COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

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

O R D E R

Procedural Background

On October 12, 1984, South Central Bell Telephone Company ("South Central Bell" or "Bell") filed its notice of intent to file for a rate increase with the Commission pursuant to 807 KAR 5:011, Section 8. On November 9, 1984, Bell filed its rate case and testimony, giving notice that it proposed to increase its rates and charges effective November 29, 1984, to produce an annual increase in revenue of approximately $76,000,000, an increase of 19 percent in total intrastate revenues.

In order to determine the reasonableness of the request, the Commission suspended the proposed rates and charges for 5 months after the effective date and scheduled public hearings to begin March 5, 1985.

Motions to intervene in this matter were filed by the Attorney General's Consumer Protection Division ("Attorney General" or "AG"), the City of Louisville and Jefferson County, Kentucky, ("COL/JC"), the Kentucky Hospital Association, the Department of Defense and Federal Executive Agencies ("Department of Defense" or "DOD"), AT&T Communications of the South Central States, Inc., ("ATTCOM") and Utility Ratecutters of Kentucky. All motions for intervention were granted.

The hearings for the purpose of cross-examination of the witnesses of South Central Bell and the intervenors were held in the Commission's offices in Frankfort, Kentucky, on March 5 through March 8 and March 11 through March 12, 1985. Witnesses prefiling testimony and/or appearing at the hearings for Bell were: Stanley S. Dickson, Vice President in charge of Bell's Kentucky operations; G. D. Cunningham of BellSouth Services Incorporated; Dr. Richard W. Furst, Professor of Finance and Dean of the College of Business and Economics at the University of Kentucky; James W. Glass, Operations Manager - Executive Support in the BellSouth Corporation; Billie C. Greenlief, Manager - Network Planning for Bell's Kentucky operations; Gene P. Jannotti, representing Bell Communication Research, Inc. ("Bellcore"); David L. Laurent, Staff Manager for BellSouth Services in the Information System Services ("ISS") organization; Dr. Jerome G. Lucas, President of TeleStrategies, Inc.; Dr. Mark D. Luftig, Vice President and Manager of the Utility Group in the Stock Research Department of Solomon Brothers, Inc.; W. R. Meredith, Assistant Vice President, Personnel/Budget/Forecasting of Bell in Kentucky; Joan D. Mezzell, Operations Manager in the Department of General Rates and Economics Administration; E. Blair Mohon, Assistant Vice President in Bell's Revenue Requirements Department; Charles J. Lathram, Assistant Chief Accountant for Bell; Don L. Pickens, Operations Manager - Regulatory Matters for Bell; Joseph M. Robbins, Bellcore's liaison to the Bell Operating Companies; and Dr. James H. Vander Weide, President of Utility Financial Services and Adjunct Professor of Finance at the Fuqua School of Business of Duke University. The Attorney General's witnesses were: Dr. John W. Wilson, President of J. W. Wilson and Associates, Inc., and Allen G. Buckalew, an economist for J. W. Wilson and Associates, Inc. The Department of Defense's witnesses were: Dr. Charlie McCormick, Industry Economist for the Defense Communications Agency, and Mark Langsam, an Industry Economist for the General Services Administration. Witness for the City of Louisville and Jefferson County was Robert J. Henkes, Principle in the firm of Georgetown Consulting Group, Inc., and for the Kentucky Hospital Association, William J. Conn, Jr., President of the Kentucky Hospital Association. All information requested during the hearings has been filed. Briefs were filed on March 29, 1985, with the exception of the Department of Defense, whose brief was filed on April 5, 1985.

This Order addresses the Commission's findings and determinations on issues presented and disclosed in the hearings and investigation of Bell's revenue requirements and rate design. The Commission has granted rates and charges to produce an annual increase of $21,313,000 herein.

ANALYSIS AND DETERMINATION

Test Period

In a letter dated October 19, 1984, South Central Bell proposed to file 8 months' actual financial data for the period covering January 1, 1984, to August 31, 1984, and forecasted data for September 1 to December 31, 1984. The forecasted data were to be replaced by actual financial results as they became available, but no later than February 28, 1985. On October 30, 1984, Bell filed a formal motion requesting that the Commission waive the provisions of 807 KAR 5:001, and instead proposed the use of the calendar year ended December 31, 1984, as the test year for fixing rates in this proceeding. On November 5, 1984, the Attorney General filed a motion objecting to Bell's proposal. On November 8, 1984, the Commission issued its Order granting Bell's motion to deviate on the condition that Bell delay its effective date for implementation of its proposed rates and charges until January 10, 1985. Bell chose not to delay its effective date and based its rate case proposals on the 12-month period ending August 31, 1984.

On February 19, 1985, Mr. Lathram presented preliminary results for the calendar year 1984. The Commission has reviewed these two sets of financial data and has found them to be reasonably comparable. Since the Commission's and intervenors' emphasis in this proceeding has been on the 12-month period ending August 31, 1984, the Commission has accepted this period as the test year in this proceeding.

In an effort to present its test period operations on a post-divestiture basis, South Central Bell made normalization adjustments (based on post-divestiture results) to its actual test period operations. The Commission has allowed the majority of these adjustments proposed by Bell as it appears that the overall results of these adjustments are representative of current operating conditions.

SEPARATIONS

In Case No. 8847,[1] South Central Bell's last rate case, Bell proposed to use estimated intrastate separation factors based on projected operations which were substantially higher than those historically experienced by Bell. Bell stated that these factors represented the estimated impact of divestiture. The estimated factors were denied for lack of adequate support and the Commission found that intrastate separation factors should be closely reviewed in future proceedings.

On December 14, 1984, Mr. Lathram as part of his prefiled testimony provided additional information regarding Bell's current intrastate separation procedures. On February 20, 1985, an informal conference was scheduled to allow the Commission's staff and other parties of record to review in detail Bell's separation procedure. The informal conference was held as scheduled with the Attorney General being the only intervenor represented. At the conference, Bell made a presentation to the Commission staff and the Attorney General detailing the effects of divestiture on Bell's actual post-divestiture separation factors. Following a review of the information presented at this conference and other evidence of record the Commission is of the opinion that the substantial increase in intrastate separation factors is the direct

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1 Notice of South Central Bell Telephone Company of an Adjustment in its Intrastate Rates and Charges, Order entered January 18, 1984.

result of divestiture and not due to a change in methodology or procedure by Bell and has thus accepted these factors for rate-making purposes. The Commission does however intend to closely review and monitor the separation process and procedures implemented by Bell in all future rate cases.

VALUATION METHODS

Net Investment

South Central Bell provided a Kentucky intrastate net investment rate base at August 31, 1984, of $957,199,000.[2] The Commission has accepted this rate base with several exceptions. Accumulated deferred income taxes of $150,034,000 and 3 percent unamortized investment tax credits of $583,000 have been deducted from Bell's rate base as both items represent income taxes which have previously been included in Bell's cost of service, but will not be paid to the taxing authorities until some future time. Depreciation reserve has been decreased by $166,000 to $259,824,000 to reflect the end-of-period depreciation expense proposed by Bell. Bell's proposed rate base has been increased by $574,000 to reflect the amortization of surplus accumulated deferred federal income taxes which resulted from the lowering of the maximum tax rate from 48 to 46 percent. Bell's inclusion of a cash requirement of $3,386,000 has been rejected and its rate base reduced by that amount since local service is billed in advance of service rendered and Bell has provided no substantive evidence to demonstrate its investment or capital needs for funds

2 Lathram Exhibit 1.

to support its daily operations. All of these adjustments are based on Commission actions that have been consistently applied to South Central Bell in past rate cases. In addition, the Commission has accepted Mr. Henkes' proposal to disallow property held for future use in the amount of $36,000, which results in an allowable level of $14,000.

The Commission has, therefore, determined South Central Bell's Kentucky intrastate net investment rate base at August 31, 1984, to be as follows:

Telephone Plant In Service	$1,177,113,000
Telephone Plant Under Construction	20,650,000
Property Held for Future Use	14,000
Materials and Supplies	14,402,000
Other Investments	1,588,000
Subtotal	$1,213,767,000
Less:	
Depreciation Reserve	$ 259,824,000
Accumulated Deferred Income Taxes	583,000
Unamortized Investment Credit - Pre-JDIC	149,460,000[3]
Subtotal	$ 409,867,000
Net Investment Rate Base	$ 803,900,000

Capital

At August 31, 1984, total company investor-supplied capital was $7,000,342,000, composed of $3,004,209,000 in debt and $3,996,133,000 in equity.[4] Capital allocated to Kentucky operations by South Central Bell was $800,928,000 based on its proposed methodology.[5] The Commission has determined that the

3 $150,034,000 - $574,000 = $149,460,000.

4 Response to the Request of the COL/JC of December 21, 1984, Item 56, line 5 plus line 12.

5 Prefiled Testimony of Mr. Lathram, page 14.

appropriate assignment of investor-supplied capital to South Central Bell's Kentucky intrastate operations is $730,136,000. This calculation is based on the Commission's methodology of developing a ratio of total company net investment rate base to Kentucky intrastate net investment rate base found reasonable herein. This ratio is 10.43 percent.[6] This assignment includes an average level of short term debt which the Commission finds more appropriate and more representative of ongoing capital requirements.

South Central Bell's Kentucky intrastate Job Development Investment Tax Credit ("JDIC") at August 31, 1984, was $61,761,000,[7] which has been added to Bell's capital in the same proportion as its investor-supplied capital as required by Section 46(f) of the Internal Revenue Code. The Commission has reduced this amount by $36,000 to eliminate the capital supporting property held for future use eliminated from Bell's intrastate net investment rate base. Therefore, the Commission has determined that the appropriate assignment of capital, including JDIC, to Bell's Kentucky intrastate operations is $791,861,000.

REVENUES AND EXPENSES

For the test period ending August 31, 1984, South Central Bell had Kentucky intrastate net operating income of

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6 Response to Staff Data Request of January 16, 1985, Item 39.

7 Prefiled Testimony of Mr. Lathram, page 14.

$81,790,000.[8] Bell proposed numerous end-of-period and pro forma adjustments to reduce its operating income level to $72,629,000.[9] The Commission has determined that the appropriate level of net operating income is $86,302,000. The Commission has considered the following issues in its analysis of Bell's proposed net operating income:

Local Service Recurring Revenue

Bell proposed an end-of-period level of recurring local service revenues of $227,093,000. This adjusted revenue level was developed by Bell by annualizing the average revenue per access line for the 8 months ending August 31, 1984, times the actual end-of-period August 1984 access lines. Bell utilized the average 8-month revenue per access line in an effort to eliminate the effects of pre-divestiture operations in its determination of ongoing local services revenues. The Commission is of the opinion that the use of an 8-month average revenue figure per access line in this instance does not fully represent Bell's current operating conditions. During cross-examination, even Mr. Lathram agreed that the average monthly local service revenue for August 1984 was greater than his proposed 8-month average.[10] Moreover, upon examination of the average recurring revenue per access line for the 8 months through August and the months subsequent to the test period, it was found that the average, even after

8 Lathram Exhibit 2.

9 Lathram Revised Exhibit 3.

10 Transcript of Evidence ("T.E."), Volume II, March 6, 1985, pages 46 and 47.

recognizing for rate adjustments, was increasing. Furthermore, the average of $22.95 per access line used by Bell does not represent ongoing end-of-period conditions. Therefore, the Commission has used the average revenue per access line experienced by Bell for August 1984 of $23.14.[11] Using the same methodology as Bell, the Commission has determined that normalized recurring local service revenue should be increased by $1,880,000 to $228,973,000. This adjustment increases Bell's adjusted net operating income by $950,000.

Non-Recurring Local Service Revenue

South Central Bell proposed an adjusted level of non-recurring local service revenues of $13,267,000. This adjusted level was calculated by annualizing the inward moves for the 8 months ending August 1984 and multiplying this level by the average revenue per inward move for the same period. The annualized inward moves were based on the ratio of the 8 months ending August inward moves to the total year's inward moves for 1980, 1981, 1982 and 1983. Mr. Lathram stated that he believed that this ratio indicated a reliable relationship for estimating annual activity. Mr. Lathram also stated that if a more reliable relationship could be shown to exist it should be utilized instead.[12] The Commission is of the opinion that in this

[11] August 1984 recurring revenue per Item 27 of the Staff Data Request of January 16, 1985, of $19,097,917, divided by the average access lines for August 1984 of 825,163 as found in the Request of the COL/JC of December 21, 1984, Item 1.

[12] T.E., Volume II, March 6, 1985, pages 52 and 53.

instance August represents a more reliable relationship to predict the annual activity for non-recurring local service revenue on a post-divestiture basis and that the average ratio of August to 12-month activity for 1980 to 1983 of 9.28 percent should be utilized in developing the normalized level of non-recurring local service revenue.[13] Therefore, the Commission has determined that adjusted non-recurring local service revenues should be increased by $605,000 to $13,872,000.[14] This increases Bell's adjusted net operating income by $306,000.

Intrastate Message Toll

South Central Bell proposed an adjusted level of intrastate message toll revenues of $55,508,000. This adjustment also utilized the ratio of 8 months' to 12 months' activity for the years 1980, 1981, 1982 and 1983 to develop the normalized level of annual messages. The Commission has determined that the ratio of August 1984 to the 12 months' activity is a more reliable relationship and should be utilized in developing the normalized level of annual intrastate messages.

Bell also used the average revenue per message for the 8 months ending August 31, 1984, in its calculations of normalized message toll revenues. This 8-month period was adopted in an effort by Bell to eliminate the effects of its pre-divestiture

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13 Bell's projection = $13,267,000, Commission's projection = $13,872,000, Actual 1984 results = $13,995,000, T.E., Volume II, March 6, 1985, page 53.

14 August 1984 inward moves of 18,498 ÷ .0928 X $69.59 = $13,872,000.

operations in its determination of average revenues per message. The Commission is of the opinion that while the use of this time period eliminates the effects of pre-divestiture operations, it also excludes potential seasonal fluctuations which could have significant impact on the determination of the average revenue per message. The Commission has determined that a full 12-month post-divestiture time period should be utilized in developing the average revenue per message to be utilized in determining the normalized revenues for this account. The use of a full 12-month post-divestiture time period for this calculation would alleviate Bell's concern for eliminating pre-divestiture influences from its operations and the Commission's concern for including all potential seasonal fluctuations in the determination of average revenues per message. Therefore, the Commission has utilized the average revenue per message of 68.58 cents experienced by Bell for the 12 months ending December 31, 1984,[15] the only 12-month post-divestiture time period for which this information is available to the Commission. The effect of these two adjustments increases intrastate message toll to $58,031,000,[16] an increase of $2,590,000. This adjustment increases Bell's net operating income by $1,274,000.

The Commission's adjustment is further supported by Bell's own recalculation of intrastate message toll at $57,778,000.[17]

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[15] Response to Hearing Requests, Lathram Item 3, sheet 2.

[16] August 1984 messages of 7,311,000 ÷ .0864 X 68.58¢ = $58,031,000.

[17] Response to Hearing Requests, Lathram Item 3, sheet 2.

Access Revenues

South Central Bell proposed a normalized end-of-period level for access revenues of $34,474,000. This level was further reduced by $4,127,000 to reflect the October 1984 access charge true-up. In Case No. 8838,[18] the Commission authorized Bell to file tariffs which would generate access revenues of $37,200,000.

Since the Order in Case No. 8838 will be issued in the near future, any adjustment in this Order would be duplicated shortly. Therefore, the Commission is of the opinion that this is the level of revenue to be generated by access charges that should be reflected in this proceeding. Therefore, the Commission has increased Bell's adjusted level of access revenues by $6,853,000 to $37,200,000. This increases Bell's adjusted net operating income by $3,479,000.

Directory Revenues

Following the divestiture of the Bell Operating Companies ("BOCs"), BellSouth, Inc., formed BellSouth Advertising and Publishing Corporation ("BAPCO"), a subsidiary to handle the directory function of its operations. At the time of divestiture South Central Bell transferred to BAPCO its investment and expenses associated with the directory function. Furthermore, Bell entered into a contract with BAPCO to furnish Kentucky directory functions which called for 46.68 percent of revenue to be returned to Kentucky operations. After allowing BAPCO to

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18 An Investigation of Toll and Access Charge Pricing and Toll Settlement Agreements for Telephone Utilities Pursuant to Changes to be Effective January 1, 1984.

recover its projected operating expenses under this contract and a return on Kentucky's investment in BAPCO, calculated as if the total investment consisted entirely of equity funds, Bell projected $12,935,000 on an annualized basis. In responses to requests from both the Attorney General and the City of Louisville and Jefferson County, Bell indicated that had BAPCO not been formed, it would have received $15,986,000 in revenues before including an allowance for uncollectibles, a return on Kentucky's investment and income taxes.[19]

It is clearly the intent of the Modified Final Judgment ("MFJ") that directory revenues should be retained by the BOCs and used to reduce the cost of local service. The Commission is of the opinion that an arrangement which results in a lower level of revenue being flowed to the local service ratepayer is inconsistent with that goal and should not be utilized in developing the normalized level of directory revenues to be realized by Bell. Therefore, the Commission has calculated these revenues as if BAPCO had not been formed. The Commission has utilized Bell's calculation of $15,986,000 and after making an allowance for the overall return allowed herein on its year-end investment of $7,989,000 has increased Bell's adjusted level of directory revenues by $1,193,000 to $14,128,000,[20] which the Commission is of the opinion is the level of directory revenues which should be

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19 Response to Hearing Request, Lathram Item 1, lines 27 and 22.

20 $15,986,000 - ($7,989,000 X 11.8 percent ÷ .5076) = $14,128,000.

reflected in Bell's adjusted test period operations. This increases Bell's adjusted net operating income by $606,000.

Employee Concession Service

In accordance with its findings in Bell's last four rate cases and other proceedings the Commission finds it appropriate to adjust Bell's operating revenues to include the effect of estimated additional revenues available to Bell in the absence of employee discounts on local and intrastate toll service of $1,314,000.[21]

South Central Bell has consistently maintained that these concessions amount to benefits to its employees that cannot be discontinued. However, nothing in the record of evidence has changed the Commission's opinion that these concessions should not be borne by the ratepayers. It is duly noted that effective January 1, 1985, concessions were reduced for many of Bell's employees which even further strengthens the Commission's opinion. The Commission has therefore increased Bell's adjusted net operating income by $667,000.

Carrier Access Billing Service ("CABS") Revenues

In normalizing its end-of-period revenues, South Central Bell failed to include the effect of annualized CABS revenues of $75,000 as confirmed by Mr. Lathram during cross-examination. The inclusion of annualized CABS revenues in Bell's adjusted operations increases adjusted net operating income by $38,000.[22]

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[21] Response to Staff Data Request of December 21, 1984, Item 12, sheet 2.

[22] Brief of the COL/JC, page 18.

Uncollectible Revenues

Bell proposed a normalized level for uncollectible revenue of $2,232,000. This level was determined by annualizing the last month of Bell's test period. In calculating its revenue requirement, Bell included an allowance for uncollectibles of .004864 in its retention ratio. The Commission has determined that the proper level of uncollectibles should be calculated by applying Bell's ratio for uncollectibles to the adjusted level of gross operating revenues determined herein. Therefore, the Commission has reduced Bell's proposed level of uncollectible revenue by $257,000 to $1,975,000.[23] This increases Bell's adjusted net operating income by $130,000.

Interest During Construction

At August 31, 1984, Bell had combined construction work in progress ("CWIP") of $17,775,000, on which interest during construction ("IDC") is applied. As the purpose of IDC is to match cost and benefit, it is unfair to require Bell's ratepayers to pay a current cash return on plant not used and useful. Therefore, the Commission has adjusted Bell's proposed intrastate IDC of $1,630,000 by $72,000 for total intrastate IDC of $1,702,000, which reflects the application of the overall cost of capital found fair, just and reasonable herein and the August 31, 1984, intrastate balance in long-term CWIP. This increases Bell's adjusted net operating income by $72,000.

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23 $406,027,000 X .004864 = $1,975,000.

Gain on Sale of Land to AT&T Information Systems ("ATTIS")

Mr. Henkes proposed to increase Bell's adjusted net operating income by $156,000 to reflect the gain on the sale of land to ATTIS and other properties. The purpose of a normalized test period is to develop the level of operations which can be reasonably expected to recur on an ongoing basis. The gain or loss on the sale of fixed assets by Bell should not be included in this normalized level of operations since Bell is not in the business of selling land, buildings or other assets which make up its plant in service. Although the Commission realizes that these transactions do occur they are neither known nor measurable on an ongoing basis. Therefore, the Commission has not included the proposed adjustment in its development of Bell's normalized operations.

Wage and Salary Expense

South Central Bell proposed an end-of-period wage and salary expense of $102,335,000, which it further proposed to adjust by $5,778,000[24] to $108,113,000 in order to reflect the wage changes that would take effect in October 1984 and April and August 1985. Bell's end-of-period expense of $102,335,000 was amended on February 19, 1985, from the originally projected level of $101,819,000, to include $516,000 for bonuses paid management employees in April 1984. Bonuses are a legitimate means of compensation; however, Bell did not support the adjustment with substantive evidence justifying the funding level proposed in

[24] Lathram Revised Exhibit 3, sheet 2, lines 4, 9 and 11, divided by .5076.

this proceeding. Mr. Lathram, when asked the criteria for awarding bonuses, stated they are given to a certain number of employees deemed to have made an outstanding contribution to the performance and operation of the company. He did not elaborate on how the determination was made nor was he able to quantify the number of management employees eligible.[25] Bell made no showing that test period performance or eligible management employee levels would be repeated on a recurring basis. Further, the Commission's ability to fully investigate this proposal was substantially impaired by the lateness of Bell's revision. The severity of these difficulties, whether taken individually or jointly, is sufficient to warrant the disallowance of management bonuses in this proceeding. Therefore, the Commission has reduced Bell's proposed end-of-period salaries and wages by $516,000.

The April and August 1985 wage adjustments proposed by Bell fall substantially outside the test period used in this proceeding. Moreover, these adjustments <u>do not</u> reflect the currently lower level of employees of Bell and thus <u>do not</u> reflect current operating conditions. At the time of the hearings in this proceeding Bell did not know what its exact level of employees would be in April or August 1985, which further made these adjustments unmeasurable. Therefore, the Commission is of the opinion that these wage adjustments fail to meet the known and measurable criteria required for inclusion for rate-making

[25] T.E. Volume II, March 6, 1985, pages 82-83.

purposes and has disallowed them. These adjustments result in a total decrease to Bell's proposed expense of $5,476,000 to $102,637,000. In addition payroll taxes relative to the bonuses in the amount of $35,000[26] have been disallowed. This increases Bell's adjusted net operating income by $2,797,000.

