construction program; and (5) the total funds remaining for the completion of the project. The initial report shall be filed with the Commission within 30 days from the date of this Order and reports shall be filed each month until the project is complete in every exchange.

IT IS FURTHER ORDERED that Leslie County shall provide its subscribers, in form and content approved by the Commission, a quarterly statement which (1) affirms its obligations as a public utility; (2) reports the progress of its current construction

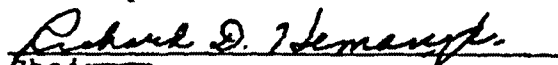


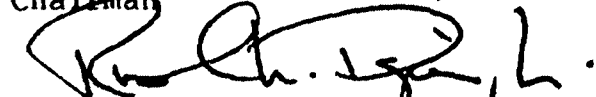
program; and (3) provides the phone numbers and the procedures to be followed to reach repair service and the "PSC-INFO" number (1-800-772-4636).

IT IS FURTHER ORDERED that Leslie County be and it hereby is put on notice that it may be assessed a penalty of \$1,000 per day for each violation of Commission regulations and/or Orders, including failure to complete the planned construction and cut-over dates stated in Leslie County's current schedule, attached as Appendix A to this Order.

Done at Frankfort, Kentucky, this 23rd day of January, 1985.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION CASE NO. 9085 DATED 1/23/85

NAME OF COMPANY LESLIE COUNTY TELEPHONE COMPANY, INC.

DATE September 28, 1984  
 REVISIONS 43

CONSTRUCTION SCHEDULE OF ACTIVITIES

BUDGET PURPOSE EXCHANGE:

CENTRAL OFFICE EQUIPMENT:  
 Submit plans and specifications-----  
 Receive bids and order equipment-----  
 Receive equipment-----  
 Start installation-----  
 Complete installation-----  
 Acceptance tests completed-----  
 ..N.I.-----

ELECTRONIC EQUIPMENT

a. Trunk Carrier:  
 Submit plans and specifications  
 Receive bids & order equip.-----  
 Receive equipment-----  
 Start installation-----  
 Complete installation-----  
 Acceptance tests completed-----

b. Station Carrier:  
 Submit layout-----  
 Receive proposals & order equip.  
 Receive equipment-----  
 Start installation-----  
 Complete installation-----  
 Acceptance tests completed-----  
 Trunk V.F. Repeaters-----

c. OUTSIDE PLANT: Route Miles  
 Submit plans and specifications-----  
 Receive bids-----  
 Start construction-----  
 Complete construction-----  
 Exchange Renewal  
 Acceptance tests completed-----

BUILDINGS:  
 Submit plans & specifications-----  
 Receive bids-----  
 Start construction-----  
 Complete construction-----

CUT OVER  
 Estimated Date-----  
 O.P.  
 \*Minor Additions

Hyden/ Stimmet	Wootton	Bledsoe	Dwarf	Buckhorn	Canon
DATE	DATE	DATE	DATE	DATE	DATE
1 / 1/83	3 / 1/84	*10/1/81 **4/1/84	3/22/83	Complete	Minor Egm Stim 9/27/82**5/1/84
5 / 1/83	4 / 1/84	11/1/81:5/1/84	4/22/83	In Accordance with "E" Loan	10/1/82:11/1/84
11 / 1/83	8 / 1/84	1/1/82:11/1/84	5/30/83	SLP	2/1/83:12/1/84
11 / 1/83	9 / 1/84	1/1/82:11/1/84	5/30/83	SLP	2/19/83:3/1/85
5 / 1/84	12 / 1/84	3/1/82:3/1/85	6/30/83	11 / 1/83	4/19/83:6/1/85
6 / 1/84	12 / 1/84	4/1/82:4/1/85	6/30/83	11/21/83	4/19/83:6/1/85
				Complete In	Complete In
11 / 1/83	11 / 1/83	10 / 1/83	9 / 1/82	Accordace with "E" Loan	Accordace with "E" Loan
12 / 1/83	12 / 1/83	1 / 1/84	10 / 4/82	SLP	SLP
3 / 1/84	3 / 1/84	1 / 1/84	2 / 1/83	2 / 1/83	4 / 1/84
3 / 1/84	3 / 1/84	2 / 1/84	2 / 1/83	4 / 1/84	4 / 1/84
5 / 1/84	5 / 1/84	3 / 9/84	3 / 22/83	4 / 19/84	4 / 19/84
5 / 1/84	5 / 1/84	3 / 9/84	3 / 22/83	4 / 19/84	4 / 19/84
11 / 1/83	2 / 1/84	9 / 1/84	As Needed	None	None
12 / 1/83	4 / 1/84	10 / 1/84	As Needed	Proposed	Proposed
3 / 1/84	10 / 1/84	3 / 1/85	As Needed	In Revised	In Revised
3 / 1/84	10 / 1/84	3 / 1/85	As Needed	Design	Design
5 / 1/84	12 / 1/84	5 / 1/85	As Needed	As Needed	As Needed
5 / 1/84	1 / 1/85	6 / 1/85	As Needed	As Needed	As Needed
221.46	99.45	68.47	As Needed By	100.10	76.35
5 / 10/82	9 / 15/82	3 / 1/84	Leslie County	7 / 1/85	3 / 1/85
6 / 29/82	10 / 26/82	11 / 8/84	Construction	2 / 5/85	4 / 5/85
9 / 27/82	6 / 27/83	3 / 1/85	Crew.	4 / 5/85	6 / 5/85
8 / 1/84	10 / 1/84	8 / 10/85		10 / 1/85	12 / 1/85
9 / 1/84	11 / 1/84	9 / 1/85		11 / 1/85	1 / 1/86
Various	None	3 / 8/82	None	None	None
Various	None	5 / 1/82	None	None	None
Various	None	6 / 15/82	None	None	None
8 / 1/84	12 / 15/84	11 / 29/82	None	None	None
6 / 26/84	3 / 1/85	4 / 1/85	6 / 30/83	11 / 21/83	6 / 1/85
12 / 1/84	3 / 1/85	12 / 1/85	As Needed	1 / 1/86	3 / 1/86

\*Minor Additions to Existing System. \*\*Replace Existing Equipment by transfer of equipment from Hyden.