

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION OF SOUTH CENTRAL BELL)
TELEPHONE COMPANY TO CHANGE)
AND INCREASE CERTAIN RATES) CASE NO. 9160
CHARGES FOR INTRASTATE)
TELEPHONE SERVICE)

ORDER REQUESTING INFORMATION

IT IS ORDERED that South Central Bell Telephone Company ("South Central") shall file an original and 12 copies of the following information with the Commission by January 23, 1985, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets is required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations

and jurisdictional operations, separately. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

Questions for Mr. Laurant

1. Are the original sources of data provided in Item 5 of Staff Request dated 12/21/84 identical to the responses in Item 3 of Staff Request dated 11/17/83 in Case No. 8847? If not, supply original sources or photocopies of the original sources of the data.

2. Does the SHAZAM statistical package test for fourth order autocorrelation? If yes then prepare and provide results of fourth order autocorrelation tests for residential and business access line models.

3. If SHAZAM does not test for fourth order autocorrelation then provide evidence considered in concluding fourth order autocorrelation does not exist in residential and business access line models.

4. For the residential and business access line models provide partial regression leverage plots of the residuals.

Questions for Ms. Mezzell

1. What do you see as an ideal business to residence rate ratio?

2. Please explain how the amounts in the proposed revenue columns of the local exchange service sections in the billing analysis were calculated for each of the five rate groups.

3. Please explain how the exchange and related figure, (\$55,933), was determined in Exhibit 1 of your testimony.

4. In the maintenance of complex wiring plan or other similar service, how does the company insure that time and materials needed to complete each job could be deemed reasonable?

5. In the DA plan what is the reason for eliminating all exemptions with the exception of residence handicapped?

Questions for Mr. Lathram

The following questions are taken from the response to the initial staff request.

Item 9

1a. Account 120 indicates a substantial increase during the test period due to the Shared Network Facilities Agreement (SNFA) with AT&T. Does the last 8 months of the test period represent a normal on-going level for this account?

b. Provide a copy of the SNFA agreement.

c. Why does this agreement result in a significant increase in this account?

2a. Does the current level of account 122 represent an on-going level for this account?

b. Has Bell performed a cost comparison between maintaining the current post-divestiture level of inventory as opposed to maintaining lower levels of inventory and making more frequent purchases?

c. What were the results of this study?

d. What factors were considered?

3a. Is the increased level of Account 123, due to the implementation of SPAS #71 representative of an on-going level for this account?

b. Does this account include amounts applicable to prior periods? If yes, give amounts and periods applicable.

4. Account 124 indicates substantial increases over the previous and following months of the test period for March, April and May. Identify and quantify the reasons for the increased months. Is this a recurring phenomenon?

5a. What portion of Account 158 is payable to affiliated companies?

b. How much of the increase occurring in March, April, May, and June was applicable to affiliated companies?

c. Identify these affiliated companies and the amounts payable to each.

6a. Explain how contracted billing and accounts receivable purchases with interexchange carriers works. How does this result in an increase to Account 159?

b. Is any portion of this account applicable to affiliated companies? If so, identify the companies and amounts.

7. Explain why Account 163 increased from \$60,000 to \$8,446,670 in March 1984.

Item 11

8. The workpapers provided in response to this item indicate that the test period averages are inappropriate for some accounts. Identify these accounts and why these averages are inappropriate to be used.

Item 12

9. Is Bell aware of the Commission's actions in previous rate cases to require the stockholders of a utility to bear the cost of providing employee concession telephone service?

Item 14

10. Provide an explanation for the activity in Account 235 - Public Telephone Equipment and Account 262 - Other Comm. Equipment for the test period.

Item 17

11. Provide an explanation for the fluctuations in the following accounts. Identify and quantify any unusual or non-recurring items included in these accounts.

Account 510 - Message Tolls dropped to \$3,756 in May 1984 of the test period.

Account 511 - Wide Area Toll Services dropped to \$736 in April of the test period.

Account 516 - Other Toll Services went from \$2,978 in May to (\$108) in August of the test period.

Item 18

12. Provide an explanation for the fluctuations in the following accounts. Identify and quantify any unusual and non-recurring items included in these accounts.

Combined Company

<u>Account</u>	<u>Name</u>	<u>Amount</u>	<u>% Increase</u>
608	Depreciation	667,744,628	80.61
609	Extraordinary Retirements	130,236	64.42
640-650	Total Commercial Expense	282,480,936	28.21

Kentucky Combined

602	Repairs to Outside Plant	35,349,643	24.81
607	Repairs to Public Telephone Equipment	640,162	100
634	Joint Traffic Expenses-Dr.	3,518,226	3,289.49
663	Treasury Department	678,375	23.75
664	Law Department	1,113,466	28.58
669	Accidents & Damages	2,658,233	77.72
671	Operating Rents	7,583,567	134.01

13. A note to Item 18b stated that the test period data reflects the impact of the industry restructuring effective January 1, 1984, and limits the use of the data for trending or comparative purposes. Identify each account shown in Item 18b which is affected, the magnitude of the impact on these accounts, why they are affected, and the effects on the usefulness of this data for trending or comparative purposes.