Pensions and Benefits

South Central Bell proposed an adjusted end-of-period level for pensions and benefits of $22,830,000, which it further revised to $23,086,000 to reflect January and October 1985 pension changes. The adjusted end-of-period level was developed by applying the historical ratio of pensions and benefits on a pre-divestiture basis to Bell's proposed end-of-period level of salaries and wages expense. Therefore, the Commission has reduced Bell's proposed end-of-period expense level by $131,000 to reflect the impact of bonuses disallowed in the prior section.

Mr. Henkes proposed an adjusted pensions and benefits level of $21,977,000, developed by annualizing August 1984 after adjusting for abnormalities. While the method utilized by Mr. Henkes to annualize this expense is the same as that used by Bell in developing its adjusted wage level, the Commission is of the opinion that a ratio of pensions and benefits to wages developed over a historical period should more closely provide a reasonable level of anticipated expense since the monthly level of pensions and benefits does not correlate directly with the level of salaries and wages and instead should be viewed on an annual basis.

[26] $516,000 X .0681 = $35,000.

Bell's pension plan adjustments for January and October 1985 were based on a price-out of Bell's employees as of the end of the test period. Neither of these adjustments reflected the lower levels of employees currently being experienced or anticipated by Bell, nor could Bell state with any certainty the future level of its employees. Thus, these adjustments do not meet the criteria for being known and measurable. Therefore, the Commission has reduced Bell's proposed expense level by an additional $256,000 for a total reduction of $387,000 to $22,699,000. This increases Bell's adjusted net operating income by $196,000.

Corporate and Community Affairs

In Case No. 8150[27] the Commission expressed its dissatisfaction with South Central Bell's responses to requests for information concerning the level of growth in the Corporate and Community Affairs Department. Many of the expenditures at that time were found highly questionable. In each of Bell's successive rate Orders, Corporate and Community Affairs expenses have been reviewed and subsequently disallowed in part because of further growth in this account and insufficient documentation supporting its level of expenditures. In this case, Mr. Dickson presented information showing the progression of this department from its inception in 1980 to date. The Commission notes that the department's expenditures have leveled during the past 2 years with little growth expected for 1985. Based on the

[27] Notice of South Central Bell Telephone Company of an Adjustment in its Intrastate Rates and Charges, Order entered August 11, 1981.

evidence in this proceeding the Commission finds that no adjustment is necessary at this time. However, the Commission will continue to closely monitor this department in the future to ensure that its activities are of benefit to the ratepayers and do not include amounts for institutional enhancement or local lobbying activities.

Institutional Advertising

Under the Commission's regulation (807 KAR 5:016), institutional advertising expenses or expenses for advertising made to strengthen corporate image are not valid expenses for the ratepayer to bear. Therefore, the Commission, consistent with its actions in previous rate proceedings, has disallowed the inclusion of $265,000 identified by Bell associated with institutional advertising in its test period operations. This increases Bell's adjusted net operating income by $135,000.

Lobbying Expenses

In prior cases, the Commission has stated its concerns regarding lobbying expenses. Lobbying expenses are primarily of benefit to the company's shareholders and of little or no benefit to a company's ratepayers. Furthermore, Bell did not present any evidence sufficiently demonstrating the benefits to the Kentucky ratepayers. Bell's normalized lobbying expense for the test period was $159,000. The Commission has therefore increased Bell's adjusted net operating income by $81,000.

Miscellaneous Income Charges

South Central Bell proposed to reduce its net operating income by approximately $113,000 to reflect miscellaneous income charges as an operating expense for rate-making purposes. The Commission in Case No. 8847 has previously excluded these expenses for rate-making purposes, which include items such as charitable contributions, membership fees and abandoned construction projects, as being of no benefit to the captive ratepayers of Bell. No evidence has been introduced in this proceeding to alter the Commission's findings on this issue. Therefore, the Commission has increased Bell's adjusted net operating income by $113,000.

Interest Synchronization

South Central Bell reported test period interest expense of $28,708,000. The Commission, based on the capital structure and cost of capital allowed herein, has determined interest expense for rate-making purposes to be $32,427,000. The Commission's calculation has the effect of assigning JDIC a proportionate share of interest expenses. This is in keeping with assigning JDIC the overall cost of capital which in essence treats JDIC as if it were composed of both debt and equity. Bell has objected to this assignment in previous proceedings as being inconsistent with Internal Revenue Code 46(f)(2) and applicable Internal Revenue Service ("IRS") Regulations. During cross-examination of Mr. Lathram, Bell introduced a Notice of Tax Deficiency which the IRS had issued against Union Electric Company of St. Louis as a result of an imputed interest deduction ordered by the Federal Energy Regulatory Commission. Although this Commission has taken notice of Bell's untimely reference to this finding against the Union Electric Company, the mere reference to the proposed IRS action against Union Electric Company does not constitute credible evidence to be considered in this proceeding. Furthermore, as litigation challenging the Commission's treatment of JDIC is still pending before the Kentucky Supreme Court, the Commission will continue to impute an interest expense associated with JDIC. Should the Supreme Court's final decision be adverse, the Commission will, upon receipt of an appropriate application by South Central Bell, order a rate adjustment to generate the required additional revenue denied herein.

This treatment of JDIC increases Bell's adjusted net operating income by $1,831,000.

Anti-Trust Settlement Expenses

During the test period South Central Bell incurred anti-trust settlement expenses of $1,238,000. Mr. Henkes in his pre-filed testimony stated that 7 of the 12 settlements involved were for customer premises equipment with payment schedules spanning 1 to 8 years with the average weighted payment period being approximately 6.4 years. Mr. Henkes further stated that due to the end-of-period normalization process utilized by Bell approximately $1,857,000 for this expense was included in Bell's normalized test period operating expense which should be amortized over a 6.4-year period. The effect of this adjustment is to increase Bell's adjusted operating income by $844,000.[28]

The Commission has reviewed these expenses and is of the opinion that current ratepayers should not be made to pay costs

[28] Brief of the COL/JC, page 17.

currently which Bell will not be required to pay until some future time. In addition, if the entire cost is allowed herein and the rates prescribed are in effect longer than 1 year, these costs will be overrecovered. Thus Mr. Henkes' adjustment has been accepted.

Divestiture Administrative Costs

During the test period Bell incurred expenses associated with the implementation of the MFJ of $251,000 which was increased on an end-of-period basis to $336,000. During 1985 Bell expects to incur divestiture administrative costs of $32,000 on an intrastate basis. In his prefiled testimony Mr. Henkes proposed to reduce this expense to the $32,000 level expected to be incurred by Bell. In addition, the Commission finds the test period level to be unrepresentative of the anticipated ongoing levels. Therefore, the Commission has decreased Bell's proposed divestiture administrative costs by $304,000 to $32,000. This increases Bell's adjusted net operating income by $154,000.[29]

Bell Communication Research, Inc. ("Bellcore")

The divestiture which followed the MFJ required that certain services provided by AT&T could no longer be provided on a national basis; however the regional operating companies, now Bell Operating Companies, in order to comply wth the directives of the MFJ to provide a single point of contact for national security, and to consolidate their common technical and non-technical needs, formed Bellcore.

[29] Ibid., page 18.

The technical services provided by Bellcore include: technology systems support, engineering and operations support, network planning, applied research, information systems development, training and technical resource management. The non-technical services include: industry relations, government affairs, market research and services, human resources, financial matters and support services.

The projects undertaken by Bellcore are selected by its Board of Directors. Once these projects have been determined they are categorized as either core or non-core. A core project is one on which five or more of the regional representatives determine that if the project is undertaken the benefits cannot practically be withheld from any of the regions. Non-core projects are those which are approved by at least four of the regional representatives. The costs of core projects are shared equally with all seven of the BOCs. Only participating BOCs share in the costs of non-core projects.

Regions participating in a particular project may withdraw from that project under varying conditions depending on whether the project is classified as major or minor. Participation in minor projects may be terminated on an annual basis. Major projects are entered into for a minimum of 3 years, though not necessarily at the same funding level. After the 3-year period a region may withdraw from the project without penalty. A major project can be dropped at the end of the current year; however, certain unavoidable project costs must still be borne by the region.

In Case No. 8847, Bell proposed to include $6.2 million of estimated costs associated with the then newly formed affiliate. Several intervenors objected to this inclusion. The Attorney General specifically noted the uncertainty of the information provided and that the affiliate had outgrown its original purpose of providing national security, pointing out that less than 1 percent of the estimated costs were related to national defense. The City of Louisville and Jefferson County argued that insufficient justification and cost break-downs were presented. The Commission staff's witness, Dr. Lee L. Selwyn, President of Economics and Technology, Inc., recommended that these expenses be completely disallowed until Bell made a complete accounting and allocation of those expenses between ratepayers and stockholders.

That Order listed several requirements which Bell would need to comply with in order to have these expenses accepted in future rate proceedings. These requirements included: a listing of each core and non-core project, its classification and sensitivity to present or projected competition, any project having benefits which directly or indirectly accrue to other affiliated subsidiaries, the cost incurred for each core and non-core project in which Bell participates, including a separate showing for return on investment, common overhead incorporated into the costs and the development of a system of accounts which will reasonably insure compliance with the above requirements.

The present case includes approximately $5.3 million of projected Bellcore costs for 1984 consisting of $1.2 million for core and $4.1 million for non-core projects. In an effort to comply with the directives of Case No. 8847 and to justify the inclusion of Bellcore expenses at their current level, Bell presented several witnesses. Mr. Pickens' prefiled testimony in particular dealt specifically with the requirements in Case No. 8847 regarding the necessary justification of affiliated expenses.

Bell's witnesses testified that the shared ownership of Bellcore tends to ensure the responsiveness of Bellcore to the needs of the BOCs and that the cost of each project contains no mark-up or profit inclusion except for a return on investment which is returned to the BOCs on a quarterly basis and included as revenue in their operations.

In reviewing this case, the Commission has determined that Bell substantially complied with the requirements of Case No. 8847 and will allow the inclusion of expenses associated with Bellcore. However, in its testimony on costs and benefits, Bell stated that 130 of the Bellcore projects in which South Central Bell participates were studied to determine the alternative costs and benefits associated with those projects. The projects studied represented over 75 percent of billed costs to Bell. In the study, subject matter experts were required to complete Project Analysis Summary forms which included the documentation of the need for the project, identification of operational benefits and quantification of these benefits when possible. The Commission notes that the only quantification provided was the result of an Alternate Cost Study performed to determine the cost to Bell if the project or function were performed within the Company. In future proceedings the Commission wants to see quantification of the actual impact these projects have on improving Bell's operating revenues or reducing its operating expenses as opposed to general statements on project summary reports. Further, the Commission is not satisfied with the quality of evidence presented to support the actual need of projects to the BOCs and the benefits accruing to the Kentucky ratepayers. This requirement could be met by supplying actual documentation relating to the justification of specific representative Bellcore projects, both core and non-core, undertaken by Bell.

Bellcore is currently using an accounting system specifically designed to meet its needs and which provides an auditable record of billable costs. This system utilizes both the FCC Mandated Uniform System of Accounts, the company's standard functional accounting plan and a specifically developed tracking system. This allows the costs associated with each project to be accounted for and tracked on a detailed basis. In 1985 all projects are to be charged to the appropriate department expense. The Commission is supportive of these new accounting procedures, which have the effect of assigning affiliated costs to the budgets of individual departments, giving them the incentive to challenge or find a more effective or less expensive means of obtaining these services. However, the Commission is concerned that the costs associated with Bell's affiliated companies may become unidentifiable in future proceedings. Therefore, the Commission puts Bell on notice that all expenses associated with

Bellcore, BellSouth Services and BellSouth Corporation must be separately identified and sufficient documentation provided to justify the levels so identified.

BellSouth Services

In order to meet the requirements of the MFJ certain ownership functions and other functions, such as procurement and market planning, are now being provided on a regional basis. BellSouth determined that these common regional needs could be best provided by corporate staff at the regional holding company level and thus formed BellSouth Services ("BSS"). The regional services provided by BSS include network planning, information systems, personnel, marketing and corporate support. BSS also acts as the point of contact for Bellcore with the BOCs and has been directed by South Central Bell and Southern Bell to manage the Bellcore activities including the annual work program.

In Case No. 8847 the Commission expressed its concerns that the services provided by BSS may be duplicative or unnecessary and thus not cost-effective to the ratepayers. Mr. Pickens, addressing these concerns in his prefiled testimony, stated that Bell controls the costs of BSS as well as Bellcore through its ownership interests in these entities, through contractual arrangements and requirements for cost/benefit analysis and through the tracking of the actual charges billed and services provided. Mr. Pickens cited the purchasing function as one example of these cost controls and cost savings.[30]

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[30] Prefiled Testimony of Mr. Pickens, page 39.

During the test period Bell incurred costs associated with BSS of less than $500,000, consisting primarily of Kentucky's share of wages for 80 BSS employees. During 1985 Kentucky's share is expected to be about $11 million from a work force of 3,400 employees. It should be noted that these employees represent reassignment from the operating companies and are not additional employees.

The Commission will allow the inclusion of BSS' costs in Bell's operating expenses; however the Commission is not fully convinced that at least some of the services provided by BSS are not duplicative of other services. It is also concerned that the establishment of yet another layer of management effectively removes control from Kentucky's management of the operations necessary for the provision of telecommunication services in Kentucky. For these reasons and due to the substantial increases expected in BSS' size and costs, the Commission will continue to monitor the operations of BSS in future proceedings before this Commission. Bell should be prepared to quantify not only the costs incurred due to BSS but also the actual cost benefits and savings directly related to BSS.

<u>BellSouth Corporation</u>

Since the regional operating companies no longer have common ownership and in many instances common goals, South Central Bell and Southern Bell elected to establish centralized functions at the holding company level. The services provided by BellSouth Corporation ("BSC") include corporate and strategic planning, financial services, legal, federal regulations, public relations, human relations and accounting.

In Case No. 8847 the Commission stated its concerns that in future proceedings Bell should be able to demonstrate that the services provided by BSC are not duplicative of those provided by Bellcore or BSS and that the services are cost effective. Mr. Pickens again provided testimony setting out the cost allocation procedures and cost containment measures utilized by Bell to ensure that these expenses are reasonable.

The Commission, while of the opinion that most of the services provided by BSC are more efficiently administered at a centralized location such as overall corporate planning and financial services, remains concerned with the additional layer of management and the possible duplication of some functions. However, Bell has substantially satisfied the primary concerns regarding its holding company and the inclusion of these expenses, estimated for 1984 to be $2.9 million, will be allowed. The Commission will continue to monitor these expenses and Bell should be prepared to provide the quantification of the costs involved and the cost saving accruing as a result of this relationship in future rate proceedings before the Commission.

Expiration of the ATTIS Contract

In its application, South Central Bell proposed an adjustment to its net operating income in the amount of $2,486,000 to reflect the expiration on July 14, 1985, of its contract with ATTIS for billing and collecting, only some 2 1/2 months beyond the date of this Order. In response to a request of the City of

Louisville and Jefferson County, Bell reduced its adjustment to $2,471,000 to reflect identifiable cost savings of $30,000. The Commission has reviewed Bell's adjustment and finds it to be reasonable.

In its brief, the City of Louisville and Jefferson County identified several issues which Mr. Henkes proposed in his testimony with respect to this adjustment. Mr. Henkes proposed the exclusion of revenues not identified in Bell's end-of-period revenue adjustment. Bell during cross-examination explained that the revenues were included in a subaccount of the amounts reflected in an end-of-period adjustment. These subaccounts are identified in Bell's response to Item 15 of the second request of the City of Louisville and Jefferson County. Furthermore, it is only reasonable that if the primary account had been included, then any and all subaccounts would have also been included. With regard to Mr. Henkes' remaining proposed adjustments on the expiration of the ATTIS contract, the Commission has reviewed these proposals in depth and finds no persuasive evidence to further change Bell's revised adjustment.

South Central Bell should make every effort to mitigate the effects of the expiration of the ATTIS contract and other similar occurrences from divestiture and changes in the marketplace. Bell should be prepared in its next rate proceeding to fully explain and justify its efforts to either sell, lease or use idled facilities, etc., to offset this change in operations (and others) in order to reduce the impact on the company and its ratepayers.

Depreciation Represcription

In Case No. 9056,[31] the Commission allowed Bell to increase its depreciation rates in accordance with a represcription agreement among the FCC, South Central Bell and this Commission. In this proceeding Bell has proposed an increase in gross operating revenue of $7,155,000 to recover the additional expenses associated with this represcription. In determining this revenue requirement Bell increased its depreciation expense, reduced income tax expense to recognize more rapid amortization of ITC and the effect on average net investment. The Commission is of the opinion that the revenue requirement should have been calculated in the same manner that would have occurred had these represcribed rates initially been included in its adjustment to operating expenses. This calculation would have resulted in the total yearly effect being applied to year-end net investment rather than the average. It has been the Commission's practice in the past to recognize the change in net investment, but no corollary change is made to capital. However, in this instance, the Commission will accept Bell's calculation modified to reflect the overall return found reasonable herein. Thus, the revenue effect of the depreciation represcription found reasonable herein is $7,181,000.

[31] Notice of South Central Bell Telephone Company of an Adjustment in its Intrastate Rates and Charges to Recover Additional Depreciation Expense.

RATE OF RETURN

Capital Structure

Bell's witness, Mr. Mohon, recommended using Bell's capital structure containing 57.5 percent common equity and 42.5 percent debt.[32] This capital structure is highly conservative compared to the capital structure approved for other utilities in this jurisdiction.[33] Mr. Mohon was of the opinion that such a conservative capital structure was necessary due to the heightened business risk faced by Bell.[34] Dr. Wilson recommended a hypothetical capital structure containing 45 percent equity and 55 percent debt.[35] He was of the opinion that the level of risk faced by Bell did not warrant a higher equity ratio.[36] Mr. Langsam recommended a hypothetical capital structure containing 50 percent equity and 50 percent debt.[37] He was of the opinion

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32 Prefiled Testimony of Mr. Mohon, page 31.

33 In Case No. 9061 (General Adjustment in Electric Rates of Kentucky Power Company, Order entered December 4, 1984) the Commission approved a capital structure containing 38.14 percent common equity. In Case No. 9011 (Notice of Continental Telephone Company of Kentucky of an Adjustment in its Rates, Order entered October 5, 1984) the Commission approved a capital structure containing 43.92 percent common equity. In Case No. 8924 (General Adjustment in Electric and Gas Rates of Louisville Gas and Electric Company, Order entered May 16, 1984) the Commission approved a capital structure containing 40.13 percent common equity. In Case No. 8859 (Adjustment of Rates of General Telephone Company of Kentucky, Order entered January 4, 1984) the Commission approved a capital structure containing 48.54 percent common equity.

34 Ibid.

35 Prefiled Testimony of Dr. Wilson, page 14.

36 Ibid., page 62.

37 Prefiled Testimony of Mr. Langsam, page 3.

that Bell's actual equity ratio was too high for tariffed services.[38] In his rebuttal testimony, Dr. Vander Weide argued against the use of a more highly leveraged capital structure because Bell's financial integrity would be damaged.[39] In Case No. 8847, the Commission approved a hypothetical capital structure containing 55 percent equity and 45 percent debt. This capital structure is still appropriate. Bell's capital structure does not adequately utilize leverage and so is more costly to the ratepayers. A more highly leveraged hypothetical capital structure will reduce the cost of capital but will not damage Bell's financial integrity. The hypothetical capital structure is used to determine rates and does not directly influence the overall risk of a firm nor its debt and equity costs. At the hearing, Dr. Vander Weide agreed that rating agencies (such as Standard and Poor's) calculate financial ratios and assign bond ratings based on actual capital ratios.[40] Mr. Larkin stated that Bell's actual capital structure would overcharge ratepayers and subsidize the other activities of BellSouth.[41] On the other hand, a highly leveraged capital structure might not reflect the reasonable costs of financing Bell. The Commission is of the opinion that a conservative hypothetical capital structure containing 55 percent equity and 45 percent debt is reasonable.

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38 Ibid., page 72.

39 Rebuttal Testimony of Dr. Vander Weide, page 5.

40 T.E., Volume VI, March 12, 1985, page 195.

41 Prefiled Testimony of Mr. Langsam, page 72.

capital structure will be taken into consideration when the appropriate rate of return on equity is determined.

Cost of Debt

Mr. Mohon proposed an overall cost of debt for Bell in the range of 9 to 9.1 percent.[42] Dr. Wilson recommended a 9 percent cost of debt and Mr. Langsam recommended a 9.02 percent cost of debt.[43] Bell's total debt includes approximately $250,000,000 of commercial paper. The embedded cost of long-term debt is 9.02 percent. The 12-month average 90-day commercial paper rate through February 1985 is 9.9 percent.[44] The Commission is of the opinion that an overall cost of debt of 9.1 percent is reasonable.

Return on Equity

Bell presented three cost of equity witnesses plus a rebuttal witness. Dr. Furst recommended a 16.9 percent return on common equity based on a discounted cash flow ("DCF") analysis and a risk premium analysis.[45] Mr. Luftig recommended a 16 percent return on equity based on a DCF analysis and a risk premium analysis.[46] Mr. Mohon recommended a 16 to 18 percent

[42] T.E., Volume IV, March 8, 1985, page 70.

[43] Prefiled Testimony of Dr. Wilson, page 62, and Prefiled Testimony of Mr. Langsam, page 17.

[44] Federal Reserve Statistical Release.

[45] Prefiled Testimony of Dr. Furst, page 21.

[46] T.E., Volume IV, March 8, 1985, page 13.

return on equity based on a comparable earnings study.[47] Dr. Vander Weide was of the opinion that a proper application of Dr. Wilson's and Mr. Langsam's methodologies would indicate a cost of common equity in the range of 16 to 17 percent for Bell.[48]

Dr. Furst performed a DCF analysis on a group of comparable risk electric companies, a group of comparable risk industrial firms and a group of comparable risk telephone companies. He also performed a DCF analysis for BellSouth. Comparable firms had to have a beta of less than 1, a Value Line safety rank of 1 (the highest rank), a Value Line financial strength rating of A+ or better, a Standard & Poor's ("S&P") stock rating of A- or better and the stock had to be listed on the New York Stock Exchange. The Commission has certain reservations regarding Dr. Furst's comparable companies. For instance, nine of his comparable risk electric companies are involved in nuclear projects.[49] Dr. Furst's comparable industrial firms may have similar risk rankings but a regulated utility tends to have more stable earnings. At the hearing, Dr. Furst agreed that stability of earnings tended to reduce risk.[50] The Commission is not convinced that electric utilities (particularly those involved with nuclear projects) or industrial firms are comparable to BellSouth or South Central Bell. On the other hand, the comparable telephone

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[47] Prefiled Testimony of Mr. Mohon, page 4.

