

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)

O R D E R

IT IS ORDERED that South Central Bell Telephone Company ("South Central") shall file an original and 12 copies of the information set forth in Part A of this Order with the Commission by February 27, 1985, with a copy to all parties of record. IT IS FURTHER ORDERED that the Department of Defense shall file an original and 12 copies of the information requested in Part B of this Order by February 27, 1985. 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.

PART A

Questions for Mr. Laurant

1. Provide actual undeflated value of Kentucky residential access price index for each quarter used in the study period. If available, provide comparable data for U.S.

2. Provide actual undeflated value of Kentucky business access price index for each quarter used in the study period. If available, provide comparable data for U.S.

3. Provide name of Software package used to perform test for fourth order autocorrelation tests on residential and business access models.

Questions for Mr. Lathram

1. Please provide Form S.N. 155, as supplied in Attachment A to the response of Item 27 of the January 16, 1985, Staff Request, for the months of September - December of 1984. In addition, if a similar Form exists for expenses, please provide the same for the test period and 1984.

2. At page 2 of your response to the Commission's Order of January 15, 1984, you state that local service revenue produces a relative stable unit price and that you had used the 8 months of 1984 to develop this unit price.

a. A review of the 8 months used in the development of this unit price revealed that January was abnormally high while February was abnormally low. Please explain these fluctuations and why it would not be more reasonable to use the last 6 months of the test period.

b. An analysis of the month by month unit price based average units in service shows the unit price of August to be \$23.14. Why is this not a reasonable unit price?

c. Please provide a comparison of your level of recurring local service revenue and local service message revenues to the level of revenue shown in the billing analysis presented by Joan Mezzell. Reconcile any difference. Also, if there is a difference in units, reconcile these differences.

3. At page 4 you state that Local Service Message Revenue had declined substantially from January. Hasn't many of the customers leaving LMS reverted to full service? Isn't this a possible cause for the increase in unit price over time and thus would be reflected in the level of recurring local service revenue?

4. Had other local service revenue been determined using the average revenue per message for the month of August, what would have been the result? Show calculations.

5. With regard to your adjustment for intrastate message toll, identify the actual level for 1984. If not available, please recompute your adjustment using the latest available information, i.e., November.

6. Identify and explain the CPE reimbursement shown on the Other Intrastate Revenue worksheet.

7. Please explain the abnormally low level of Network Access Revenues of \$367,000 for the month of October, 1984.

8. With regard to the Item 26 of the January 16, 1985, Staff Request, identify the following differences:

a. Intrastate Local Service Revenues of \$272,857,000 (Exhibit 3) vs. sum of L2-L7 of \$272,852,000 of page 44 of January 25 response.

b. Intrastate Toll Service of \$90,750,000 vs. sum of L11-L14 of \$90,725,000.

c. Intrastate Miscellaneous Revenues of \$26,131,000 vs. L10, L15-L17 of \$26,159,000.

d. Intrastate Operating Rents of \$6,147,000 vs. sum of Operating Rents and Contract Charging of \$6,654,000.

e. Intrastate General Services and Licenses of \$6,947,000 vs. sum License Contract and BellSouth/Bellcore of \$7,908,000.

9. Explain why wages and salaries of \$111,736,000 (EOP Salary & Wage Adjustment) was developed using a wage apportionment study while \$112,171,000 was developed using average intrastate factors (Item 27 of the Response to the January 16, 1985, Staff Request).

10. Please identify the \$499,000 adjustment labeled pro forma #6 backup on page 15 of the response to the Commission's Order of January 15, 1985.

11. Provide a worksheet for depreciation expense on an intrastate basis, using depreciation rates implemented January 1,

1985 and August 31, 1984, plant levels. Also provide worksheets for the effect on federal and state income tax.

12. Provide an explanation of the workpaper to develop the EOP adjustment for Operating Rents (excluding Contract Charging), i.e., what is the source and/or reference for lines 4 and 13?

13. Provide a breakdown of maintenance expense for the test year into maintenance labor and other maintenance expense on a month-by-month basis, preferably on an intrastate basis, however combined basis will be acceptable.

14. Separate the actual test period expense allocated to SCB from Bellcore between core and non-core projects on an intrastate basis.

15. Explain in detail the necessity for SCB's funding of these non-core projects.

16. Quantify the actual test period savings experienced by SCB by funding these non-core projects. Provide complete calculations and assumptions or other underlying criteria used to arrive at this amount.

17. Provide a copy of the last audit (financial and/or management) of BellSouth Services and Bellcore.

Questions for Ms. Mezzell

1. In the case of maintenance charges; specifically the maintenance and trouble isolation plan.

a. How was the proposed rate determined for this plan? Please include all assumptions and provide explanations.

b. How were the quantity in service figures obtained for this plan?

c. Provide the number of requests for the types of services covered by this plan during the test period.

d. Provide the revenues generated for performing the services in part c.

e. Provide an itemized explanation of the proposed cost increases in association with this plan.

f. Provide an itemized explanation of the proposed cost savings associated with this plan.

2. In the Case of the Expedited Service Charge:

a. Provide an itemized explanation of the economic analysis for potential expedite for potential expedite requests.

b. Provide an itemized explanation of the destimulation and revenue analysis of the proposed plan.

c. Provide an itemized explanation of the cost savings analysis associated with the proposed plan.

d. What situations could possibly arise causing them to be exempt from the expedited service charge?

PART B

Questions for Mr. McCormick

1. If Mr. McCormick is contending on pages 6 and 7 of his testimony that certain segments of South Central Bell's regulated telecommunications market are perfectly competitive then identify those sectors and provide evidence to support that position.

2. Provide any reports, studies and/or other data used to support the position that local exchange subsidies are quite high.

IT IS FURTHER ORDERED that there will be a prehearing conference on February 20, 1985, at 9:00 A.M., Eastern Standard Time, in the Commission's offices in Frankfort, Kentucky, for the purpose of reviewing South Central's separations procedures. South Central shall have appropriate personnel at this conference and all other parties are invited to attend.

Done at Frankfort, Kentucky, this 8th day of February, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Hemery

For the Commission

ATTEST:

Secretary