14. How was the percentage increase shown for management and non-management salaries and wages for the test period determined?
Item 24

15. What is the basis for separating plant in service between total company and intrastate? Why is this information not available for the accounts shown?

16a. In developing the pro forma adjustments and normalization adjustments to the test period, was consideration given to adjust for the possible abnormalities which may exist in the month or months normalized, such as higher levels of construction and maintenance during the summer, comparison of overtime hours

worked, volume of calls, etc.? (These items listed are not meant to be all inclusive.)

b. Provide detailed workpapers showing how the normalized periods were adjusted to eliminate abnormalities items which may exist in these periods.

Questions with regard to Lathram supplemental testimony and exhibits.

17. Provide by month an analysis of the account, including all subaccounts used to develop annual local service message revenues.

18. What criteria or analysis was performed to determine that August was representative of an on-going level for local message service revenues?

19. Why did SCB use August annualized to determine local message service revenues when the 12 months ending August 31, 1984, and the 8 month period ending August 31, 1984, annualized were nearly identical?

20. On your worksheet for local service message revenues it is stated that August annualized reflects the impact of decreases in local service message revenues. Explain this statement.

21. Provide the average private line revenue per private line for August 1984. Provide this information on a monthly basis for the test period. Show all calculations.

22. Provide the average private line revenue per private line for the previous 5 years on an annual basis.

23. Provide the number of private lines on a monthly basis for each month of the test period and the previous 5 years on an annual basis.

24. In determining Access Revenues - Carrier's Carrier charge the 8 month period ending August 31, 1984, was utilized since it better represented fluctuations in the on-going level of access revenues. An analysis of Item 17 of the initial staff request indicates that with the exception of May 1984 this account has been increasing.

a. Explain why the trend has not been recognized in your adjustment.

b. Explain why May 1984 appears to be abnormal in relation to the other months of the test period in this account.

25. Provide the level of Account 509 by month for both carrier's carrier and special access charges.

26. Provide a reconciliation between Lathram's Exhibit 2, Column B and the statement of intrastate operating income provided by Mr. Lathram as a summary to his End-of-Period Adjustments. Identify all accounts and subaccounts combined or separated to achieve the restatement of revenues and expenses.

27. In response to Item 11 of the Commission's initial staff request, SCB did not file the data in the manner requested. Please provide the data as originally requested. Furthermore, provide Items 11, 17, and 18 on an intrastate basis, as originally requested.

28. What was the actual intrastate message volumes for the test period?

29. Why is August more representative of a going level of toll private line revenue when the 12 months of the test period and the 8 months ending August 1984 annualized both give revenues substantially greater than August annualized?

30. What would be the August level of Independent Company Settlements for toll private line if it did not include retro-active adjustments?

31. In the calculation of Kentucky WATS Revenues why is August annualized more representative than the test period actual revenues?

32. What would other toll service revenues have been if the proposed annualization had been based on August instead of the last 8 months of the test period? Provide calculations including all supporting numbers.

33. In determining billing and collection revenues how was it determined that fluctuations in this account were normal and August was abnormal, especially in light of the fact that the first 2 months for which activity for this account is shown appear to be abnormal in relation to the remaining 6 months of activity and August appears to be representative?

34. Why was the 8 months ending August 31, 1984, annualized more representative of an on-going level of other intrastate revenues than August annualized?

35. Provide the overtime factors for August 1984, the 12 months ending August 31, 1984, by month and the 5 preceding years on an annual basis.

36. In calculating EOP salary and wage adjustment did SCB consider such factors as increased overtime, higher levels of vacation taken and higher levels of construction and maintenance during the summer months?

37. Provide invoices for BellSouth and BellCore billing by month for the test period.

38. In calculating the total BellSouth and BellCore billing why was the August bill for BellSouth annualized and the average bill for BellCore annualized to obtain the on-going levels of these expenses? How were these amounts determined to be representative of a normal level of operations?

39a. Provide a restatement of the EOP rate base shown in Lathram Exhibit 1 using the methodology used by the Commission in its previous orders for SCB.

b. On Page 14 of Lathram's testimony, August 31, 1984, intrastate capital is stated to be \$800,928,000. Please show how this amount was derived.

c. If this amount was derived differently than the method used in prior Orders of SCB, please restate using the Commission's method.

40a. In calculating EOP contract charging why was the net August activity annualized compared to the year-to-date net August activity annualized to determine contract charges rather than an analysis of each entity included in the charge?

b. Provide the intrastate test period activity by month for billings to ATTIS and ATTCOM and billings from ATTCOM.

41. Provide a depreciation schedule for Account 608. Show accounts on an intrastate basis.

42. In calculating operating rents what criteria were considered in determining August to be representative of a normal level of operations?

43. Provide the percentage relationship of other expenses to total expense for each month of the test period and the 5 preceding years on an annual basis.

Done at Frankfort, Kentucky, this 16th day of January, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Henning

For the Commission

ATTEST:

Secretary