[48] Prefiled Testimony of Dr. Vander Weide, page 3.

[49] T.E., Volume IV, March 8, 1985, page 64.

[50] Ibid., page 65.

utilities are reasonably similar to BellSouth and South Central Bell. However, market prices for these utilities have risen recently. In his updated exhibits, Dr. Furst calculated a 14.1 percent return on equity for the comparable telephone utilities and a 14 percent return for BellSouth using the DCF technique.[51] BellSouth's dividend yield has declined while its market to book ratio has been substantially above 1.[52] The Commission also has reservations regarding the risk premium analysis. The appropriate risk premium fluctuates over time and is extremely difficult to quantify. The Commission is of the opinion that Dr. Furst has overstated the investor-required return on equity for Bell.

Mr. Luftig performed a DCF analysis on BellSouth. His DCF analysis produced a 15.5 percent required return on equity. This figure was adjusted upward to 16 percent which would be sufficient to produce a market to book ratio of approximately 1.06. Mr. Luftig was of the opinion that a market to book ratio of 1.06 was required to protect against market pressure and issuance expenses.[53] In his testimony, Mr. Langsam stated that market pressure was a transitory phenomenon and is not part of the cost of capital for rate-making purposes.[54] Furthermore, BellSouth has been earning approximately 14 percent on equity and its

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[51] Updated Exhibits of Dr. Furst, F & A 2.13 and 2.14.

[52] T.E., Volume IV, March 8, 1985, page 39.

[53] Prefiled Testimony of Mr. Luftig, page 28.

[54] Prefiled Testimony of Mr. Langsam.

market to book ratio is currently in excess of 1.06.[55] Mr. Luftig also performed a DCF analysis for the other regional holding companies. At the hearing, he agreed that the current prices for the other regional holding companies were higher than the prices he used in his DCF analysis.[56] Using the higher current prices would reduce the dividend yields of the companies and result in a lower DCF determined cost of equity. Removing Mr. Luftig's adjustment for market pressure and issuance costs will also result in a lower indicated return on equity. The Commission has the same reservations regarding Mr. Luftig's risk premium analysis. The Commission is of the opinion that Mr. Luftig has overstated the required return on equity for Bell.

Mr. Mohon selected three groups of industrial firms for his comparable earnings study. One group was selected on the basis of having a AAA or AA S&P bond rating. The second group was selected on the basis of having a Value Line safety rank of 1 or 2 and a S&P stock rating of A or A-. The third group was selected on the basis of being institutional favorites. That is, these stocks are widely held by institutional investors. The Commission has certain reservations regarding Mr. Mohon's comparable companies. First, similar bond ratings do not necessarily indicate similar risk. Bond ratings indicate the firm's ability to meet its long-term obligations, not the variability of its returns. Firms with similar safety rankings are generally

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[55] T.E., Volume IV, March 8, 1985, pages 25 and 39.

[56] <u>Ibid</u>., page 38.

similar in overall risk. However, the Commission continues to believe that a regulated utility is generally less risky than an unregulated firm because utilities tend to have more stable earnings. Mr. Mohon's third group of companies is widely held by institutional investors. A diversified portfolio requires holding low- and high-risk stocks. At the hearing, Mr. Mohon agreed that these companies are not strictly comparable to BellSouth and South Central Bell.[57] The Commission is of the opinion that by using a diverse group of industrial firms as comparable companies, Mr. Mohon has overstated Bell's required return on equity.

Dr. Vander Weide criticized Dr. Wilson and Mr. Langsam in his rebuttal testimony. His major criticisms were that Dr. Wilson and Mr. Langsam used improper growth rates, failed to adjust for flotation costs, used improper dividend yields and used improper capital structures.[58] Dr. Vander Weide was of the opinion that growth rates estimated by securities analysts were best.[59] It is generally accepted that investment analysts attempt to identify stocks that are overvalued or undervalued and alert customers to these securities. Analysts earn their fees if they can help customers earn returns in excess of the required return or market expected return. Therefore, there may be a difference between the dividend growth rate investment analysts

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[57] T.E., Volume IV, March 8, 1985, page 121.

[58] Rebuttal Testimony of Dr. Vander Weide, page 5.

[59] _Ibid._, page 10.

expect and the dividend growth rate expected by investors. In other words, the rate of return a securities analyst expects a stock to earn may be greater than the investor-required return. The Commission also has reservations regarding Dr. Vander Weide's quarterly dividend model. Dr. Vander Weide was of the opinion that the dividend yield component, in the DCF analysis, should be adjusted upward to reflect the fact that dividends are paid quarterly. That adjustment would take into account the time value of money. However, if the Commission were to adopt the quarterly dividend model, investors would be doubly compensated: first due to the higher allowed return on equity and second due to the reinvestment of the quarterly dividends. At the hearing, Dr. Wilson also made this point.[60] The Commission is of the opinion that Dr. Vander Weide has overstated the required return for Bell.

Dr. Wilson recommended a 13.5 percent return on equity for South Central Bell (applied to a hypothetical capital structure containing 45 percent equity 55 percent debt) based on a DCF analysis of BellSouth and a comparable earnings study of a group of telephone utilities and a group of electric utilities.[61] He recommended a substantially lower cost of equity if a less leveraged capital structure were adopted. Dr. Wilson used a current dividend yield in his DCF analysis.[62] However, the

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60 Ibid., page 203.

61 Prefiled testimony of Dr. Wilson, page 14.

62 Ibid., page 19.

expected dividend yield is appropriate. Using a current dividend yield may understate the required return on equity. The Commission is also not convinced that electric utilities are comparable to BellSouth or South Central Bell. The Commission is of the opinion that Dr. Wilson may have understated the required return on equity for Bell.

Mr. Langsam recommended a return on equity in the range of 13.5 to 14.5 percent (applied to a hypothetical capital structure containing 50 percent equity and 50 percent debt) based on a DCF analysis, a comparable earnings study and a risk premium analysis.[63] He likewise recommended a substantially lower cost of equity if a less leveraged capital structure were used. He looked at five groups in his comparable earnings study: S&P's 400 industrials, the Value Line industrial composite, Forbes yearly survey, Moody's 24 utilities and S&P's telephone companies. The first three groups represent the economy as a whole and the last two groups represent the regulated sector of the economy. The Commission has reservations regarding Mr. Langsam's first four comparable groups. Diverse composites of unregulated firms may not be comparable to a telephone utility. Similarly, a composite of electric utilities may not be comparable to a telephone utility. Mr. Langsam also used a current dividend yield in his DCF analysis. As stated above, an expected dividend yield is appropriate. The Commission also has reservations regarding Mr. Langsam's risk premium analysis. Risk

63 Prefiled Testimony of Mr. Langsam, page 3.

premiums vary greatly with changing market conditions. Quantifying an appropriate risk premium to use in calculating a cost of equity is consequently difficult. At the hearing, Mr. Langsam agreed that the risk premium analysis has problems.[64] The Commission is of the opinion that the lower end of Mr. Langsam's recommended range of returns understates the required return on equity for Bell.

After considering all of the evidence, including current economic conditions, the Commission is of the opinion that a range of returns on equity of 13.5 to 14.5 percent is fair, just and reasonable when applied to the conservative capital structure approved herein. This range recognizes Bell's conservative capital structure and the level of risk of providing basic telephone service in Kentucky. A return on equity in this range would not only allow Bell to attract capital at reasonable costs to insure continued service and provide for necessary expansion to meet future requirements, but also would result in the lowest reasonable cost to the ratepayer. A return on equity of 14 percent will allow Bell to attain the above objectives and is the return authorized by the Commission.

Rate of Return Summary

Applying rates of 9.1 percent for debt and 14 percent for common equity to the capital structure approved herein produces an overall cost of capital of 11.8 percent. The additional revenue granted herein will provide a rate of return on net

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[64] T.E., Volume VI, March 12, 1985, page 147.

investment of 11.62 percent. The Commission finds this overall cost of capital to be fair, just and reasonable.

REVENUE REQUIREMENTS

Based on Bell's operations as adjusted herein the Commission has determined that Bell should be allowed to increase its rates and charges to produce an additional $21,313,000 on an annual basis calculated as follows:

Adjusted Net Operating Income	$86,302,000
Net Operating Income Found Reasonable	93,440,000
Deficiency	7,138,000
Deficiency Adjusted For Taxes	14,132,000
Depreciation Represcription Revenue	7,181,000
Total Revenue Increase Allowed	$21,313,000

COST OF SERVICE

In several recent cases involving South Central Bell the related issues of rate group consolidation, the residual pricing principle, and value of service and cost of service approaches to pricing local exchange access service have been before the Commission. No resolution of these issues has been achieved. In this Order the Commission will take action directed toward a resolution of these issues.

In Case No. 8467,[65] Bell filed an access line cost of service study to support a proposal to restructure its flat rate schedule through rate group consolidation. The Commission rejected the study based on methodological flaws and did not allow any rate group consolidation.[66]

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[65] Notice of South Central Bell Telephone Company of an Adjustment in its Intrastate Rates and Charges, Order entered October 13, 1982.

[66] Case No. 8467, Order entered October 13, 1982, pages 28-29.

Subsequently, in Case No. 8847, Bell again proposed to restructure its flat rate schedule through rate group consolidation, with no supporting cost of service information. The Commission allowed limited rate group consolidation on grounds other than cost of service.[67]

Now, in Case No. 9160, the Commission is again confronted with a proposal to restructure Bell's flat rate schedule through rate group consolidation, with no supporting cost of service information. The Commission will not consider any further rate group consolidation in the absence of acceptable cost of service information.

Historically, local exchange access cost of service information has not been available. In the absence of local exchange access cost of service information, the additional revenue requirement allocated to local exchange access service has been determined on a residual basis and rates have been designed based on value of service relationships embedded in the flat rate schedule. In the past environment of monopoly carriers and relatively low cost telecommunications service, residual value of service pricing of local exchange access may have been reasonable. In the present environment of competition among carriers in the interLATA and interstate markets, potential bypass of the local exchange network by interexchange carriers, cable operators, and private telecommunications systems, and relatively high cost telecommunications service, residual value of service

[67] Case No. 8847, Order entered January 18, 1984, pages 70-75.

pricing of local exchange access service may not be reasonable. In any event, no information has been presented in this case to enable the Commission to abandon residual value of service pricing in favor of fully distributed, marginal, or some other form of cost of service pricing.

The briefs of the City of Louisville and Jefferson County[68] and the Kentucky Hospital Association[69] question the validity of the Commission's adherence to the residual pricing principle and value of service relationships. Despite the objections of COL/JC and KHA, as well as statements made by Bell's witnesses Mr. Dickson and Ms. Mezzell to the effect that value of service pricing should be abandoned in favor of cost of service pricing, neither COL/JC, KHA nor Bell offered any cost of service information that the Commission could substitute for value of service to design local exchange access rates.

In large part, the COL/JC bases its position on the unsubstantiated proposition that cost of service is less in an urban exchange than in a rural exchange. This proposition as well as its alternative remains to be tested. Typically, proponents of the COL/JC's position focus on non-traffic-sensitive local loop costs and ignore traffic-sensitive costs. Logically, it could be expected that non-traffic sensitive local loop costs in an urban environment might be less than in a rural environment. At the same time, it could be expected that traffic sensitive costs

[68] Brief of COL/JC, pages 2-13.

[69] Brief of the Kentucky Hospital Association, page 2.

might be greater in an urban environment than in a rural environment. Although these are not the only salient variables, the relative magnitude of non-traffic-sensitive and traffic-sensitive investment in urban and rural exchanges is unknown, as are the implications of such investments for the pricing of local exchange access service.

The Commission is of the opinion that the issue of local exchange access cost of service requires thorough examination. Therefore, the Commission will take action in the near future directing Bell to file local exchange access cost of service study proposals. These proposals will be evaluated by the Commission and any cost of service study(s) that may result from the proposals will be monitored by the Commission. The Commission anticipates that issues relevant to local exchange access pricing will be addressed in proceedings at that time. Also, the Commission anticipates that information obtained from any cost of service study(s) along with the following considerations should enable it to better evaluate existing and alternative local exchange access rate designs. For example, although cost of service may be used as a guide to rate design, it may not be appropriate to charge a customer who through the historical accident of local exchange and extended area service boundaries can call 500 other customers without incurring a toll charge the same local exchange access rate as another customer who can call 100,000 other customers without incurring a toll charge. Also, as well as local exchange access rates, customers in small exchanges tend to incur more non-optional zone charges than customers in large exchanges, as an added cost of local exchange access. Furthermore, customers in small local calling areas tend to incur more toll charges than customers in large local calling areas. These factors, local exchange access rates, zone charges, and toll charges, may result in higher average billing to customers in small exchanges with limited local calling areas as compared to customers in large exchanges with expanded local calling areas. These factors were suggested by various testimony and exhibits in this case. In addition to these value of service considerations, the Commission will also consider demographic factors such as income and local exchange access penetration ratios.

RATE DESIGN

South Central Bell proposed additional revenue from its rates and charges as follows, net of repression and other price-out adjustments:

Local Exchange Access Service	$ 57,122,189
Other Local Exchange Service	6,526,203
Service Charges	10,050,808
Directory Listings	492,728
Coin Telephone Service	3,435
Telephone Answering Service	(12,778)
Foreign Exchange Service	433,402
LATA Calling Plans	(36,500)
Miscellaneous Service	734,959
Auxilliary Equipment	4,487
Long Distance Service	(304,112)
Obsolete GSST Service	(81,600)
Private Line Service	947,424
Private Line Equipment	33,420
Obsolete Private Line	18
Dataphone Digital Service	80,747
Total	$ 75,994,830

In addition to adjustments in its rates and charges, Bell proposed to restructure the flat rate local exchange access schedule, change the relationship between local exchange access rates and grouping charges, restructure direct inward dialing rates, and introduce new rates, rules, and regulations in the areas of local exchange service, service charges, and intraLATA long distance.

Local Exchange Access Service

Bell proposed to allocate approximately 75 percent of its proposed additional revenue requirement to local exchange access service. Approval of Bell's proposal would have caused an average increase in local exchange access rates of approximately 31 percent.

The Commission has determined elsewhere in this Order that an additional revenue requirement less than that proposed by Bell is reasonable. Accordingly, consistent with the principle of residual pricing, the allocation of the additional revenue requirement found reasonable in this Order to local exchange access service is approximately 21 percent, which results in an average increase in local exchange access rates of approximately 2 percent.

Bell's proposed adjustment to local exchange access rates included a net repression and cost savings adjustment of ($2,050,949).[70] The Commission has determined elsewhere in this Order that such adjustments are not known and measurable and should not be approved. Therefore, this adjustment has not been recognized in the design of local exchange access service rates.

70 Response to Staff Data Request, of February 22, 1985, Item 1. Sheet 1 of 1.

In addition to adjustments in local exchange access service rates and charges, Bell proposed to consolidate its flat rate schedule from five rate groups to three rate groups.

As discussed above, Bell proposed to reduce rate groups in its prior two rate cases. In Case No. 8847 Bell proposed to eliminate all rate groups in favor of a uniform statewide flat rate. The Commission rejected Bell's proposal, but allowed limited rate group consolidation, based on considerations other than cost of service. The Commission's action eliminated 7 vacant rate groups and consolidated 10 active rate groups, resulting in the present 5 rate groups.

The Commission's Order in Case No. 8847 gave extensive discussion to the matters of rate group consolidation, the residual pricing of local exchange access service, value of service, and cost of service. Although the Commission allowed limited rate group consolidation, it also expressed concern about the lack of acceptable cost of service information and concluded that it should not abandon either the residual pricing principle or value of service relationships in the absence of acceptable cost of service information. In this case, no new credible evidence has been filed and the Commission is not inclined to consider any further rate group consolidation until such time as acceptable cost of service information is available.

In addition to rate group consolidation, Bell proposed to adjust the ratio of business to residence local exchange access rates, which reflect value of service relationships embedded in the flat rate schedule. At the present time, the ratio ranges from 2.66 to 2.88, with a mean ratio of 2.77. Bell proposed a range of 2.34 to 2.66, with a mean ratio of 2.50. Rates approved in this Order yield a range of 2.51 to 2.88, with a mean ratio of 2.69.

The matter of the business to residence ratio is more a semantic than a substantial issue in this case. In the past, both Bell and the Commission have attempted to design local exchange access rates that result in a mean ratio of 2.50. However, from rate case to rate case, both the range and mean ratio will vary to some extent as the result of practical rate design considerations: for example, a consideration as simple as the rounding of numbers or the need for a given subset of rates to be the same.

In some rate cases, it is possible to hone local exchange access rates to achieve the target mean ratio of 2.50, depending on variables such as the amount of additional revenue requirement allocated to local exchange access rates. In this case, as an outcome of the rate design method used, the mean ratio will change from 2.77 to 2.69. Further action to reduce the mean ratio from 2.69 to 2.50 would result in actually reducing local exchange access rates to some business customers.

Bell also proposed to restructure grouping rates. At the present time, grouping rates are related to local exchange access rates. Bell proposed to eliminate the relationship to local exchange access rates and establish a two-tiered grouping rate structure. As in Case No. 8847, the Commission will not approve Bell's proposal on grouping rates.[71]

Other Local Exchange Service

In other local exchange service areas, Bell proposed to increase zone charges, restructure local directory assistance, restructure local operator assistance, and restructure operator verification and interruption charges.

Bell proposed an across-the-board 15 percent adjustment to zone charges. The Commission will approve the adjustment to zone charges as proposed, in view of the fact that zone charges have not been increased since Case No. 8467.[72]

Zone charges have been and continue to be a matter of concern to the Commission. The effect of zone charges is to increase the price of local exchange access to customers who live outside the base rate area, based on the assumption that local exchange cost of service is greater outside the base rate area than in the base rate area. The Commission expects that cost of service outside the base rate area will be addressed in the local exchange cost of service study proposals discussed elsewhere in this Order.

Bell also proposed to reduce the local directory assistance call allowance from five to zero, eliminate all local directory assistance call exemptions except residence handicapped, and add customer name and address service.

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71 Case No. 8847, Order entered February 18, 1984, pages 70-75.

72 Case No. 8467, Order entered October 13, 1982, page 32.

The Commission recognizes that local directory assistance represents a significant expense category and that local directory assistance charges generate little per call contribution and no overall contribution, due to the revenue impact of call allowances and exemptions. At the present time, approximately 33 percent of local directory assistance calls are billable.[73] The balance is not billable.

In this Order, the Commission will allow local directory assistance exemptions to be discontinued, except in the case of residence handicapped. Also, the Commission will allow a reduction in local directory assistance call allowances from five to three. These actions indicate the Commission's intent to gradually eliminate local directory assistance call allowances, absent any evidence that call allowances should not be eliminated, and result in billable local directory assistance calls increasing from approximately 33 percent to approximately 47 percent of all local directory assistance calls.[74] Also, the Commission will approve the addition of customer name and address service to local directory assistance, but advises Bell that customer name and address calls should not be allowed any call allowances.

Bell's proposed restructuring of local directory assistance included a net stimulation, repression, cost savings, and

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[73] Response to Staff Data Request of December 21, 1984, Item 6, Attachment 1, Sheet 1 of 9

[74] Ibid.

additional expenses adjustment of ($477,792).[75] The Commission has determined elsewhere in this Order that such adjustments are not known and measurable and should not be approved. Therefore, this adjustment has not been recognized in the analysis of local directory assistance revenues.

Bell proposed to restructure local operator assistance charges through a disaggregation of charges. The Commission has consistently favored disaggregation of rates and charges where reasonable distinctions can be made. In this instance, reasonable distinctions can be made and Bell's proposed disaggregation of local operator assistance rates should be approved.

Bell's proposed restructuring of local operator assistance charges included a net stimulation, repression, and cost savings adjustment of ($30,854).[76] The Commission has determined elsewhere in this Order that such adjustments are not known and measurable and should not be approved. Therefore, this adjustment has not been recognized in the analysis of local operator assistance revenues.

Also, Bell proposed to restructure operator verification and interruption service through the elimination of exemptions, except in the case of emergency requests. As in the case of local directory assistance, the elimination of operator verification and interruption allowances is reasonable and Bell's proposal should be approved.

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75 Response to Staff Data Request of February 22, 1985, Item 1, Sheet 1 of 1.

76 <u>Ibid</u>.

Bell's proposed restructuring of operator verification and interruption service included a net repression and cost savings adjustment of ($2,686).[77] The Commission has determined elsewhere in this Order that such adjustments are not known and measurable and should not be approved. Therefore, this adjustment has not been recognized in the analysis of operator verification and interruption service revenues.

Service Charges

In the area of service charges, Bell proposed to restructure the application of maintenance charges to non-premises-located communications systems, introduce maintenance charges applicable to intrasystem wire associated with premises-located communications systems, disaggregate service charges applicable to drop and/or protector rearrangements, introduce a maintenance of customer premises inside wire and trouble isolation plan, introduce a service charge for special number acquisitions, and introduce a service charge for expedited service requests.

Bell proposed to change the application of maintenance charges to non-premises-located communications systems--i.e., Centrex-CO and ESSX-1--from complex time and materials charges to simple time and materials charges. Also, Bell proposed to introduce complex time and materials charges applicable to the maintenance and rearrangement of intrasystem wire associated with premises-located communications systems. In each instance, non-premises-located or premises-located communications systems, it

[77] Ibid.

appears that the type of maintenance activity involved is essentially the same and the Commission sees no reason to approve different charges. Therefore, the Commission will not approve Bell's proposal to change maintenance charges applicable to non-premises-located communications systems from complex time and materials charges to simple time and materials charges. At the same time, the Commission recognizes a need to introduce charges applicable to the maintenance of premises-located communications systems and will approve the application of complex time and materials charges.[78]

In addition, Bell proposed to disaggregate service charges applicable to drop and/or protector rearrangements. At the present time, ordinary service charges apply, including central office line connection, service ordering, or premises work charges. In lieu of these charges, Bell's proposal would apply simple time and materials charges. As in the case of local directory assistance charges, the disaggregation of service charges applicable to drop and/or protector rearrangements is reasonable and should be approved.

Bell's proposed disaggregation of drop and/or protector rearrangement charges included a miscellaneous expense adjustment of ($4,000).[79] The Commission has determined elsewhere in this Order that such adjustments are not known and measurable and should not be approved. Therefore, this adjustment has not been

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[78] Brief of Bell, page 55.

[79] Kentucky Priceout, Section A4, Drop/Protector Rearrangements Revenue Effect, filed November 9, 1981.

recognized in the analysis of drop and/or protector rearrangement revenues.

Also, Bell proposed to introduce a maintenance of customer premises inside wire and trouble isolation plan. The plan would give customers the option of obtaining maintenance service from Bell at a recurring monthly rate of $1.20, or obtaining maintenance service from Bell or some other vendor on a fee for service basis.

The Commission will approve Bell's proposed maintenance of customer premises inside wire and trouble isolation plan subject to certain conditions. First, prior to initial billing, Bell shall provide its customers a bill insert stating the terms and conditions of the plan and fully explaining customer options, including the option to discontinue participation in the plan at any time. Second, upon initial billing Bell shall itemize the charge separate from local service and all other service billing. These conditions will not affect Bell's plan to implement the charge, unless it is notified by a customer to not initiate or later to discontinue the charge.[80]

The AG witness, Mr. Buckalew, contended that Bell's proposed maintenance of customer premises inside wire and trouble isolation plan was inappropriate because "customers are already paying for this service in their local rates."[81] Insofar as no maintenance of customer premises inside wire and trouble

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[80] Brief of Bell, pages 54-55.

[81] Brief of the Attorney General, pages 19-20.

isolation plan charges have existed in the past, Mr. Buckalew is correct. In the past expenses associated with maintenance of customer premises inside wire have been recovered either through contribution or residually from local exchange access rates. Assuming Mr. Buckalew's position to be correct (expenses associated with maintenance of customer premises inside wire have been recovered through local exchange access rates), nonetheless some customers may obtain maintenance service from Bell while other customers do not. In an environment where customers have the option of obtaining maintenance service from Bell or some other vendor, allocating expenses associated with maintenance of customer premises inside wire to local exchange access rates may be unreasonable and create an artificially high price for local exchange access for customers who do not obtain maintenance service from Bell. Approval of Bell's maintenance of customer premises inside wire and trouble isolation plan will allow customers an economic choice that is not now available, as well as more control over their local exchange access bills than they now have.

Bell's proposed maintenance of customer premises inside wire and trouble isolation plan included a net additional expenses, miscellaneous expenses, and cost savings adjustment of $231,503.[82] The Commission has determined elsewhere in this

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82 Kentucky Priceout, Section A4, Kentucky TIP Cost Increase Operations Kentucky TIP Total Cost Increases, Kentucky MCP Maintenance Cost Savings Kentucky Complex Services Inside Wire Estimate of Maintenance Cost Savings.

Order that such adjustments are not known and measurable and should not be approved. Therefore, this adjustment has not been recognized in the analysis of maintenance of customer premises inside wire and trouble isolation plan revenues.

Also, Bell's proposed maintenance of customer premises inside wire and trouble isolation plan included an adjustment in the amount of ($232,413)[83] to recognize decreased miscellaneous service charges revenues. Unlike other adjustments, this adjustment is known and measurable and is reflected in the analysis of maintenance of customer premises inside wire and trouble isolation plan revenues.

In addition to the items already discussed, Bell proposed to introduce a service charge that would apply to special number acquisitions. At the present time, no charge applies to special number acquisitions, even though an expense is incurred in the search for special numbers. Since an expense is incurred, it is reasonable that a charge should apply. However, the Commission disagrees with Bell's proposed special number acquisition tariff, in that a charge would apply only in cases where a special number is provided, leaving a number of cases where the search expense would be uncompensated. Therefore, the Commission has redesigned the tariff to set charges both for special number search and special number assignment.

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83 Kentucky Priceout Section A4. Kentucky TIP Total Cost Increase, filed November 9, 1984.

Bell's proposed special number acquisition plan included a net repression, miscellaneous expense and cost savings adjustment of ($23,827).[84] The Commission has determined elsewhere in this Order that such adjustments are not known and measurable and should not be approved. Therefore, this adjustment has not been recognized in the analysis of special number acquisition revenues.

Also, Bell proposed to introduce a service charge that would apply to expedited service requests. At the present time, no charge applies to expedited service requests, even though an expense is incurred in providing expedited service. Since an expense is incurred, it is reasonable that a charge should apply and the Commission will approve the proposed tariff, except as modified to clarify normal service intervals.

Bell's proposed expedited service plan included a net repression, cost savings, and miscellaneous expenses adjustment of ($118,137).[85] The Commission has determined elsewhere in this Order that such adjustments are not known and measurable and should not be approved. Therefore, this adjustment has not been recognized in the analysis of expedited service request revenues.

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[84] Response to Staff Data Request of February 22, 1985, Item 1, Sheet 1 of 1; and Kentucky Priceout, Section A4, Kentucky Special Number Acquisition Charge Economic Analysis, page 2 of 2, filed November 9, 1984.

[85] Response to Staff Data Request of February 22, 1985, Item 1, Sheet 1 of 1; and Kentucky Priceout, Section A4, Kentucky Expedited Service Charge Economic Analysis, page 3 of 3, filed November 9, 1984.

Directory Listings and Coin Telephone Service

Bell proposed a 15 percent across-the-board adjustment to directory listings and various items of coin telephone equipment. These adjustments are reasonable and should be approved.

Telephone Answering Service

Bell proposed a 15 percent across-the-board adjustment to various telephone answering service facilities and elimination of patron secretarial line service. These adjustments and the elimination of patron secretarial line service are reasonable and should be approved.

Foreign Exchange Service

Bell proposed a 15 percent across-the-board adjustment to foreign exchange service mileage charges. These adjustments are reasonable and should be approved.

LATA Calling Plans

Bell proposed to introduce CallSaver service. As proposed, CallSaver is an optional calling plan that would offer reduced WATS-like toll rates on a LATA-wide basis to business customers. The plan would not be available to residential customers.

In Orders in Administrative Case No. 273,[86] the Commission has recognized that toll rates may have to be reduced as resellers gain market share in the intraLATA market and the possible need for optional toll calling plans in the event that competition is introduced in the intraLATA market. However, at

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86 An Inquiry into Inter- and IntraLATA Intrastate Competition in Toll and Related Services Markets in Kentucky.

this time, the Commission has not been presented with any evidence to indicate that resellers have captured a significant share of the intraLATA market. Neither has the Commission allowed competition in the intraLATA market. Therefore, the Commission is of the opinion that Bell's proposed CallSaver plan is premature and should not be approved.

In addition, Bell did not provide any cost of service information to support its proposed CallSaver pricing. In the absence of such information, no determination can be made as to the reasonableness of Bell's proposed CallSaver pricing.

Furthermore, although Bell provided information concerning the impact of the CallSaver plan on its revenues, it failed to provide information concerning the impact of the CallSaver plan on the intraLATA pool created by the Commission in Case No. 8838 even though the Commission has made such information a requirement of any toll plan filings made by Bell.

Miscellaneous Service

Bell proposed a 15 percent across-the-board adjustment to various items of miscellaneous service. These adjustments are reasonable and should be approved.

In addition, Bell proposed to eliminate the touch-tone installation charge and to restructure direct-inward-dialing rates. Both the elimination of the touch-tone installation charge and restructuring of direct-inward-dialing rates are reasonable and should be approved.

Auxiliary Equipment

Bell proposed a 15 percent across-the-board adjustment to various items of auxiliary equipment. These adjustments are reasonable and should be approved.

Long Distance Service

Bell proposed to restructure toll operator assistance through a disaggregation of charges and to adjust enterprise service rates. As previously indicated, the Commission has consistently favored disaggregation of rates and charges where reasonable distinctions can be made. In the case of toll operator assistance, reasonable distinctions can be made and Bell's proposed disaggregation of toll operator assistance charges should be approved. In addition, Bell's proposed adjustments to enterprise service are reasonable and should be approved.

Bell's proposal to restructure toll operator assistance included an adjustment for stimulation of $274,000.[87] The Commission has determined elsewhere in this Order that such adjustments are not known and measureable and should not be approved. Therefore, this adjustment has not been recognized in the analysis of toll operator assistance revenues.

In addition, Bell's proposal to restructure toll operator assistance included an adjustment of ($705,000)[88] to reflect reduced revenue from automated calling card service and an

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87 Kentucky Priceout, Section A18, Kentucky MTS Revenue Proposal, filed November 9, 1984.

88 Ibid.

adjustment of $125,000[89] to reflect reduced independent company settlements. Unlike other adjustments, these adjustments are known and measurable and are reflected in the analysis of toll operator assistance revenues.

Mr. Buckalew recommended an allocation of some portion of any additional revenue requirement authorized in this case to intraLATA toll and interLATA access charges.[90] In this case the Commission will not authorize increased rates in either area.

First, in the case of intraLATA toll rates, the AG should be aware of the Commission's Orders in Case No. 8838 establishing an intraLATA pool compensation plan funded through toll revenues. Also, the AG should be aware that a uniform toll rate schedule applies to all Kentucky intraLATA market areas. Thus, an adjustment in toll rates in this case would affect not only customers of South Central Bell, but also customers of all other local exchange carriers operating in Kentucky. This would result in a situation where all local exchange carrier customers would contribute additional toll revenue to the intraLATA pool for the sole benefit of South Central Bell, since no other local exchange carrier's revenue requirement would change as a result of this case and no other local exchange carrier would be entitled to additional revenue from the intraLATA pool. Such an outcome is unfair, unjust and unreasonable and should not be approved.

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89 Ibid.

90 Brief of the Attorney General, pages 20-23.

Second, in the case of interLATA access charges, as the AG should be aware, the Commission is still in the process of finalizing the implementation of access services and Universal Local Access Service tariffs in Kentucky. In the opinion of the Commission, approving an adjustment in Bell's access services rates in this case would exacerbate the problems related to the implementation of these tariffs and should not be allowed at this time; however, the Commission will put the AG and Bell on notice that it expects access service tariffs to be compensatory based on cost of service information ordered in Case No. 8838 and which should be available in the near future.

Obsolete GSST Service

Bell proposed a 15 percent across-the-board adjustment to various obsolete General Subscriber Services Tariff items. These adjustments are reasonable and should be approved.

In addition, Bell proposed to eliminate tie line additive charges. This action is not reasonable and should not be approved.

In Case No. 8847, Bell proposed elimination of charges applicable to intrasystem wire on the grounds that it no longer provided customer premises equipment.[91] Bell's argument for elimination of tie line additives is the same. The Commission sees no distinction between the situation in Case No. 8847 and this case, and will require the same treatment of tie line additives as it required of intrasystem wire charges.

[91] Case No. 8847, Order entered February 18, 1984, pages 78-79.

Private Line Service, Private Line Equipment, Obsolete Private Line, and Dataphone Digital Service

Bell proposed a 15 percent across-the-board adjustment to private line services and dataphone digital service. These adjustments are reasonable and should be approved.

In Case No. 7314,[92] Bell proposed to restructure its Private Line Services Tariff and reprice private line services based on current cost methodology. The Commission did not authorize either the restructuring of the Private Line Services Tariff or the repricing of private line services in that case, but ordered Bell to file another case based on embedded cost methodology. In Case No 7774,[93] Bell proposed to restructure its Private Line Services Tariff and reprice private line services based on embedded cost methodology. In that case the Commission authorized both the restructuring of the Private Line Services Tariff and the repricing of private line services based on embedded cost methodology.

Subsequent to Case No. 7774, the Commission allowed several adjustments to private line services. In Case No. 8150, the Commission allowed a 15 percent across-the-board adjustment. In Case No. 8467 the Commission allowed a 10 percent across-the-

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92 Notice of South Central Bell Telephone Company of an Adjustment in its Intrastate Rates and Charges for Private Line Channel Services, Order entered February 19, 1980.

93 Notice of South Central Bell Telephone Company of an Adjustment in its Intrastate Rates and Charges, Order entered September 2, 1980.

board adjustment. In Case No. 8847, the Commission allowed a 25 percent across-the-board adjustment.

Despite the repricing of private line services allowed in Case No. 7774, and the adjustments allowed in Case Nos. 8150 and 8467, the 1982 Embedded Direct Analysis ("EDA") filed in Case No. 8847 showed a private line services revenue deficiency of $11,830,000.[94] The adjustment allowed in Case No. 8847 reduced that deficiency by $4,094.000.[95]

The 1982 EDA on which the Commission based its last adjustment to private line services in Case No. 8847 reflected pre-divestiture results. This EDA is not representative of the post-divestiture environment, but post-divestiture EDA information is not yet available. In this case Bell did file a special study for the period January through June 1984.[96] This study shows a private line service revenue deficiency of $3,780,000. The Commission's action in this case will reduce this deficiency in the amount of $980,862.

The special study filed in this case and the Commission's actions concerning private line services in recent cases suggests that the revenue deficiency associated with private line services has substantially diminished. The Commission will continue to reduce the revenue deficiency associated with private line

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94 Case No. 8847, Order entered January 18, 1984, p. 81.

95 Ibid., p 84.

96 Second Data Request of the Attorney General, Item 23, page 7 of 7.

services on a case-by-case basis in the future. In this case, since the special study filed by Bell is of a preliminary nature the Commission will not approve rates greater than those proposed by Bell.

Authorized Rates

The rates in Appendix A are designed to yield the additional revenue requirement found reasonable in this Order as follows:

Local Exchange Access Service	$ 4,372,199
Other Local Exchange Service	4,845,887
Service Charges	9,936,602
Directory Listings	492,728
Coin Telephone Service	3,435
Telephone Answering Service	(12,778)
Foreign Exchange Service	433,442
LATA Calling Plans	0
Miscellaneous Service	734,959
Auxilliary Equipment	4,487
Long Distance Service	(578,112)
Obsolete GSST Service	18,542
Private Line Service	947,424
Private Line Equipment	33,420
Obsolete Private Line	18
Dataphone Digital Service	80,747
Total	$ 21,313,000

REPRESSION

In this proceeding South Central Bell proposed to include test year revenue adjustments which resulted from access line repression and toll stimulation. Mr. Laurent presented testimony and was cross-examined on the econometric demand models used in providing the price elasticity estimates. The repression adjustments are based on Bell's estimation of business and residential access demand elasticities and are intended to adjust for customer response to rate increases for basic exchange. The stimulation adjustments are based on Bell's estimation of business and residential Message Telecommunications Services ("MTS") and demand elasticities and are intended to adjust for customer responses to decreases in MTS rates.

In presenting the econometric demand studies in this proceeding South Central Bell contends that it has addressed the objections raised by the Commission's Order in Case No. 8847 to its repression models. Mr. Laurent testified, "these models are free of the statistical problems that might render them unusual or unstable" and "[m]y work quantifies known and measurable influences of prices on the demand for our services."[97] Mr. Laurent goes on to contend that if the Commission does not permit adjustments resulting from rate changes, "then the revenue calculations are incorrect estimates of the true rate award."[98]

Though Bell has expanded its analysis considerably there remain fundamental problems associated with the adoption of repression and stimulation adjustments. The standard for allowable adjustments to test year results is that they be known and measurable. The results of Bell's statistical efforts in this case reinforce the Commission's concerns with the ability of statistical analysis to produce known and measurable adjustments as expressed in Case No. 8847. The uncertain nature of the statistical processs is best illustrated by the comparison of business access elasticity estimates provided in this case versus the

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97 T.E., Volume III, March 7, 1985, page 61.

98 Prefiled Testimony of Mr. Laurent, page 4.

estimates provided in Case No. 8847. In Case No. 8847 Bell estimated demand elasticity equal to -.048 whereas in the current case Bell estimated it to be equal to -.027. This change represents a 47 percent decline in the estimate of business access line elasticity. Furthermore, the estimate provided in Case No. 8847 does not lie within the 95 percent confidence interval provided in this case. Though Bell contends that the radically different elasticity estimates are the result of measuring elasticities over different time intervals and a respecification of the model, Bell continues to assert the correctness of both models. Nonetheless, the Commission cannot ignore that two models intended to measure the same consumer response provide widely disparate results depending on model specification and the time frame selected for measuring the response. Further the Commission observes that each factor is highly dependent on the subjective judgment of the analyst. Therefore, the Commission remains of the opinion that adjustments based upon econometric modeling are imprecise, highly subjective and as such do not meet the known and measurable criteria as applied in other sections of this Order.

As to Bell's contention that the rejection of the proposed adjustment will lead to an incorrect revenue calculation the Commission does not concur. In arriving at its conclusions Bell has compared the accuracy of two different forecasting models and has determined that a model containing price as a variable provides superior forecasting results over a model excluding price as a variable. However since the Commission in this proceeding as in previous rate cases has utilized unadjusted test year billing data rather than forecasted data, Bell's comparisons and conclusions as to the correctness of the adjustment are both erroneous and misleading. A proper comparison would require Bell to demonstrate that the unadjusted billing units used by the Commission in determining revenue will result in a less accurate estimate of revenue than would using billing units adjusted for rate change. This has not occurred. The Commission remains confident that its current practice provides the most reliable revenue calculation available to it.

In Case No. 8467 and No. 8847 the Commission denied South Central Bell's proposed repression adjustment stating, "if allowed, this repression adjustment would constitute an improper transfer of risks from shareholders to ratepayers." Bell has not provided any new information or arguments which would alter the Commission's opinion from those provided in previous cases. The Commission remains convinced that the return granted herein adequately compensates investors for the risks borne by them, including the risks of loss of market due to higher rates. Therefore, if the proposed repression adjustments were accepted the effect would be that of compensating shareholders twice for the same risks.

During the proceeding considerable discussion centered around the effect of the changing industry structure and increased competition on Bell's demand structure. Mr. Laurent in his testimony contended that "We have shown by our forecasting results the inaccuracy of the claims that the big changes in the telephone industry have radically changed the demand for Kentucky business access."[99] Mr. Laurent defended the accuracy of his model by indicating that it forecasted access line accurately for 1983.

A fundamental assumption of econometric or statistical analysis is that the future can be accurately forecasted by proper application of statistical method to historical data. However, a number of witnesses testified that events are occurring in the telecommunications industry which are changing historical demand relationships, thus estimates from statistical models which may exhibit acceptable statistical properties are highly suspect. Mr. Laurent indicated that his model did not include numerous examples of these occurrences. He testified that his model did not include effects from the following events: FCC decision in Docket 78-72; AT&T Divestiture; Administrative Case 261[100] and Administrative Case 273;[101] each a major regulatory or legal decision affecting the competitive structure of South Central Bell's telecommunications market after 1983. Though South Central Bell contends that the future will be sufficiently like the past to permit a repression adjustment the Commission cannot ignore the substantial testimony provided in this proceeding on the evolution of competition in all segments of

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99 Prefiled Testimony of Mr. Laurent, p. 64.

100 An Inquiry into the Resale of Intrastate Wide Area Telecommunications Service.

101 T.E., Volume III, March 7, 1985, p. 121.

Bell's telecommunications market. The Commission is of the opinion that the rapid evolution in the telecommunications industry prevents the development of a known and measurable elasticity estimate using statistical analysis. Therefore the Commission rejects the repression and stimulation adjustments proposed by Bell.

In addition to the repression and stimulation adjustments proposed for local exchange and toll services, Bell has proposed repression and/or stimulation adjustments to the following services: directory assistance, expedited service, special number acquisition, local operator and calling card and verification/interrupt services. In determining the repression and stimulation effects in these services, Bell has not relied on a formal model but instead has either assumed Kentucky experience will be like Mississippi or has assumed that a percentage change in quantity demanded of the service divided by the percentage change in price provides a correct estimate of price elasticities for these services. In each case Bell has failed to provide a justification for these assumptions. Therefore, the Commission rejects these adjustments as not known and measurable.

Universal Service

In Case No. 8847 South Central Bell proposed that the Commission adopt a targeted subsidy for low income subscribers. The Commission rejected Bell's proposal because of the "immense implementation and administrative problems"[102] associated with

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102 Case No. 8847, Order entered January 18, 1984, page 70.

adoption and the general lack of specifics at that time. However the Commission did indicate that an efficient approach to solving the universal service problem would be the adoption of a targeted subsidy and encouraged Bell to propose a lifeline tariff in its next rate case.

Bell did not propose a targeted subsidy in this proceeding but Mr. Dickson did indicate Bell's continued concern with universal service. Mr. Dickson stated, "the joint board of federal and state regulators is studying this issue, as are we. From these analyses, we expect a workable plan."[103] Furthermore Bell indicated that they were studying "what really causes a person to drop off the network" but also indicated that they were in the "early stages" of the study.

The Commission in its Orders has repeatedly stated its commitment to the goal of universal service in Kentucky. The concern with this commitment is heightened by the continued escalation of residential rates for consumers of all Kentucky telephone companies. The shifting of the burden of NTS costs from toll to local service promises little relief to residential ratepayers in the future. Though the Commission did invite Bell to propose a targeted subsidy in its last rate case it no longer believes that a piecemeal approach to solving the universal service problem is appropriate. The Commission is of the opinion that a generic proceeding should be initiated to consider this matter, and will do so in the near future.

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[103] T.E., Volume I, March 5, 1985, page 99.

CONSTRUCTION

Bell has provided a significant amount of information and testimony relative to its proposed construction budget. As part of that information, Mr. Meredith provided testimony that Bell's proposed construction budget for 1985 will be approximately $103 million.[104]

As was expressed in Bell's last rate increase Order in Case No. 8847, the Commission, in order to properly discharge its responsibilities, must examine telephone utility construction budgets to determine if they represent prudent and reasonable expenditures designed to meet the telecommunications needs of Kentucky's citizens at the lowest cost. In the instant case Bell's construction budget has been reduced substantially from the approximately $143 million which Bell had originally planned to spend for construction activity in 1985. Bell's response to the Commission's Order in Case No. 8847 has apparently been that the construction budget must be cut. In fact, the Commission has not attempted to define any precise level of construction expenditures for Bell. The Commission's concern in the last rate Order was related to major construction projects such as central office equipment ("COE") and large outside plant modernization programs. In particular, the Commission expressed its concern relative to whether these major projects are economically cost justified. Additionally, what happens when these projects, such as COE, are

104 T.E., Volume I, March 5, 1985, Meredith Exibit 2.

replaced or changed-out prior to fulfilling economic expectations? Should ratepayers assume these risks for Bell, or should Bell bear some of that risk?

As part of the construction planning process, Bell performs studies designed to show whether a particular project is economical, or "cost justified." Bell has filed a considerable amount of material with the Commission, particularly since the last rate Order, which addresses these studies. One of the important outputs from these studies is the "payback" period, that is the point in time at which savings and/or increased revenues are equal to the original investment with adjustments for the time value of money. If a particular project is completed and later changed-out before the payback period has elapsed, it is quite possible that the utility's ratepayers have not benefited, at best, and possibly been penalized, because of the money spent on that project. Bell acknowledged that in considering a potential modernization project, the utility does not generally take into account whether the existing plant has at least reached its actual payback period.[105] Subsequent testimony revealed that it would generally be a massive undertaking to attempt to do so for all modernization projects.[106]

Since the payback period is an important measurement of whether the ratepayer has benefited from a particular project, the Commission has determined that Bell should be required, at

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105 Ibid., page 213.

106 Ibid., pages 214-217.

least on central office replacement projects, to determine whether the actual payback period has elapsed. In effect, the utility must determine whether the existing central office has been cost justified from the ratepayer's perspective. Obviously, this requirement should only be placed on proposed change-outs of existing electronic and digital central offices and on all newly placed offices on a "going-forward" basis. To place such a requirement on replacement of existing step and crossbar offices would not achieve any worthwhile purpose.

The Commission is aware that Bell will have to develop and implement a plan to perform these payback studies on the most economical basis. Therefore, Bell should be allowed a period of time to develop and submit its proposal for implementing this requirement. Given the fact that this will be limited in scope to central office projects, Bell should submit such a proposal within 90 days of the date of this Order. This information will allow the Commission in the future to make a more informed judgment concerning the economy of proposed central office replacement projects.

In attempting to determine whether Bell's proposed construction budget is adequate both in terms of the level of investment and in the allocation of expenditures for various types of projects, it is necessary to consider the problem in terms of both the enhanced and competitive services, and the provision of quality local basic services to consumers.

In cross-examination of Mr. Dickson by Commissioner Rush Dozier, Mr. Dickson expressed reservations concerning whether proposed construction budgets for 1985 and beyond will fully address the telecommunications needs of Kentucky's future.[107] Obviously, there is no exact methodology or formula which will provide a precise dollar amount, and project distribution, which should be spent on construction in a given year. The construction budget must of necessity be the end-product of many inputs, and based upon the professional judgment of the utility's engineers and management. As stated previously in this Order, the Commission has not attempted to define any precise level of construction expenditures for Bell. Therefore if Bell determines that a given level of expenditures is necessary, it should propose that level of funding and be prepared to make a definitive showing to the Commission that the proposed expenditures are prudent and reasonable and designed to meet the telecommunications needs of Kentucky's citizens at the lowest cost.

In terms of enhanced and competitive services, the Commission agrees with Bell that Kentucky must have a quality telecommunications system capable of meeting the needs of business and industry in order to attract the quality business which is needed to allow the Commonwealth to progress. However, at the same time the Commission does not intend that monopoly basic ratepayers should be required to shoulder the burden for the cost of providing the advanced facilities. In effect, Bell should plan its construction budget to accommodate the needs of both its residence and business customers, while at the same time

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107 Ibid., pages 115-127.

demonstrating to the Commission that specialized and advanced services are economically justified and that such services will not be a burden to local ratepayers.

In attempting to determine whether Bell's construction budget is designed to meet the telecommunications needs of Kentucky's residential customers, it is necessary to look at the problem both from short term and long term considerations. In the short term, it could be expected that the number of held applications may increase, due to lack of facilities, or that service quality may deteriorate.

In terms of held applications, the Commission has received an increase in complaints from applicants who have not been able to receive service in a timely manner. However, at least at the present time, the evidence does not suggest that the total number of held applications is experiencing any dramatic increase.[108] Additionally, testimony shows that the number of held applications has actually decreased each year from 3,964 at the end of 1979 to 478 at the end of 1984.[109]

In the matter of quality of service, the Commission recognizes that this was specifically not an issue in the instant proceeding. However, after a review of the record, including informal letters received from customers, no indication of recent service quality deterioration was noticed. Obviously, the

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108 Although not part of the record in this case, figures supplied by Bell show a total number of 474 held applications as of March 31, 1985.

109 T.E., Vol I, March 5, 1985, page 134.

Commission is concerned over both the quality of service and the number of held orders, and expects to continue to closely monitor these aspects of Bell's operations. However, from a short term consideration, these potential problems have not yet been demonstrated.

However, in the long term consideration, these problems could potentially become severe. Even at the present time a small number of applicants have been given dates of 1987 and 1988 to receive service. This is particularly unacceptable for those applicants who have moved into generally developed areas where no cable pair is available to serve that particular applicant. Bell must realize that it has a continual obligation to insure that COE and outside plant facilities are available to provide and maintain service in a timely, adequate manner. The Commission will expect Bell to insure that its construction budget is adequate to provide the reasonable demands for service requested within its service area.

FINDINGS AND ORDERS

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that:

1. The rates proposed by Bell would produce revenues in excess of those found reasonable herein and should be denied upon application of KRS 278.030.

2. Bell's proposed rate group consolidation is unreasonable and should be denied.

3. Bell's proposed restructuring of the relationship between local exchange access rates and grouping charges is unreasonable and should be denied.

4. Bell's proposed adjustments to zone charges are reasonable and should be approved.

5. Bell's proposed restructuring of local operator assistance, and operator verification and interruption charges are reasonable and should be approved.

6. Bell's proposed restructuring of local directory assistance is unreasonable and should be denied.

7. Bell's proposed restructuring of the application of maintenance charges to non-premises communication systems is unreasonable and should be denied.

8. Bell's proposed introduction of maintenance charges applicable to premises-located communications systems is reasonable and should be approved.

9. Bell's proposed disaggregation of service charges applicable to drop and/or protector rearrangements is reasonable and should be approved.

10. Bell's proposed maintenance of customer premises inside wire and trouble isolation plan is reasonable and should be approved as modified herein.

11. Bell's proposed special number acquisition charges are reasonable and should be approved.

12. Bell's proposed expedited service request charges are reasonable and should be approved.

13. Bell's proposed adjustments to directory listings and coin telephone service are reasonable and should be approved.

14. Bell's proposed adjustments and changes to telephone answering service are reasonable and should be approved.

15. Bell's proposed adjustments to foreign exchange service are reasonable and should be approved.

16. Bell's proposed introduction of CallSaver service is unreasonable and should be denied.

17. Bell's proposed adjustment and restructuring of toll operator assistance applicable to long distance service are reasonable and should be approved.

18. Bell's proposed adjustments to miscellaneous services, auxiliary equipment, and obsolete service offerings are reasonable and should be approved.

19. Bell's proposed elimination of tie lines additive charges is unreasonable and should be denied.

20. Bell's proposed adjustments to private line service, private line equipment, obsolete private line, and dataphone digital service are reasonable and should be approved.

21. The rates and charges in Appendix A are the fair, just and reasonable rates and charges for Bell to charge its customers for telephone service.

22. The costs incurred by Bell associated with its transactions and relationships with Bellcore, BSS and BSC should be maintained in such a manner that they may be readily identified in future proceedings.

23. Bell should continue to provide quantification of its actual revenue and expense benefits incurred as a result of its relationship with Bellcore, BSS and BSC.

24. Bell should provide representative actual documentation showing the needs for Bell's participation in both core and non-core projects undertaken by Bellcore and the actual benefits to be experienced by Kentucky ratepayers as a direct result of the participation.

25. Bell's proposed repression and stimulation adjustment is not known and measurable and should be denied.

26. Bell should be required to submit to the Commission, within 90 days of the date of this Order, a proposal or plan by which it will incorporate a study relative to whether the actual payback period has been reached on all existing electronic and digital central offices which are scheduled for replacement, and on all newly placed central offices on a "going-forward" basis which are scheduled for replacement in the future.

IT IS THEREFORE ORDERED that the proposed rates and charges in Bell's application of November 9, 1984, be and they hereby are denied upon application of KRS 278.030.

IT IS FURTHER ORDERED that Bell's proposed rate group consolidation be and it hereby is denied.

IT IS FURTHER ORDERED that Bell's restructuring of the relationship between local exchange access rates and grouping service be and it hereby is denied.

IT IS FURTHER ORDERED that Bell's proposed adjustments to zone charges be and they hereby are approved.

IT IS FURTHER ORDERED that Bell's proposed restucturing of local operator assistance, and operator verification and interruption charges be and they hereby are approved.

IT IS FURTHER ORDERED that Bell's proposed restructuring of local directory assistance be and it hereby is denied.

IT IS FURTHER ORDERED that Bell's restructuring of the application of maintenance charges and non-premises communications systems be and it hereby is denied.

IT IS FURTHER ORDERED that Bell's proposed introduction of maintenance charges applicable to premises-located communications systems be and they hereby are approved.

IT IS FURTHER ORDERED that Bell's proposed disaggregation of service charges applicable to drop and/or rearrangements be and it hereby is approved.

IT IS FURTHER ORDERED that Bell's proposed Maintenance of Customer Premises Inside Wire and Trouble Isolation Plan be and it hereby is approved as modified herein.

IT IS FURTHER ORDERED that Bell's proposed special number acquisition charges be and they hereby are approved as modified herein.

IT IS FURTHER ORDERED that Bell's proposed expedited service request charges be and they hereby are approved.

IT IS FURTHER ORDERED that Bell's proposed adjustments to directory listings and coin telephone service be and they hereby are approved.

IT IS FURTHER ORDERED that Bell's proposed adjustments and changes to telephone answering service be and they hereby are approved.

IT IS FURTHER ORDERED that Bell's proposed adjustments to foreign exchange service be and they hereby are approved.

IT IS FURTHER ORDERED that Bell's proposed introduction of CallSaver service be and it hereby is denied.

IT IS FURTHER ORDERED that Bell's proposed adjustment and restructuring of toll operator assistance applicable to long distance service be and they hereby are approved.

IT IS FURTHER ORDERED that Bell's proposed adjustments to miscellaneous services, auxiliary equipment, and obsolete service offerings be and they hereby are approved.

IT IS FURTHER ORDERED that Bell's proposed elimination of the tie line additive charge be and it hereby is denied.

IT IS FURTHER ORDERED that Bell's proposed adjustments to private line service, private line equipment, obsolete private line, and dataphone digital service be and they hereby are approved.

IT IS FURTHER ORDERED that the rates and charges in Appendix A are the fair, just and reasonable rates and charges to be charged by Bell to its ratepayers for telecommunication services rendered on and after April 29, 1985.

IT IS FURTHER ORDERED that Bell's proposed repression and stimulation adjustment be and it hereby is denied.

IT IS FURTHER ORDERED that Bell shall submit to the Commission, within 90 days of the date of this Order, a proposal or plan by which it will incorporate a study relative to whether the actual payback period has been reached on all existing electronic and digital central offices which are scheduled for replacement, and on all newly placed central offices on a "going-forward" basis which are scheduled for replacement in the future.

IT IS FURTHER ORDERED that, within 30 days of the date of this Order, Bell shall file its tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 2nd day of May, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Heman Jr.

Chairman

Vice Chairman

Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9160 DATED MAY 2, 1985

The following rates and charges are prescribed for the customers in the area served by South Central Bell Telephone Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

GENERAL SUBSCRIBER SERVICES TARIFF

A1. DEFINITION OF TERMS

LONG DISTANCE MESSAGE TELECOMMUNICATIONS SERVICES (MTS)

A. Station-to-Station Call

Four classes of Station-to-Station service are offered as follows.

2. "Operator-Assisted Calling Card" is that Station-to-Station Service in which a call is:

   a) completed with the assistance of a Company operator only under the conditions listed below;

      1) operator reaches the called telephone number where facilities are not available for dial completion, or
      2) operator places a call for a calling party who is identified as being handicapped and unable to dial the call because of the handicap, or
      3) operator reestablishes a call which has been interrupted after the called number has been reached, or
      4) operator records the customer's Company calling card number; and

   b) billed to the customer's Company calling card number.

A1. DEFINITION OF TERMS

3. "Automated Calling Card" is that Station-to Station service in which a call is:

   a) dialed by the customer,

   b) billed to the customer's Company calling card number, and

   c) completed without the assistance of a Company operator.

4. "Operator" is that Station-to-Station service other than "Dial", "Operator-Assisted Calling Card", or "Automated Calling Card". Operator Station-to-Station includes Station-to-Station calls which originate at a public or semi-public coin telephone and do not qualify as "Operator-Assisted Calling Card" or "Automated Calling Card" calls.

A2. GENERAL REGULATIONS

A2.2 LIMITATIONS AND USE OF SERVICE

A2.211

Deleted.

A3. BASIC LOCAL EXCHANGE SERVICE

A3.2 STATEWIDE RATE SCHEDULES

A3.2.1 FLAT RATE SCHEDULE

A. The following schedule of monthly rates is applicable to flat rate main station line service:

Group	Total Main Station Lines and PBX Trunks	Residence Ind.	Residence 2-Pty.	Business Ind.	Business 2-Pty.
1	0 - 13800	$ 12.44	$ 9.33	# 31.28	$ 23.45
2	13801 - 25100	13.38	10.03	34.53	25.90
3	25101 - 45500	14.12	10.60	37.12	27.83
4	45501 - 200800	14.85	11.15	39.86	29.89
5	200801 - 1191800	18.40	13.80	53.14	39.86

A3.2.2 MEASURED RATE SCHEDULE

A. The following schedule of monthly rates is applicable to measured rate main station line service:

Group	Total Main Station Lines and PBX Trunks	Residence Individual Line Low-Use	Residence Individual Line Standard	Business Individual Line
1	0 - 13800	$ 6.22	$ 9.33	$ 23.45
2	13801 - 25100	6.69	10.03	25.90
3	25101 - 45500	7.06	10.60	27.83
4	45501 - 200800	7.42	11.15	19.89
5	200801 - 1191800	9.20	13.80	39.86

A3.3 ZONE CHARGES FOR LOCAL EXCHANGE SERVICE OUTSIDE THE BASE RATE AREA

A3.3.1 BAND ZONE CHARGES

(a) Up to and including one mile, airline measurement from the nearest point on the nearest point on the Base Rate Area boundary

A3. BASIC LOCAL EXCHANGE SERVICE

	Monthly Rate
- Individual Line or Private Branch Exchange - Trunk Line, each	$ 2.25
- Two-Party Line, each main station	1.30
(b) Beyond one mile up to and including two miles, airline measurement, from the nearest point on the Base Rate Area boundary	
- Individual Line or Private Branch Exchange - Trunk Line, each	4.50
- Two-Party Line, each main station	2.60
(c) Beyond two miles up to and including four miles, airline measurement, from the nearest point on the Base Rate Area boundary	
- Individual Line or Private Branch Exchange - Trunk Line, each	9.00
- Two-Party Line, each main station	5.20
(d) Beyond four miles up to and including seven miles, airline measurement, from the nearest point on the Base Rate Area boundary	
- Individual Line or Private Branch Exchange - Trunk Line, each	15.75
- Two-Party Line, each main station	9.10
(e) Beyond seven miles, airline measurement, from the nearest point on the Base Rate Area boundary	
- Individual Line or Private Branch Exchange - Trunk Line, each	22.50
- Two-Party Line, each main station	9.10

A3.3.2 GEOGRAPHIC ZONE CHARGES

	Monthly Rates	
	Business	Residence
(a) Zone A		
- Individual Line or Private Branch Exchange - Trunk Line, each	$ 2.25	$ 2.25
- Two-Party Line, each main station	1.30	1.30

A3. Basic Local Exchange Service

	Monthly Rates Business	Monthly Rates Residence
(b) Zone B		
- Individual Line or Private Branch		
- Exchange Trunk Line, each	$ 4.50	$ 4.50
- Two-Party Line, each main station	2.60	2.60
(c) Zone C		
- Individual Line or Private Branch		
- Exchange Trunk Line, each	9.00	9.00
- Two-Party Line, each main station	5.20	5.20

A3.5 JOINT USER SERVICE

A3.5.2 RATES

1. Business Individual Line

	Monthly Rate
(a) Flat Rate	
- Exchanges in Louisville Local Calling Area	$ 13.28
- All other exchanges	8.89
(b) Measured Rate	
- Exchanges in Louisville Local Calling Area	9.96
- All other exchanges	6.66
(c) Message Rate	
- Louisville exchange	8.63
(d) Semipublic	
- Exchanges in Louisville Local Calling Area	9.96
- All other exchanges	6.66

2. PBX Service

(a) Commercial Flat Rate	
- Exchanges in Louisville Local Calling Area	13.28
- All other exchanges	8.89
(b) Measured Rate	
- Exchanges in Louisville Local Calling Area	9.96
- All other exchanges	6.66

A3. BASIC LOCAL EXCHANGE SERVICE

	Monthly Rate
3. Hotel PBX Service	
(a) Message Rate	
- Exchanges in Louisville Local Calling Area	$ 8.63
- All other exchanges	5.78
(b) Permanent Guest or Tenant Maintaining a Residence in the Hotel (Message Rate)	
- Exchanges in Louisville Local Calling Area	3.45
- All other exchanges	2.31
(c) Measured Rate	
- Exchanges in Louisville Local Calling Area	9.96
- All other exchanges	6.66
(d) Permanent Guest or Tenant Maintaining a residence in the Hotel (Measured Rate)	
- Exchanges in Louisville Local Calling Area	3.98
- All other exchanges	2.66

A3.7.3 MESSAGE RATE SERVICE

Exchange	Business Ind. Line Monthly Charge Each Line
Louisville	$ 34.54

A3.11 GROUPING SERVICE

B. Rates

Individual Line or Trunk	Monthly Rate
1. Business Flat Rate, each	55% x Bus. Ind. Line Flat Rate
2. Business Measured Rate, each	55% x Bus. Ind. Line Flat Rate
3. Business Message Rate, each	55% x Bus. Ind. Line Flat Rate
4. Residence Flat Rate, each	55% x Res. Ind. Line Flat Rate
5. Residence Measured Rate, each	55% x Res. Ind. Line Flat Rate

A3.12 LOCAL DIRECTORY ASSISTANCE SERVICE

A3.12.1 GENERAL

A. In addition to providing telephone directories to all local exchange service subscribers, the Company furnishes Local Directory Assistance Service whereby customers may obtain assistance in determining telephone numbers, names, directory addresses and ZIP Codes.

B. The charging application and rates set forth in A3.12.2 and A13.12.3 apply to subscriber requests for Local Directory Assistance Service in determining, or attemping to determine, the directory telephone number, name and/or address of any party located in, or thought to be located in, the local calling area.

C. Local Directory Assistance Service allows a subscriber to provide:

1) a name to get telephone number, ZIP Code and/or directory address; and/or

2) A telephone number to get name, ZIP Code and/or directory address, except in instances where customers have specified that these items not be disclosed by telephone number request.

D. Local Directory Assistance Service does not provide telephone number, name, address or ZIP Code on a private (nonpublished) listing but does furnish these items from informational records on a semi-private listing.

A3.12.2 APPLICATION OF CHARGES

A. The charges specified in A3.12.3 following will be applicable to all subscribers except:

1) Deleted.

2) Deleted.

3) Residence customers who have been certified by a physician or appropriate agency as unable to use a telephone directory
because of a visual or physical handicap, and

4) Deleted.

5) Customers who make a call for a name, address or telephone number that was incorrectly published in or omitted from the alphabetical section of the directory due to Company error.

B. Chargeable Calls

For charging purposes a call to Local Directory Assistance Service is defined as a call

1) Resulting in obtaining telephone number, name, address and/or ZIP Code for a maximum of two subscribers; or

2) Resulting in obtaining no telephone number, name, address and ZIP Code because there was no such listing, there was private listing or there was customer request to not disclose their name and address.

C. For chargeable calls wherein a subscriber provides a name to get a telephone number only, there will be an allowance of 3 calls per month at no charge for each basic local exchange main station line, PBX trunk, ESSX-1 Network Access Register, main mobile telephone number and each group of six nondormitory main Centrex lines. For Dormitory Centrex Service, the allowance applies to each dormitory main station line. Call allowances are not transferable between separate accounts, even for the same customer.

D. Any unused portion of the monthly call allowance described in A3.12.2C will not be credited to the customer's account in any other month service is rendered.

E. A Local Directory Assistance Service surcharge, as specified in A3.12.3(c), will be applicable to all calls to Local Directory Assistance Service handled by the operator ("0-") or dialed by the caller (0+) and billed to other than the originating station (except collect), provided that the "0" operator is not the only means of reaching Local Directory Assistance.

F. There will be a charge for all customer calls to Local Directory Assistance Service, except as specified in A3.12.2A and A3.12.2C.

A3.12.3 SERVICE CHARGES

	Charge Per Call
(a) Directory Assistance Service charge	$ 0.30

	Charge Per Call
(b) Directory Assistance Service charge on sent-paid Public and Semipublic Telephone Service calls	$ 0.25
(c) Directory Assistance Service surcharge	0.30

A3.13 LOCAL OPERATOR AND CALLING CARD SERVICES

A3.13.1 GENERAL

A. Local Operator and Calling Card Services allow customers to dial the "0" operator for assistance in making a call or to dial direct and bill to a calling card.

B. The appropriate service charge, as specified in A3.13.3, will be applicable only if the call is completed within the local service area.

C. The person originating the call must either dial the telephone number or give the "0" operator the number of the party to be reached. If the caller dials the operator and does not know the telephone number, the "0" operator will have the caller connected to Local Directory Assistance Service. The Directory Assistance "0" operator surcharge, as specified in A3.12.2E., will be applied for the operator handling such a call.

A3.13.1 APPLICATION OF CHARGES

A. The appropriate service charge, as specified in A3.13.3, will be applied to each completed call except:

a) Deleted.

b) For emergency calls to agency type telephone numbers, such as to those agencies of the federal, state or local government which have the capability and legal authority to provide aid in emergency situations, and to any emergency medical number; and

c) Deleted.

d) Deleted.

e) Deleted.

f) Deleted.

g) For calls exempted, as defined in Section A1., Definition of Terms, Long Distance Message Telecommunications Service (MTS) of this tariff, as if each call defined therein were a local call.

B. A Person-to-Person or a Station-to-Station local operator-assisted call may be billed to the originating main station line (except from public and semi-public telephones), calling card number, third number, collect or any other Company-approved identification number.

C. A service charge, as specified in A3.13.3, will be applied for each completed local call according to the appropriate call class, as defined in Section A1., Long Distance MTS, as if each call defined therein were a local call.

A3.13.3 SERVICE CHARGES

	Charge Per Call
(a) Station-to-Station Call:	
- Calling Card (Automated or Operator-Assisted)	\$ 0.50
- Operator	1.00
(b) Person-to-Person Call	2.00

A3.14 LOCAL VERIFICATION/INTERRUPTION SERVICE

A3.14.1 GENERAL

A. Local Verification Service provides operator assistance in determining if a called line is in use.

B. Local Interruption Service provides for operator interruption of a conversation in progress on a called line.

C. The customer may request Local Verification/Interruption Service for a charge, where facilities are available, by calling the "0" operator.

A3.14.2 APPLICATION OF CHARGES

A. The charges, as specified in A3.14.3, will apply to all requests except:

c) Deleted.

B. The interruption charge is for both the verification and the interruption services and will be applied whether or not the called party agrees to release the line and accept the call.

A3. BASIC LOCAL EXCHANGE SERVICE

C. The charges for Local Verification/Interruption Service are in addition to any applicable message rates.

A3.14.3 SERVICE CHARGES

	Charge Per Call
(a) Verification charge	$ 0.95
(b) Verification and Interruption charge	1.40

A3.15 TRUNK LINES

A3.15.4 HOTEL PBX SERVICE

	Monthly Rate
(a) Business Message Rate Service (Furnish with dial or manual systems for guest and management use)	
- Trunks (Both-way or Outward Only), each	
- First trunk with an allowance of 50 outward local messages	
- Exchanges in Louisville Local Calling Area	$ 34.54
- All other exchanges	23.12
- Additional trunk without message allowance	
- Exchanges in Louisville Local Calling Area	29.54
-All other exchanges	18.12

A4. SERVICE CHARGES

A4.1 DEFINITION

K. Simple Business

The term Simple Business as specified herein as business individual or party line basic exchange service which does not terminate in a customer premises communications system. The term business non-key is synonymous with the term simple business.

L. Simple Residence

The term Simple Residence as specified herein is defined as non-Complex residence individual or party line basic exchange service which does not terminate in a customer premises communications system.

N. Complex Service

The term Complex Service as specified herein is defined as service terminating in a customer premises communications system such as Key or PBX. The term Complex Service may apply as well to Special Services specifically noted as Complex Services in other sections of this tariff.

A4.3 APPLICATION OF CHARGES

B. Service Charges for Connection of New Service

9. Residence customers serviced by PBX or Key equipment (except one-button telephone and keyless telephone equipped with external key for two-line pick up) are subject to the appropriate service charges for Complex Service.

13. The applicable service charges for ESSX-1 and Centrex service are the service charges shown in A4.2 preceding for Simple Business Service (as appropriate). The charges for Central Office Work and Access Line work apply per ESSX-1 Network Access Register. The appropriate charge for a network interface may be applicable. Simple Premises Work Charges apply to extend the network interface beyond the point of minimum penetration as described in A15.1.3d.

C. Service Charges for Adding New or Additional Service and Equipment Other Than Central Office Lines or Moving or Changing Existing Service and Equipment

1. Adding New or Additional Service and Equipment Other Than Central Office Lines

A4. SERVICE CHARGES

a. When new or additional service or equipment is connected on subsequent orders for Simple Residence or Simple Business service, the appropriate charges for service ordering will apply if no premises work is required or the appropriate Simple Premises Work Charges if premises work is required. When new or additional service or equipment is connected on subsequent orders for Key, PBX or any other Complex Service, the appropriate charges for service ordering will apply if no premises work is required. Simple Business Premises Work Charges apply for billable wiring work on the network side of the Network Interface for Complex Services.

2. Moving or Changing Existing Service or Equipment

d. For rearranging of drop wire and/or protector, Premises Work Charges apply to all work performed, in lieu of other service charges.

e. Charges for rearrangement of inside wiring apply as follows:

(2) For Key, PBX or other services classified as Complex Services, the Complex Premises Work Charges apply. For rearrangement of inside wiring before systems, Simple Business Premises Work Charges would apply. Any nonrecurring charges as covered in other sections of this tariff may also apply.

A4.7 MAINTENANCE OF SERVICE CHARGE

Charge

Simple Residence and Simple Business	Key, PBX and Other Complex Services
Appropriate Premises Work Charge in A4.8 of this tariff.	Complex Presmises Work in A4.11 of this Tariff

A4.8 SIMPLE PREMISES WORK CHARGE

B. Charges

	Schedule 1	Schedule 2	Schedule 3
(a) First 15-minute increment or fraction thereof			
- Residence	$40.00	$40.00	$40.00
- Business	43.25	43.25	43.25

	Schedule 1	Schedule 2	Schedule 3
(b) Each additional 15-minute increment or fraction thereof			
- Residence	10.50	15.75	21.00
- Business	10.50	15.75	21.00

Schedule 3 is applicable to work performed on Sundays and holidays (per A4.8A.12.)

A4.10 WARRANTIES FOR INSTALLATION AND REPAIR OF PREMISES WIRE - SIMPLE SERVICES

B. LIMITED THIRTY DAY REPAIR WARRANTY

1. Coverage

The Company warrants repairs, including parts and workmanship, it has made to the premises wiring and/or jacks under Option II maintenance against defect and malfunctions for a period of thirty days from the date of repair. The date Company invoice presented to the customer at the time of repair will serve as proof of warranty. If there is a defect or malfunction in the repairs, the Company will, at its option, either repair or replace this wiring and/or jacks at no charge to the customer, if the defect or malfunction is reported to an authorized Company representative during the warranty period.

If replacement parts are used in making repairs, these parts may be refurbished, or may contain refurbished materials.

2. Exclusions

This warranty shall not apply to defects and malfunctions resulting from any accident, fire, alteration, abuse, misuse, acts of God such as floods, storms or earthquakes, acts of war, gross negligence, willful damage, vandalism or any unauthorized repair.

THE COMPANY SHALL NOT BE LIABLE FOR ANY INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO LOSS, DAMAGE, OR EXPENSE DIRECTLY OR INDIRECTLY ARISING FROM THE CUSTOMER'S USE OF OR INABILITY TO USE THIS WIRING, EITHER SEPARATELY OR IN COMBINATION WITH OTHER EQUIPMENT.

3. Customer's Responsibility

To obtain repair service, the Customer must call the Company repair number which can be found in the telephone directory, or call any Company Business Office, collect.

When the repair person arrives and before any work is performed, the customer must present proof of the date the warranty commenced (see A4.10B.1. above).

A4.11 COMPLEX PREMISES WORK CHARGE

A. Application of Charges

2. Complex Premises Work Charges also apply to all customer-requested rearrangement and/or maintenance of premises wire performed by the Company on the customer's premises except as specifically excluded in other sections of this tariff.

8. Wiring work performed under the Complex Premises Work Charge is covered by the warranty provisions contained in A4.15.

B. Charges

	Schedule 1	Schedule 2	Schedule 3
(a) First 15 minute increment or fraction thereof	$50.00	$50.00	$50.00
(b) Each additional 15 minute increment or fraction thereof	10.50	15.75	21.00

Schedule 3 is applicable to work performed on Sundays and holidays (per A4.11.7.).

A4.12 CUSTOMER PREMISES WIRE - COMPLEX SERVICES

A. General

1. Premises wire and/or jacks may be provided and/or maintained by the customer or his agent subject to the provisions of Part 68 of the Federal Communications Commission's Rules and Regulations, applicable electrical codes, and related Company practices unless specifically stated otherwise in this tarrif. Company-provided maintenance of Complex wiring will also be subject to the provisions of Part 68 of the Federal Communications Commission's Rules and Regulations, applicable electrical codes, and related Company practices.

2. In the event that the customer provides, maintains, or attempts to maintain premises inside wire and/or jacks the customer assumes the risk of loss of service, damage to property or death to or injury of the customer or the customer's agent. The customer will save the Company harmless from any and all liability claims, or damage suits arising out of the customer's wire provision or maintenance activity.

3. Where premises inside wire and/or jacks are maintained by the customer or his agent the customer is responsible for correcting any service difficulty that is causing harm to the telecommunications network upon notice from the Company that such wire is causing difficulty.

A4.13 MAINTENANCE OF CUSTOMER PREMISES INSIDE WIRE AND TROUBLE ISOLATION PLAN SIMPLE SERVICES

A. General

1. Company maintenance of customer premises inside wire and jacks and trouble isolation on customer premises inside wire and equipment associated with residence and business individual line and party line basic exchange service is provided at rates and charges in addition to the rates and charges specified for such basic exchange service. Maintenance of customer premises inside wire and trouble isolation on customer premises inside wire and equipment associated with semipublic Coin Telephone Service will be performed on a non-optional basis by the Company under the payment option described in A4.13A.2. as Option I.

2. Payment for this service is provided under two payment options, except as expressly stated in A4.13A.1. above. Under Option I the customer pays on a monthly recurring charge basis per exchange access line per premises. Under Option II the customer pays on a nonrecurring charge basis per visit utilizing Simple Premises Work Charges.

3. Option I coverage excludes instances of willful damage, gross negligence and those described in A4.3B.4. In such instances the Company will, upon customer request, replace such wire subject to the appropriate nonrecurring charges specified in A4.8 of this tariff.

4. Where the customer elects Option I service, the Company will maintain all standard premises inside wire and jacks on the customer's premises regardless of who installed the inside wire and jacks. Furthermore, the customer will not be liable for any Maintenance of Service Charges (A4.7) or other

Premises Work Charges for trouble isolation/detection on standard customer premises inside wire and jacks or equipment.

5. Where the customer does not subscribe to Option I service, he is subject to the charges as outlined in a. through d. below in those instances where the Company makes a repair visit to the customer's premises and the trouble condition is found to be in the inside wire and/or jacks which have been installed and/or maintained in a standard manner.

   a. Where a Network Interface is presently installed on the customer's premises and the customer requests the Company to repair the inside wire and/or jack trouble, the first increment of the Simple Premises Work Charge and additional Simple Premises Work Charge increments, as appropriate, will apply for the trouble detection and repairs performed on the customer side of the Network Interface.

   b. Where a Network Interface is presently installed on the customer's premises and the customer does not want the Company to repair the inside wire and/or jack trouble, the first increment of the Simple Premises Work Charge and additional Simple Premises Work Charge increments, as appropriate, will apply for the trouble detection performed on the customer side of the Network Interface during the maintenance visit. The customer is responsible for making the necessary repairs to the inside wire and/or jacks subject to regulations in A4.9.

   c. Where a Network Interface is not presently installed on the customer's premises and the customer requests the Company to repair the inside wire and/or jack trouble, the Company will first install a Network Interface, wherever practical, at no charge. The initial increment of the Simple Premises Work Charge and additional Simple Premises Work Charge increments, as appropriate, will apply for only the repair effort on the customer side of the Network Interface.

   d. Where a Network Interface is not presently installed on the customer's premises and the customer does not want the Company to repair the inside wire and/or jack trouble, the Maintenance of Service Charge will not apply for the maintenance visit. A Network Interface will be installed by the Company, wherever practical, at no charge to the customer. The customer is responsible for making the necessary repairs to the inside wire subject to regulations in A4.9. Any trouble detection performed at the customer's request to isolate the wiring problem would be subject to the initial increment of the Simple Premises Work Charge and additional increments as appropriate.

6. Where the customer does not subscribe to Option I service, he is subject to the charges outlined in a. through d. below in those instances where the Company makes a repair visit to the customer's premises and the trouble condition is found to be in the inside wire and/or jacks which have been installed and/or maintained in a nonstandard manner that is not in accordance with the technical standards for such inside wiring. Wiring subjected to gross negligence or willful damage will be treated as being in a nonstandard condition and also subject to the following charges.

   a. Where a Network Interface is presently installed on the customer's premises and the customer requests the Company to repair the inside wire and/or jack trouble, the first increment of the Simple Premises Work Charge and additional Simple Premises Work Charge increments, as appropriate, will apply for the trouble detection and the repair performed on the customer side of the Network Interface.

   b. Where a Network Interface is presently installed on the customer's premises and the customer does not want the Company to repair the inside wire and/or jack trouble, the Maintenance of Service Charge in A4.7 applies for the trouble detection performed on the customer side of the Network Interface. The customer is responsible for making the necessary repairs to the inside wire and/or jacks subject to regulations in A4.9.

   c. Where a Network Interface is not presently installed on the customer's premises and the customer requests the Company to repair the inside wire wherever practical, at no charge. The initial increment of the Simple Premises Work Charge and additional Simple Premises Work Charge increments, as appropriate, will apply for the trouble detection and the repair effort on the customer side of the Network Interface.

   d. Where a Network Interface is not presently installed on the customer's premises and the customer does not want the Company to repair the inside wire and/or jack trouble, the Maintenance of Service Charge in A4.7 will apply for the trouble detection performed on the customer's side of the Network Interface which is to be placed wherever practical, at no charge to the customer. The customer is responsible for making the necessary repairs to the inside wire subject to regulations in A4.9.

7. Where the customer does subscribe to Option I service, he is subject to the charges outlined in a. through d. below in those instances where the Company makes a repair visit to the customer's premises and the trouble condition is found to be in the inside wire and/or jacks which have been installed

and/or maintained in a nonstandard manner that is not in accordance with the technical standards for such inside wiring. Wiring maintained under Option I that is subjected to gross negligence or willful damage will be treated as being in a nonstandard condition and also subject to the following charges.

a. Where a Network Interface is presently installed on the customer's premises and the customer requests the Company to repair the inside wire and/or jack trouble, the first increment of the Simple Premises Work Charge and additional Simple Premises Work Charge increments, as appropriate, will apply for the trouble detection and the repair performed on the customer side of the Network Interface.

b. Where a Network Interface is presently installed on the customer's premises and the customer does not want the Company to repair the inside wire and/or jack trouble, the Maintenance of Service Charge in A4.7 applies for the trouble detection performed on the customer side of the Network Interface. The customer is responsible for making the necessary repairs to the inside wire and/or jacks subject to regulations in A4.9.

c. Where a Network Interface is not presently installed on the customer's premises and the customer requests the Company to repair the inside wire and/or jack trouble, the initial increment of the Simple Premises Work Charge and additional Simple Premises Work Charge increments, as appropriate, will apply for the trouble detection and repair effort on the customer's side of the Network Interface which is to be placed wherever practical at no charge to the customer.

d. Where a Network Interface is not presently installed on the customer's premises and the customer does not want the Company to repair the inside wire and/or jack trouble, the Maintenance of Service Charge in A4.7 will apply for the trouble detection performed on the customer's side of the Network Interface which is to be placed wherever practical, at no charge to the customer. The customer is responsible for making the necessary repairs to the inside wire subject to regulations in A4.9.

8. The Company will not maintain or repair, under Option I service, customer premises inside wire and/or jacks provided or maintained by the customer that do not meet the technical standards and installation guidelines for such wire and jacks. At the customer's request, the Company will replace the nonstandard premises wire and/or jacks subject to Simple

premises Work Charges stated in A4.8 and any appropriate jack charges stated in Section A13.

9. Customers may change from Option II to Option I or from customer-provided maintenance and trouble isolation to Option I. However, the appropriate Service Ordering Charge without visit will be applicable for changing to Option I. In addition, customers will be required to wait 30 days after requesting the change before Option I maintenance become effective. Any repairs made on inside wire and/or jacks by the Company during the 30-day period will be charged for under Option II.

10. Telephone company repairs are warranted per A4.10B.

11. The monthly recurring rates for Option I maintenance are not subject to suspension.

12. If replacement parts are used in making repairs under Option I maintenance, these parts may be refurbished or contain refurbished materials. Replacement parts and materials used will be of similar standard quality as the original parts and materials used, though may not be exact in appearance.

13. A mix of Option II and/or customer-provided maintenance options is not permitted with the Option I maintenance for a customer with more than one access line per premises, i.e., each and every access line at the customer's premises must be covered under the same plan option.

B. Charges

1. Optional Company maintenance of customer premises inside wire and jacks, and trouble isolation on customer premises inside wire and equipment, are provided at the following rates and charges.

	Occasional Charge	Monthly Rate
(a) Option I		
- Per Exchange Access Line		
- Per premises		
- Residence		$ 1.20
- Business		1.20

	Occasional Charge	Monthly Rate
(b) Option II		
- Per Maintenance Visit		
- Residence	Simple Residence Premises Work Charges in A4.8B.	
- Business	Simple Business Premises Work Charges in A4.8B.	

A4.14 MAINTENANCE OF PREMISES WIRE - COMPLEX SERVICES

A. General

Company-provided maintenance of premises wiring and jacks for Complex Services is provided on an optional basis at the customer's request at rates and charges in addition to the rates and charges specified for exchange service and is available subject to provisions of Part 68 of the Federal Communicatons Commission's Rules and Regulations. The customer will pay for such maintenance on a nonrecurring charge basis per maintenance visit utilizing Complex Premises Work Charges found in A4.11.

A4.15 WARRANTY FOR REPAIR OF PREMISES WIRE - COMPLEX SERVICES

A4.15.1 LIMITED THIRTY DAY REPAIR WARRANTY

A. Coverage

The Company warrants repairs, including parts and workmanship, it has made to the premises telecommunications wiring and/or jacks against defects and malfunctions for a period of thirty days from the date of repair. If there is a defect or malfunction in the repairs, the Company will, at its option, either repair or replace this wiring and/or jacks at no charge to the customer, if the defect or malfunction is reported to an authorized Company representative during the warranty period.

If replacement parts are used in making repairs, these parts may be refurbished, or may contain refurbished materials.

B. Exclusions

This warranty shall not apply to defects and malfunctions resulting from any accident, fire, alteration, abuse, misuse, acts of God such as floods, storms or earthquakes, acts of war, gross negligence, willful damage, vandalism or any unauthorized repair.

THE COMPANY SHALL NOT BE LIABLE FOR ANY INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO LOSS, DAMAGE, OR EXPENSE DIRECTLY OR INDIRECTLY ARISING FROM THE CUSTOMER'S USE OF OR INABILITY TO USE THIS WIRING, EITHER SEPARATELY OR IN COMBINATION WITH OTHER EQUIPMENT.

C. Customer's Responsibility

To obtain repair service, the customer must call the Company repair number which can be found in the telephone directory, or call any Company Business Office, collect.
When the repair person arrives and before any work is performed, the customer must present proof of the date the warranty commenced (see A4.15.1A. above).

A4.16 SPECIAL NUMBER SEARCH AND ACQUISITION CHARGE

A. General

1. The charges listed in A4.16B. apply for searching for and, if available, assigning a special telephone number, at the customer's request, other than that number which would normally have been assigned. The charges apply to requests for a specific number (including specified numerical patterns, such as xxxx, xyxy, xyyx, etc., where x and/or y are not a specific numeral) or an "easy" number (i.e., one which the Company determines to have a numerical pattern, not specified by the customer, which would make it easy to remember). The charges apply to any request regardless of the number of digits requested and/or provided. The charge listed in A4.16.B.(a) applies when the requested number (either specific or "easy") is unavailable or unacceptable to the customer. The charge listed in A4.16.B.(b) applies when the requested number (either specific or "easy") is assigned to the customer.

2. Number alternatives will be limited to those normally available for the given serving central office or wire center in which the access line is provided. Therefore, the customer will be limited as to the available options for the first three digits of the special number.

3. All specific number requests other than numerical patterns must be made by specifying the digits desired. Requests which specify letters will not be accepted, except when letters are used to denote a specified numerical pattern, as is illustrated in A4.16.A.1.

4. If requesting a specific number, the customer will be allowed to name one or two alternative specific numbers, in order of preference, that would be acceptable if the first choice is not available.

   If the customer does not wish to name any specific alternative choices, he may state a desire for two "easy" number alternatives. If his first choice is not available, he will be provided with two "easy" number candidates from which to choose. The customer may name one alternative specific number as his second choice and state a desire for an "easy" number as a third alternative. If his first and second choice are not available, he will be provided with one "easy" number candidate to consider.

   If the customer has no specific number to request but merely desires an "easy" number, he will be provided with three "easy" number candidates from which to choose.

   In the case of both specific and "easy" numbers, only one number may be assigned per each charge listed in A4.16.B.

5. This charge applies in addition to all otherwise applicable charges, e.g., Number Change, Record Service Order, Foreign Central Office, etc.

6. If a customer obtains a number under this tariff that must subsequently be changed for Company reasons (e.g., area transfer), this charge will not apply for providing this same customer a special number from the newly available pool. A customer that moves but remains in the same serving office or wire center, may retain his special number at no additional charge. Any requests to change to a new special number will be chargeable.

7. The charges apply for searching for and, if available assigning a workable number and are not refundable. The number itself remains the property of the Company as stated in A2.3.11 of this tariff.

8. This service is available where facilities or arrangements permit.

B. Nonrecurring Charges, per request, for a number to be assigned

		Residence	Business
(a)	Search only	$ 12.00	$ 12.00
(b)	Search and assign	22.00	34.00

A4.17 SERVICE EXPEDITING CHARGE

A. General

1. When the customer requests that service be provided in advance of normal service intervals, and the Company is able to comply, a Service Expediting Charge applies. The Company will determine minimum intervals required to provide service and will not expedite in advance of such intervals. These minimum intervals may vary according to the type of service requested and/or the location where the service is to be provided.

2. The charge is applicable per exchange, per customer request, as defined in A4.1.

3. The charge applies in addition to all other service and installation charges normally applicable.

4. The definition of a normal service interval, for purposes of applying this charge, is that interval which would otherwise have been offered to the customer in question (or to any other customer(s) requesting equivalent service). The normal service interval for simple residence and Business service (1 or 2 lines) in offices where installation personnel are scheduled on a daily basis is the second business day following the day the order is placed other normal service intervals vary by the type of service requested and/or the location where the service is provided.

5. For Private Line Service requests to expedite service to the normal plant test date from the normal due date, a Service Ordering Charge without visit will apply in lieu of the charges shown in A4.17.B.

6. If the Company commits to an expedited service date and then fails to meet the commitment, the customer shall not be responsible for the Service Expediting Charge and the Company shall have no further liability to the customer for its failure to meet the commitment.

B. Nonrecurring Charges

	Simple Residence Service	Simple Business Service	Complex Service	Private Line Service
(a)	$ 25.00	$ 35.00	$ 40.00	$ 375.00

A5. CHARGES APPLICABLE UNDER SPECIAL CONDITIONS

A5.1 ADDITIONAL CHARGES

A5.1.1 GENERAL

e. Delay of Installation by Customer or Applicant

g. Expedited Installation and Construction

When at the request of a customer or applicant the Company expedites the installation or construction of facilities at a greater expense than would otherwise be incurred, charges equal to the excess of costs on an expedited basis over the estimated costs on a normal schedule basis apply. For specific service expediting charges to advance normal service intervals see Section A4.

A6. DIRECTORY LISTINGS

A6.4 PRIVATE (NONPUBLISHED) TELEPHONE NUMBERS

A6.4.2 RATE APPLICATION

	Monthly Rate
(a) Private listing, where charge applies, each	$ 2.90
(b) Private listing for service where charge does not apply:	

- Service which is installed for a period of less than three months

A6.5 SEMIPRIVATE (NONLISTED) TELEPHONE NUMBERS

A6.5.2 RATE APPLICATION

	Monthly Rate
(a) Semiprivate listing, where charge applies, each	$ 1.50

A6.6 ADDITIONAL LISTINGS

A6.6.2 RATE APPLICATION

	Monthly Rates	
	Business	Residence
(a) Additional listings in excess of those permitted without extra charge, per listing; or additional line matter and directional calling information, where permitted, per line	$ 1.80	$ 1.20

A6.7 MISCELLANEOUS LISTINGS

A6.7.1 REFERENCE LISTINGS

A. Reference listings ...

	Monthly Rates	
	Business	Residence
(a) Cross reference listing, per line	$ 1.80	$ 1.20

A6.7.2 FOREIGN LISTINGS

A. Listing ...

	Monthly Rates Business	Residence
(a) Foreign listing each	$ 1.80	$ 1.20

(b) Deleted.

A6.7.6 ALTERNATE (DIRECTIVE) LISTINGS

A. Subscribers may obtain listings ...

1. Nights, Sundays, and Holidays

b. Names of individuals are not permitted in listings of this type; however, telephone numbers may be shown of those entitled to use the service, in connection with which the alternate listing. Listings of this type may indicate the telephone numbers of members of the immediate family of the subscriber desiring the alternate listing. For businesses, other business numbers of the subscriber and residence numbers of employees/owners or agents for the subscriber may be listed as alternate numbers.

	Monthly Rates Business	Residence
(a) Alternate listing		
- Calling instructions (e.g., "Note"), per line	$ 1.80	$ 1.80
- Listing indented under calling instructions, each	1.80	1.80

2. If No Answer Dial

a. Alternate listings ...

	Monthly Rates Business	Residence
(a) Alternate listing, each	$ 1.80	$ 1.80

A6.7.7 TEMPORARY LISTINGS

B. A charge for an additional listing ...

A6. DIRECTORY LISTINGS

	Minimum Charge	Monthly Rate
(a) Temporary listing, each	$ 3.60	$ 1.20

A6.7.9 OPTIONAL CALLING PLAN LISTINGS

A. A Subscriber to a two-way measured extended community calling type of Optional Calling Plan may subscribe to a foreign exchange listing, as described in A6.7.2 and include in rate specified in A6.7.9C., and is required to add additional line matter (two lines included in rate specified in A6.7.9C) to indicate "no charge for calls dialed direct to this number from (name of exchange).

C. Rate Application

	Monthly Rates	
	Business	Residence
(a) Optional Calling Plan Listing (including additional line matter), each	$ 5.40	$ 3.60

A7. COIN TELEPHONE SERVICE

A7.2 SEMIPUBLIC TELEPHONE SERVICE

A7.2.4 ASSOCIATED ITEMS OF EQUIPMENT

A. Booths and Special Mounting Arrangements

2. Rates and Charges

	Installation Move or Change Charge	Monthly Rate
(a) Indoor shelf		
- Basic	$ 115.00	$ 3.20
- With Illuminated Sign	115.00	6.20
- Decorative		
- See-Thru	175.00	13.00
- Paneled	175.00	10.00
	115.00	8.10
- Angular	175.00	13.00
(b) Outdoor Walk-Up		
- Wall Mounted	175.00	17.50
- Pedestal Mounted	175.00	31.00
	175.00	25.50
(c) Outdoor Walk-In	230.00	46.00
(d) Outdoor Booth	260.00	51.00

B. Semipublic Additional Set

C. Rates and Charges

	Monthly Rate
(a) Semipublic Additional Set (Requires ENI)	$ 1.85
(b) Extended Network Interface (ENI)	5.90
(f) Station Auxiliary Signals	
- Auxiliary bells, each	1.80
- Auxiliary gongs, each	2.05

A7. COIN TELEPHONE SERVICE

	Installation Charge	Monthly Rate
- Horn, duo-potential		
- Indoor, each		$ 7.40
- Outdoor, each		10.25
- Ringer Cut-off		
- Per station equipped	$ 7.60	0.75
(g) Volume Control Handset		1.45
(h) Panel Type Coin Collector	175.00	27.50

A8. TELEPHONE ANSWERING SERVICE FACILITIES

A8.1 GENERAL PROVISIONS

A8.1.1 FACILITIES AND EQUIPMENT

j. Rates and charges for expediting the installation of service is as specified in Section A4. of this tariff for the appropriate residence or business class of service.

A8.2 RATES AND CHARGES

A8.2.4 CONCENTRATOR-IDENTIFIER ARRANGEMENTS

	Nonrecurring Charge	Monthly Rate	Basic Termination Charge
a. Intraexchange			
(1) Concentrator-Identifier Unit equipped for from 40 line and 2 trunks to 100 lines and 6 trunks			
Concentrator	$ 445.00	$ 450.00	$ 1800.00
Identifier	1560.00	175.00	1000.00
b. Interexchange			
(1) Concentrator-Identifier Unit equipped for from 40 lines and 2 trunks to 100 lines and 6 trunks			
Concentrator	445.00	450.00	4600.00
Identifier	1560.00	175.00	4400.00

d. Channels

- Interexchange

  - Interexchange channel, including channel terminals measured between the concentrator rate center and the

A8. TELEPHONE ANSWERING SERVICE FACILITIES

	Installation Charge	Monthly Rate
identifier rate center, per channel		
1st mile		$ 66.00 **
each additional mile or fraction thereof		3.15
- Interoffice channel including channel terminals measured between the primary wire center and the wire center serving either a concentrator or identifier, per channel		
1st 1/4 mile		14.50
each additional mile or fraction thereof		0.65
- Local Channel, each Type 2007	$ 475.00	28.00

** When furnished jointly with another company that does not concur in this company's charges, the charge for the first mile is $ 35.00

	Installation Charge	Monthly Rate
- Intraexchange		
- Interoffice channel including channel terminals measured between the wire centers serving the concentrator and identifier, per channel		
1st 1/4 mile		30.50
each additional 1/4 mile or fraction thereof		1.10
- Local Channel, each Type 2107	140.00	14.75

A8.2.5 THE FOLLOWING RATES AND CHARGES ARE BILLED DIRECTLY BY THE COMPANY TO THE CLIENT OF THE TELEPHONE ANSWERING BUREAU

(a) Deleted.

(b) Secretarial Line Channel:

- Between Terminations located in the same wire center serving area

	Installation Charge	Monthly Rate
- Local Channel, each Type 2106	$ 24.50	$ 6.00
- Between terminations located in different wire centers		
Interoffice channel including channel terminals measured between the clients wire center and the wire center of the Telephone Answering firm, per channel		
1st 1/4 mile		30.50
Each additional 1/4 mile or fraction thereof		1.10
- Local Channel, each Type 2106	24.50	6.00
Concentrator line termination, each	24.50	6.00
- Interoffice channel including channel terminals measured between the serving wire centers,		
1st 1/4 mile		30.50
Each additional 1/4 mile or fraction thereof		1.10
Concentrator Line termination, each	24.50	6.00

A8. TELEPHONE ANSWERING SERVICE FACILITIES

A8.2.6 The following rates and charges apply ...

	Monthly Rate
Local Channel Type 2106 Rate Differential	$ 7.20

A8.2.7 CUSTOMER OPERATING CENTER SERVICE

e. Monthly Rates

Per Complement of Cable Pairs

	COC SERVICE CABLE SIZE			
DISTANCE IN 1/4 MILE OR FRACTION THEREOF	50 Pairs	100 Pairs	200 Pairs	300 Pairs
1/4 MILE	$ 0.00	$ 0.00	$ 0.00	$ 0.00
1/2 MILE	255.00	260.00	320.00	380.00
3/4 MILE	535.00	545.00	685.00	800.00
4/4 MILE	840.00	865.00	1115.00	1310.00
5/4 MILE	1080.00	1115.00	1385.00	1625.00

	COC SERVICE CABLE SIZE			
DISTANCE IN 1/4 MILE OR FRACTION THEREOF	400 Pairs	600 Pairs	900 Pairs	1200 Pairs
1/4 MILE	$ 0.00	$ 0.00	$ 0.00	$ 0.00
1/2 MILE	450.00	605.00	780.00	1025.00
3/4 MILE	945.00	1265.00	1640.00	2100.00
4/4 MILE	1540.00	2070.00	2690.00	3440.00
5/4 MILE	1925.00	2580.00	3340.00	4280.00

A8. TELEPHONE ANSWERING SERVICE FACILITIES

Per Local Channel Activated

LOCAL CHANNEL PROVIDED WITHIN A CABLE WHOSE AIRLINE DISTANCE IS:	TYPE OF LOCAL CHANNEL ACTIVATED	
	2106	2107
1/4 Mile	$ 6.00	$ 5.50
1/2 Mile	6.00	5.50
3/4 Mile	6.00	5.50
4/4 Mile	6.00	5.50
5/4 Mile	6.00	7.90

f. Nonrecurring Charges
(1) Service Charge Per Local Channel Activated

An installation charge of $24.50 applies to each Type 2106 local channel activated in addition to the nonrecurring charges specified in Section A4 :..

e. Schedule of Charges

	Charge
Service Ordering Charge per customer request	
Type 2107	$ 130.00
Visit Charge	
Type 2107	14.50
Channel Connecting Charge	
Type 2107	105.00

A9. FOREIGN EXCHANGE SERVICE
AND
FOREIGN CENTRAL OFFICE SERVICE

A9.1 FOREIGN EXCHANGE SERVICE

A9.1.2 METHODS OF APPLYING RATES

H. Nonrecurring Charge

Rates and charges for expediting the installation of service
is as those specified for Private Line Service in Section **A4 of this tariff**

A9.1.3 RATES AND CHARGES

A. Type 2045

	Installation Charge	Monthly Rate
(a) Interexchange Channel including the Channel Terminals		
- Per Channel		
- First mile	$ 625.00 *	$ 110.00 *
- Each additional mile or fraction thereof		3.15
(b) Interoffice channel including the Channel Terminals		
- Per channel		
- First 1/4 mile		14.50
- Each additonal 1/4 mile or fraction thereof		0.65

* An installation charge of $310.50 and a charge for the first mile of $56.50 applies if one of the exchanges, either the serving exchange (open end) or the foreign exchange (closed end) is served by another company that does not concur in our tariff charges.

A9. FOREIGN EXCHANGE SERVICE
AND
FOREIGN CENTRAL OFFICE SERVICE

A9.2 FOREIGN CENTRAL OFFICE

A9.2.3 RATES AND CHARGES

A. TYPE 2145

	Installation * Charge	Monthly * Rate
(a) Interoffice channel the Channel Terminals		
- Per channel		
- First 1/4 mile	$ 76.00	$ 37.00
- Each additional 1/4 mile or fraction thereof		1.10

* An installation charge of $38.00 and monthly rate of $19.00 apply if one of the central offices is located in the territory of another company which does not concur in this company's tariff.

A12. ESSX-1 SERVICE

A12.3 RATES

(g) Terminating Arrangement
- Tie Lines **

** Except where paragraph A12.2.R is applicable, where an ESSX-1 circuit is extended as a tie line to another ESSX-1, Centrex, or customer-provided switching system, apply the rate and charge specified for a main station line located in the Base Service Area in addition to the rate and charge specified for this Tie Line Terminating Arrangement.

A13.2 CHANNELS FOR EXTENSION LINE

A13.2.1 GENERAL

f. Rates and charges for expediting the installation of service is as specified in Section A4. of this tariff. For Type 2157 and non-wire center connected channels the charges for the appropriate residence or business class of service applies. For types 2158 and 2154 and 2156 the Private Line Service rate applies.

A13.2.4 RATES AND CHARGES

	Installation Charge	Monthly Rate
(a) For use with Company-Provided ESSX and Centrex		
- Local Channels, each		
- Type 2156		$ 13.75
(b) For use with Customer-Provided Equipment		
- Local channels, each		
- Type 2145		52.00
- Type 2155		21.25
- Type 2157	$ 41.50	13.50
- Type 2158		16.50
(c) Non-wire center connected channels each		
- Per two point channel		
- Each 1/4 mile or fraction therof		2.30
- Minimum Charge		4.60
(d) Channel Between Buildings on the same premises, each		
- Per two point channel		
- Each 1/4 mile or fraction thereof		2.30
- Minimum charge		4.60

A13. MISCELLANEOUS SERVICE ARRANGEMENTS

	Installation Charge	Monthly Rate
(e) interoffice channel including channel terminals for use with local channels		
- Per channel		
- 1st 1/4 mile		$ 30.50 *
- Each addition 1/4 mile or fraction thereof		1.10

* When furnished jointly with another company which does not concur in this tariff the charge for the 1st 1/4 mile is $15.75.

	Installation Charge	Monthly Rate
(f) The following is a schedule of rates for local channels which terminate outside the Base Rate Area. These rates apply to local channels which terminate outside the Base Rate Area in addition to the rate for the local channel.		
- Band Zone 1 or Geographical Zone A		3.70
- Band Zone 2 or Geographical Zone B		11.10
- Band Zone 3 or Geographical Zone C		22.20
- Band Zone 4		33.30
- Band Zone 5		40.70
(g) Signaling Options Signaling Options required to arrange signaling suitable with local channels used with Customer provided Station Equipment.		
- To arrange a local channel for E & M Type Signaling		
- Per local Channel		
- Types 2154, 2155, 2156	$ 4.75	7.80
- Type 2158	11.00	13.75
- To arrange a Local channel for loop Signaling		

A13. MISCELLANEOUS SERVICE ARRANGEMENTS

	Installation Charge	Monthly Rate
- Per local channel (The customer-provided equipment must supervise up to 1300 ohms.)		
- Type 2158	9.50	0.50
Signaling Arrangement, each		
- Per circuit		
- Type A	83.00	28.50
- Type B	83.00	22.50
- Type C	83.00	13.75

A13.2.5 NONRECURRING CHARGES

A. Service charges for connection, move or change of service

(a) Schedule of Charges

	Channels Bridged In The Wire Center	Charges For Non-Wire Center Connected Channels And For Moving A Local Channel In the Same Building
- All Other Types		
- Service ordering charge		
- Per customer request		
- Type 2158	$ 180.00	$ 97.00
- Type 2154, 2155, 2156	130.00	52.00
- Record type orders only-		
- Visit charge		
- Per premises	20.75	20.75
- Channel connecting charge		
- Per channel provided		
- Type 2155, 2156	125.00	
- Type 2154	100.00	
- Type 2158	75.00	

A13. MISCELLANEOUS SERVICE ARRANGEMENTS

B. Service Expediting Charge

1. When the customer requests that service be provided in advance of normal service intervals, and the Company can comply, a service expediting charge will apply per request in addition to all other service and installation charges normally applicable.

2. Charges

   See Section A4.

A13.3 TIE LINE SERVICE

A13.3.1 RATES AND CHARGES

A. Intraexchange	Monthly Rate
(b) Tie lines in different buildings on the same premises	
- Minimum monthly charge for each tie line	$ 7.20
(c) In the same building	The rate for tie lines provided between systems in the same building is $7.20 per month for each tie line...

A13.4 TOUCH-TONE CALLING SERVICE

A. Touch-Tone Calling Service provides ...

   (1) Deleted.

A13.4.2 APPLICATION OF CHARGES

C. Deleted.

D. Deleted.

A13. MISCELLANEOUS SERVICE ARRANGEMENTS

A13.4.3 RATES AND CHARGES

A. Touch-Tone Calling Service rates and charges ...

	Installation Charge
(a) Individual and Two-Party Line Service	
- Residence, per line or trunk	Deleted
- Business, per line or trunk	Deleted

* Deleted

A13.5 SELECTIVE CLASS OF CALL SCREENING SERVICE

A13.5.2 RATES AND CHARGES

	Service Establishment Charge	Monthly Rate
(a) Once Per System	$ 290.00	
(b) Per Centrex or ESSX-1 main station line equipped for screening		$ 1.25
(c) Per C. O. line, trunk or toll terminal equipped for screening		8.20

A13.9 ARRANGEMENTS FOR NIGHT, SUNDAY AND HOLIDAY SERVICE

B. Rates

	Monthly Rate
(b) Arrangements which involve the use of additional equipment will be provided as follows:	
- Facilities required to provide connection to an alternate telephone number	$ 1.50
- Facilities to permit the completion of calls to dial PBX systems	
- Auxiliary line circuit including night service line, each	5.30

A13. MISCELLANEOUS SERVICE ARRANGEMENTS

A13.13 EMERGENCY REPORTING SERVICES

A13.13.1 UNIVERSAL EMERGENCY NUMBER SERVICE-911*

C. Basic and Charges

e. Optional Features

	Per Basic 911 Exchange Answering Line Equipped Installation Charge	 Monthly Rate
(b) Emergency Ringback	$ 10.25	$ 25.50
(c) Switchhook Status	10.25	11.75

A13.13.2 MUNICIPAL EMERGENCY REPORTING SERVICE

B. Rates and Charges

1. City of Louisville

	Monthly Rate
(a) Within the city	The flat-monthly charge for limits of Louisville each emergency reporting station to be served by concentrator-identifier lines within the city limits of Louisville as of December 28, 1984, will be $37.50

A13.13.3 THE WESCOM 931 EMERGENCY ALERTING SYSTEM

B. Rates and Charges

2. Nonrecurring Charges

The Wescom 931 Emergency Alerting System charges ...

1) Service Establishment Charge	$ 245.00
2) System Additions Charge	215.00

A13. MISCELLANEOUS SERVICE ARRANGEMENTS

3. Central Office Controlled

	Installation Charge	Monthly Rate
(a) Common Equipment (per 20 ports), each	$ 720.00	$ 78.00
(b) Mounting Shelf, each	720.00	46.50
(c) Emergency Reporting Unit, each	36.00	16.00
(d) Emergency Alerting Unit, each	36.00	17.00

A13.19 REMOTE CALL FORWARDING

A13.19.2 RATES AND CHARGES

A. Initial Installation

	Installation Charge	Monthly Rate
(a) Per Feature Arranged for One Access Path		
- Outside the Local Calling Area	$ 14.50	$ 18.50
- Inside the Local Calling Area	14.50	18.50
(b) Additional Access Path		18.50

C. Subsequent Additions and Changes

(a) Additional Access Paths, first addition per occasion	12.50	18.50
(b) Additional Access Paths, at same time as (a) above, each		18.50

A13. MISCELLANEOUS SERVICE ARRANGEMENTS

A13.20 DIRECT-INWARD-DIALING (DID) SERVICE

A13.20.1 RULES AND REGULATIONS

A. DID service permits calls incoming to a PBX or other customer premises equipment from the network to reach a specific station line number without the assistance of an attendant. DID service is provided subject to the availability of facilities and may be furnished from the central office which regularly serves the area in which the customer is located or from a foreign central office equipped to provide DID service subject to the appropriate Company intra and interexchange rates.

B. Rates are in addition to the rates shown elsewhere in this and other Company tariffs for the services and equipment with which this offering is associated.

C. The service includes central office switching equipment necessary for in dialing from the network directly to station lines associated with customer premises switching equipment.

D. The service must be provided on all trunks in a group arranged for inward service. Each trunk group shall be considered a separate service. Grouping Service will not be provided between separate trunk groups.

E. Facilities and operational characteristics of interface signals between the Company-provided connecting arrangements and the customer-provided switching equipment must conform to the rules and regulations the Company considers necessary to maintain proper standards of service.

F. One primary directory listing will be furnished without charge for each separate trunk group. Additional listings can be obtained as specified in Section A6. of this tariff.

G. The customer shall be responsible for providing interception of calls to vacant and nonworking assigned DID numbers by means of attendant intercept or recorded announcement service.

H. DID numbers are provided in blocks consisting of a minimum of 20 consecutive numbers which may be assigned to station lines or reserved for future use at rates specified herein. The Company does not guarantee to provide a number block consecutive to any other number block. The Company will be responsible for interception and administration of reserved numbers.

A13.20.2 RATES AND CHARGES

	Installation Charge	Monthly Rate
(a) Group of 20 Working or Reserved DID Numbers*, each group	$ 480.00	$ 3.40
(b) DID One-Way Inward Trunk Termination in Central Office, each	50.00	26.00

* The Installation Charge applies to the first group of DID numbers assigned to a customer per occasion. These rates and charges are applicable in addition to the rates and charges for the provision of PBX trunks and the associated equipment and services.

A13.21 IDENTIFIED-OUTWARD DIALING (IOD) FROM PRIVATE BRANCH EXCHANGE SYSTEMS

B. The service includes the central office equipment necessary for identification of outgoing Company toll messages and billing of Company toll messages by telephone number. Telephone numbers will be provided at the rates and charges specified in the Direct-Inward-Dialing Service tariff.

A14. AUXILIARY EQUIPMENT

A14.22 TOLL RESTRICTION (BATTERY REVERSAL IN CENTRAL OFFICE)

B. RATES

	Installation Charge	Monthly Rate
(a) Toll Restriction Arrangement (battery reversal) from certain Central Offices per Central Office line or trunk arranged, each	$ 200.00	$ 14.50

A14.23 MULTIPLE LINE CONTROL ARRANGEMENTS

A14.23.1 BREAK IN ROTARY NUMBER GROUP

B. Rates

	Monthly Rate	Basic Termination Charge
(a) Common equipment for the first ten lines	$ 16.50	$ 280.00
(b) For each additional ten lines controlled	13.75	200.00

A14.23.2 LINE OUT-OF SERVICE FEATURE

C. Rates

	Installation Charge	Monthly Rate
(a) Control equipment - Per line	$ 12.00	$ 7.40

A14. AUXILIARY EQUIPMENT

A14.28 MULTI-STATION ONE-WAY CIRCUIT ARRANGEMENT FOR USE IN COMMUNITY DIAL OFFICES

A14.28.2 RATES

	Installation Charge	Monthly Rate
(a) Common Equipment, including auxiliary line equipment at the central office and one connector termination circuit	$ 56.00	$ 12.25
(b) Connector equipment for additional central office line	23.00	4.95

A17. MOBILE TELEPHONE SERVICE

A17.4 RATES

A17.4.1 SERVICE CHARGES

A. Measured Rate Mobile Service

(1) Local Service

Base Station	Mo. Rate for Svc. Incl. 1 hr. of Use of the Radio Line on a Dial Basis
Bowling Green	$ 36.12
Frankfort	36.12
Louisville	47.54
Owensboro	36.12
Paducah	36.12
Pikeville	36.12
Prestonsburg	36.12
Winchester	36.12

(2) Long Distance Service

Regular wire line charges for long distance message telecommunications service apply in addition to the Radio Link charges as provided in A17.4.1a(1) for calls beyond the local service

A18. LONG DISTANCE MESSAGE TELECOMMUNICATIONS SERVICE

A18.3 TWO-POINT SERVICE

A18.3.1 SERVICE BETWEEN LAND WIRE TELEPHONES

A. Service is offered on a Station-to-Station basis, as either Dial, Automated Calling Card, Operator-Assisted Calling Card, or Operator, or on a Person-to-Person basis. These five classes of calls are defined in Section A1., Definition of Terms, under "Long Distance Message Telecommunications Services".

B. Rates and Charges

1. Charges for each Long Distance MTS message between any two points within the state are determined as follows.

c. For any Operator-Assisted Calling Card Station, Automated Calling Card Station, Operator Station, or Person-to-Person message, the Service Charge specified in 4. following is added to the Basic Rate Schedule charge.

2. Basic Rate Schedule

	BASIC RATE SCHEDULE (DAY RATE PERIOD)	
RATE MILEAGE	FIRST MINUTE	EACH ADDITIONAL MINUTE
0 - 10	$ .20	$ .14
11 - 16	.26	.19
17 - 22	.31	.24
23 - 30	.35	.28
31 - 40	.40	.32
41 - 55	.44	.36
56 - 70	.48	.39
71 - 85	.52	.42
86 - 100	.55	.44
101 - 124	.57	.46
125 - 148	.59	.48
149 +	.61	.49

4. Service Charges

	Charge
(a) Station-to-Station:	
- Automated Calling Card	$ 0.50
- Operator-Assisted Calling Card	1.00

A18. LONG DISTANCE MESSAGE TELECOMMUNICATIONS SERVICE

A18.3.3 ENTERPRISE SERVICE (SPECIAL REVERSED CHARGE TOLL)

B. Rates and Charges

1. Each completed call is charged for at the established rate for an Operator Station-to-Station message.

	Monthly Rate
(a) In addition a monthly service charge applies for each listing published in a directory in connection with which this service is furnished. Additional directory listings may be provided at charges shown in Section A6. preceding.	$ 4.95

A18.3.5 INTRA-NPA LONG DISTANCE DIRECTORY ASSISTANCE SERVICE

A. General

1. Intra-NPA Long Distance Directory Assistance Service involves the supplying of assistance in determining, or attempting to determine, the telephone number, name, directory address and/or ZIP Code of a part located outside the local calling area but within the same NPA in the state.

2. Intra-NPA Long Distance Directory Assistance Service allows a subscriber to provide:

a) A name to get telephone number, ZIP Code and/or directory address, and/or

b) A telephone number to get name, ZIP Code and/or directory address, except in instances where customers have specified that these items not be disclosed by telephone number request.

3. Intra-NPA Long Distance Directory Assistance Service does not provide telephone number, name, address or ZIP Code on a private (nonpublished) listing but does furnish these items from informational records on a semiprivate listing.

A18. LONG DISTANCE MESSAGE TELECOMMUNICATIONS SERVICE

B. Application of Charges

1. The charges specified in ...

   a) Deleted.
   b) Deleted.
   c) Residence customers who have been certified by a physician or appropriate agency as unable to use a telephone directory because of a visual or physical handicap, and
   d) Deleted
   e) Customers who make a call for a name, address or telephone number that was incorrectly published in or omitted from the alphabetical section of the directory due to Company error.

2. Chargeable Calls

   For charging purposes ...

   a) Resulting in obtaining telephone number, name, address and/or ZIP Code for a maximum of two subscribers, or

   b) Resulting in obtaining no telephone number, name, address and ZIP Code because there was no such listing, there was a private listing or there was a customer request to not disclose their name and address.

3. An Intra-NPA Long Distance Directory Assistance Service surcharge, as specified in A18.3.5.(c), will be applicable to all calls to Intra-NPA Long Distance Directory Assistance Service handled by the operator

   ("0-") or dialed by the caller ("0+") and billed to other than the originating station (except collect), provided that the "0" operator is not the only means of reaching Intra-NPA Long Distance Directory Assistance.

C. Service Charges

	Charge Per Call
(a) Directory Assistance Service charge	$ 0.30
(b) Directory Assistance Service charge on sent-paid Public and Semipublic Telephone Service calls	0.25
(c) Directory Assistance Service surcharge	0.30

A18. LONG DISTANCE MESSAGE TELECOMMUNICATIONS SERVICE

D. Deleted.

A18.3.6 INTRA-NPA LONG DISTANCE OPERATOR SERVICE REQUIRING TELEPHONE NUMBER ASSISTANCE

B. Application of Charges

1. The charges ...

   a) Deleted.
   b) Deleted.
   c) Deleted.
   d) Deleted.

D. Deleted

A18.3.7 INTRA-LATA LONG DISTANCE VERIFICATION/INTERRUPTION SERVICE

B. Application of Charges

c) Deleted

C. Service Charges

(c) Deleted.
(d) Deleted.

A19. WIDE AREA TELECOMMUNICATIONS SERVICE

A19.1 GENERAL

B. "Dial type telephone communications" as specified in A. above is a call dialed and completed from or to a WATS access line without the assistance of a Company operator, except that a Company operator will:

4) provide Directory Assistance Service for Outward WATS at the rates specified in Sections A3. and A18. of this tariff.

A100. OBSOLETE SERVICE OFFERINGS

A100.21 GROUP EMERGENCY ALERTING AND DISPATCHING SYSTEMS

A100.21.1 RATES AND CHARGES

A. Ten Line System ...

	Installation Charge	Monthly Rate
(a) Common Equipment, including one connector termination circuit		$ 64.00
(b) Connector termination circuit for one additional central office line	$ 16.75	7.50

A100.55 SEMIPUBLIC TELEPHONE SERVICE EQUIPMENT

A100.55.1 OBSOLETED 4-22-77, TYPE C

	Installation and Move Charge	Monthly Rate
(a) Standard indoor booths	$ 175.00 145.00	$ 21.00 22.25

A100.55.2 OBSOLETED 8-11-81, TYPE B

(a) Shelf		2.20
(b) Indoor semi-booth		3.10
(c) Indoor booth		8.60
(d) Outdoor walkup		3.10

A100.55.3 OBSOLETED 8-11-81, TYPE C

(a) Outdoor booth	260.00	42.50

A100. 64 CENTREX SERVICE

A100.64.1 GENERAL

J. Where completion of incoming and outgoing local and long distance calls through a Centrex system is furnished to or from station lines of a separate Centrex system in another exchange, or a non-Centrex system in the same or different exchange, the following charges apply in addition to the regular charges for the facilities connecting the systems:

(1) If both incoming and outgoing calls are arranged to be completed over the regular Centrex trunks, the charge as for 50 percent of a both-way PBX central office trunk with grouping service applies for the maximum number of connections possible at one trunk with grouping service applies for the maximum number of connections possible at one time between the inter-system channels and regular Centrex trunks.

(2) If incoming calls only are arranged to be completed over the regular Centrex trunks, the charge as for an inward-only PBX central office trunk with grouping service applies for each channel determined to be required to handle the call volume.

(3) If outgoing calls only are arranged to be completed over a separate group of trunks, the charge as for a both-way PBX central office trunk applies for each trunk in the separate group.

A100.64.6 RATES

B. Station Lines
1. Centrex I

(a) Main Centrex Station Number Access, at the location with the largest number of main stations. Both Exchange Access and Intercommunication charges following apply.

A100. OBSOLETE SERVICE OFFERINGS

	Monthly Rates Schedule 1	Schedule 2
- Exchange Access Charge		
- First 100 station lines, each	$ 8.45	$ 13.01
- Next 200 station lines, each	4.67	7.18
- Next 600 station lines, each	4.21	6.47
- Over 900 station lines, each	4.21	6.47
(b) Main Centrex Station Number Access, at each additional location. Both Exchange Access and Intercommunication charges following apply.		
- Exchange Access Charge		
- First 100 station lines, each	5.93	9.13
- Next 200 station lines, each	5.93	9.13
- Next 600 station lines, each	4.21	6.47
- Over 900 station lines, each	4.21	6.47

A100.64.7 SERVICE TO U.S. GOVERNMENT-OWNED SYSTEMS SERVING CERTIFIED MILITARY BASES

E. The following rates will apply in lieu of the rates for Centrex service on a per station line basis.

	Monthly Rate
(a) Each incoming central office trunk arranged for dialing station lines direct, in addition to the regular rate for a flat rate trunk	$ 34.50
(b) Minimum monthly charge per system, in addition to the rates and charges for PBX trunks	690.00

A100. OBSOLETE SERVICE OFFERINGS

A100.72 GROUP EMERGENCY ALERTING AND DISPATCHING SYSTEMS

A100.72.2 RATES AND CHARGES

A. Small System - Limited to one dial central office area with a maximum capacity of 63 called lines.

	Monthly Rate
(a) Common Equipment - either single or multigroup basis, maximum of three groups as follows	
- Two groups with a maximum of 42 alerting lines in one group and 21 alerting lines in the second group	$ 225.00
(b) Supplementary Items	
- Line equipment each called line	6.00

B. Twenty-Four Line System - (for use within a single dial central office and having a maximum capacity of twenty-four call receiving individual exchange lines)

	Monthly Rate
(a) Common Equipment for fifteen called lines including two connector terminations.	$ 345.00
(b) Common Equipment for additional called lines up to a maximum of twenty-four called lines, each group of three	42.50

A100.92 SEMIPUBLIC ADDITIONAL STATION SET

(a) Semipublic Additional Station Set (includes Privacy Kit,	7.70

C3. CHANNELS

C3.2 METHODS OF APPLYING RATES

C3.2.11 NONRECURRING CHARGES

(I) Schedule of Charges

	Channel Associated With Interexchange Service	Channel Associated With Intraexchange Service	Charges for providing channels without central connections or for moving a local channel in the same building
Service Ordering Charge Per Customer request			
Series 1000			
Intraexchange			
Type 1101,1102, 1180, 1182		$ 52.00	$ 25.50
Type 1150, 1151		230.00	100.00
Interexchange			
All Types	$ 295.00		140.00
Series 2000			
Intraexchange			
All Types		175.00	100.00
Interexchange			
Type 2050, 2052, 2072	295.00		140.00
All other Types	230.00		140.00
Series 6000			
Intraexchange			
Type 6160, 6170		52.00	100.00
All other Types		140.00	100.00
Interexchange			
All Types	295.00		140.00
Record Ordering Charge			
Type 1101, 1102, 1180, 1182		22.50	

C3. CHANNELS

	Channel Associated With Interexchange Service	Channel Associated With Intraexchange Service	Charge for providing channels without central office connections or for moving a local channel in the same building
All other Series and Types	$ 33.50	$ 33.50	
Visit Charge			
Per Premises			
All Series and Types	20.75	20.75	$ 20.75
Channel Connection Charge Per Local Channel			
Series 1000			
Intraexchange			
Type 1101, 1102, 1108, 1182		19.00	
All Other Types		84.00	
Interexchange			
All Types	195.00		
Series 2000			
Intraexchange			
Type 2153, 2171		68.00	
All Other Types		120.00	
Interexchange			
Type 2054	505.00		
Type 2058	315.00		
All Other Types	275.00		
Series 6000			
Intraexchange			
Channel Not Connected To a Bridging Amplifier Type 6160		57.00	

C3. CHANNELS

	Channel Associated With Interexchange Service	Intraexchange Service
Type 6170		$ 75.00
Type 6161, 6162		115.00
Type 6171, 6172		150.00
Type 6163		190.00
Channel Connected To a Bridging Amplifier		
Type 6160, 6170		75.00
Type 6171, 6172		150.00
Type 6161, 6162		205.00
Type 6163		265.00
Intraexchange Channel Not Channel Connected To A Bridging Amplifier		
Type 6064	$ 190.00	
Type 6065, 6066	410.00	
Channel Connected To a Bridging Amplifier		
Type 6064	320.00	
Type 6065, 6066	680.00	

(L) Service Expediting Charge

1. When the customer requests that service be provided in advance of normal service intervals, and the Company can comply, a service expediting charge will apply per request in addition to all other service expediting charge will apply per request in addition to all other service and installation charges normally applicable. See General Subscriber Services Tariff Section A4. for charge.

C3.3 DESCRIPTION OF SERVICE AND RATES

C3.3.1 SPECIAL SIGNALING SERVICE - SERIES 1000

(D) Rates - Intraexchange Type 1101 and 1102

	Monthly Rate
(1) Local Channel, each,	
Type 1101	$ 9.30
Type 1102	9.30

C3. CHANNELS

	Monthly Rate
(2) Interoffice Channel including the channel terminals for use with Type 1101 and 1102 Per channel 1st 1/4 mile	$ 4.95
each additional 1/4 mile or fraction thereof	3.80
(3) Each additional point of termination of a local channel in a different building on the same premises, per 1/4 mile or fraction thereof	2.30
Minimum charge	
Type 1101	4.60
Type 1102	4.60
(4) Each additional point of termination of a local Channel in the same building or an additional drop wire from the same aerial terminal that serves the local channel (Two Series Leg Service)	
Type 1101	4.60
Type 1102	4.60
(5) Two point service different buildings, same premises, per 1/4 mile or fraction thereof	2.30
Minimum charge	
Type 1101	4.60
Type 1102	4.60
(6) Two point service, same building	
Type 1101	4.60
Type 1102	4.60
(7) Each additional point of termination in the same building for two point service in C3.3.1(D)(5) or (6)	
Type 1101	4.60
Type 1102	4.60

C3. CHANNELS

(E) Rates Interexchange (Type 1002)

	Monthly Rate
(1) Interexchange Channel including the Channel Terminals, Per Channel	
Type 1002	
1st mile	$ 56.00
Each additional mile or fraction thereof	1.40
(2) Interoffice Channel including the Channel terminals for use with the interexchange channel listed in (1) above, per channel	
1st 1/4 mile	13.25
Each additional 1/4 mile or fraction thereof	1.20
(3) Local Channel, each,	
Type 1002	30.50
(4) Additional Point of Termination, different building same premises,	
Each 1/4 mile or fraction thereof	2.30
Minimum Charge	4.60
(5) Additional point of termination in the same building	4.60
(F) Local Area Data Channels	
(5) Rates - Intraexchange	
Local Channel, Each	
Type 1180	9.30
Type 1182	18.75
Two point service different buildings same premises, per 1/4 mile or fraction thereof	2.30
Minimum charge	4.60
Two point service same building	4.60

C3. CHANNELS

C3.2 SUB VOICE GRADE SERVICE - SERIES 1000

(F) Rates - Intraexchange

	Monthly Rates Half Duplex	Monthly Rates Full Duplex
(1) Local Channel, each,		
Type 1150	$ 25.00	$ 27.50
Type 1151	32.00	35.00
(2) Interoffice Channel including the Channel terminals for use with the local channels listed in (1) above, Per channel		
1st 1/4 mile	26.00	26.00
Each additional 1/4 mile or fraction thereof	1.10	1.10
(3) Each additional point of termination of a local channel in a different building on the same premises, per 1/4 mile or fraction thereof	2.30	2.30
Minimun charge		
Type 1150	4.60	4.60
Type 1151	4.60	4.60
(4) Each additional point of termination of a local channel in the same building		
Type 1150	4.60	4.60
Type 1151	4.60	4.60
(5) Two-point service, different buildings, same premises per 1/4 mile or fraction thereof	2.30	2.30
Minimum charge		
Type 1150	4.60	4.60
Type 1151	4.60	4.60

C3. CHANNELS

		Monthly Rates	
		Half Duplex	Full Duplex
(6) Two-point service, same building			
	Type 1150	$ 4.60	$ 4.60
	Type 1151	4.60	4.60
(7) Each additional point of termination in same building for two-point service in (5) and (6) preceding			
	Type 1150	4.60	4.60
	Type 1151	4.60	4.60

(8) A station arrangement is required for stations on certain types of 1000 Series channels. Monthly charges as set forth below apply for each station

	Installation Charge	Monthly Rate
Type 1151		
Where all stations are located on same premises, each station	$ 45.00	$ 12.00
Where any stations of a system are located on different premises, non-wire center connected, each station	45.00	18.50

(G) Rates - Interexchange

		Monthly Rates	
		Half Duplex	Full Duplex
(1) Interexchange Channel including the Channel Terminals, Per Channel			
	Type 1050 and 1051 1st mile	$ 56.00	$ 56.00
Each additional mile or fraction thereof			
	Type 1050	1.40	1.40
	Type 1051	1.80	1.80

	Monthly Rates Half Duplex	Full Duplex
(2) Interoffice Channel including the Channel terminals for use with the interexchange channels listed in (1) above, Per Channel		
1st 1/4 mile	$ 13.25	$ 13.25
Each additional 1/4 mile or fraction thereof	1.20	1.20
(3) Local Channel, each,		
Type 1050	29.50	32.00
Type 1051	33.50	37.00
(4) Each additional point of termination of a local channel, different building on the same premises, per 1/4 mile or fraction thereof	2.30	2.30
Minimum Charge		
Type 1050	4.60	4.60
Type 1051	4.60	4.60
(5) Each additional point of termination of a local channel in same building		
Type 1050	4.60	4.60
Type 1051	4.60	4.60

C3.3.3 VOICE GRADE SERVICE - SERIES 2000

(E) Rates - Intraexchange

	Monthly Rate
(1) Local Channel, Each,	
Type 2150	$ 50.00
Type 2152	50.00
Type 2153	11.50
(2) Interoffice Channel including the Channel terminals for use with Series 2000 intraexchange local channels, Per Channel 1st 1/4 mile	30.50
Each addtional 1/4 mile or fraction thereof	1.10

	Monthly Rate
(3) Each Additional point of termination of a local channel in a different building on the same premises,	
Per 1/4 mile or fraction thereof	$ 2.30
Minimum Charge	4.60
(4) Each additional point of termination of a local channel in the same building	4.60
(5) Two-point service different buildings same premises, per 1/4 mile or fraction thereof	
Half Duplex	2.30
Duplex	2.30
Minimum Charge	4.60
(6) Two-point service, same building	
Half Duplex	4.60
Duplex	4.60
Each additional point of termination in the same building for two-point service in (5) or (6) preceding	
Half Duplex	2.30
Duplex	2.30
(7) Different building, different premises, non wire center connected; per channel	
Half Duplex	2.30
Each 1/4 mile	9.20
Minimum charge	
Full Duplex	
Each 1/4 mile	4.60
Minimum charge	18.50
(F) Rates - Interexchange	
(1) Interexchange Channel including the Channel terminals for use with all series 2000 channels, Per Channel	
1st mile	66.00
Each additional mile or fraction thereof	3.15

C3. CHANNELS

	Monthly Rate
(2) Interoffice Channel including the Channel terminals for use with all interexchange channels associated with Series 2000 service, Per Channel 1st 1/4 mile	$ 14.50
Each additional 1/4 mile or fraction thereof	0.65
(3) Local Channel, each,	
Type 2050	49.00
Type 2052	49.00
Type 2053	20.75
Type 2054	49.00
Type 2055	34.00
Type 2056	26.50
Type 2058	28.00
(4) Each additional point of termination of a local channel in a different building on the same premises, per 1/4 mile or fraction thereof	2.30
Minimum Charge	4.60
(5) Each additional point of termination of a local channel in the same building	
Minimum Charge	4.60
(G) Telemetry/Alarm Bridging Service (TABS) Channels	
(2) Rates	
Intraexchange	
Local Channel, each	
Type 2171	11.50
Type 2172	Deleted
Interexchange	
Local Channel, each	
Type 2071	20.75
Type 2072	Deleted

C3. CHANNELS

C3.3.4 SCHEDULE OF RATES FOR LOCAL CHANNELS WHICH TERMINATE OUTSIDE THE BASE RATE AREA.

(A) The following rates apply to local channels which terminate outside the Base Rate Area. These rates apply in addition to the rate for the local channel as defined in C3.2.9 preceding.

	Monthly Rate
(1) This Company's Exchanges	
Band Zone 1 or Geographical Zone A	$ 3.70
Band Zone 2 or Geographical Zone B	11.10
Band Zone 3 or Geographical Zone C	22.20
Band Zone 4	33.30
Band Zone 5	40.70
(2) Exchanges of the General Telephone Company of Kentucky	
Zone 2	3.70
Zone 3	11.10
Zone 4	22.20
Zone 5	33.30
Zone 6	40.70
(3) All Other Companies' Exchanges Each 1/4 mile or fraction thereof airline measurement from the Base Rate Area boundary	1.85

C3.3.5 CUSTOMER OPERATING CENTER SERVICE

(K) Monthly Rates

(1) Per complement of cable pairs.

DISTANCE IN 1/4 MILE OR FRACTION THEREOF	COC SERVICE CABLE SIZE			
	50 Pairs	100 Pairs	200 Pairs	300 Pairs
1/4 MILE	$ 0.00	$ 0.00	$ 0.00	$ 0.00
1/2 MILE	255.00	260.00	320.00	450.00
3/4 MILE	535.00	545.00	685.00	945.00
4/4 MILE	840.00	865.00	1115.00	1540.00
5/4 MILE	1080.00	1115.00	1385.00	1925.00

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DISTANCE IN 1/4 MILE OR FRACTION THEREOF	COC SERVICE CABLE SIZE 400 Pairs	600 Pairs	900 Pairs	1200 Pairs
1/4 MILE	$ 0.00	$ 0.00	$ 0.00	$ 0.00
1/2 MILE	450.00	605.00	780.00	1025.00
3/4 MILE	945.00	1265.00	1640.00	2100.00
4/4 MILE	1540.00	2070.00	2690.00	3440.00
5/4 MILE	1925.00	2580.00	3340.00	4280.00

(2) Per Local Channel Activated

LOCAL CHANNEL PROVIDED WITHIN A CABLE WHOSE AIRLINE DISTANCE IS	TYPE OF LOCAL CHANNEL ACTIVATED 1101	1102	2150 2172	2152	2153 2171
1/4 MILE	$ 2.30	$ 2.30	$ 15.75	$ 34.00	$ 2.30
1/2 MILE	2.30	2.30	17.00	35.00	2.30
3/4 MILE	2.30	2.30	17.50	36.00	2.30
4/4 MILE	2.30	2.30	18.75	37.50	2.95
5/4 MILE	2.30	2.30	20.25	38.50	4.95

C3.3.8 CHANNELS FOR AUDIO AND WIRED MUSIC MULTIPOINT DISTRIBUTION SERIES 6000

(F) Audio Channels

(1) Types and Description

C3. CHANNELS

(j) Rates and Charges Intraexchange

	Monthly Rate: Channels Not Connected to a Bridging Amplifier	Monthly Rate: Channels Connected to a Bridging Amplifier
Local Channels, Each		
Type 6160	$ 11.00	$ 9.30
Type 6161	33.00	64.00
Type 6162	34.00	66.00
Type 6163	46.50	

	Channels Not Connected to a Bridging Amplifier	Channels Connected to one Bridging Amplifier	Monthly Rate: Channels Connecting Bridging Amplifier
Interoffice channels including the channel terminals, per 1/4 mile or fraction thereof, per channel			
1st 1/4 mile			
Type 6160	$ 27.00	$ 27.50	$ 21.25
Type 6161	48.50	39.00	25.00
Type 6162	49.00	39.00	25.00
Type 6163	84.00		

	Monthly Rate
Each Additional 1/4 Mile	
Type 6160	$ 1.10
Type 6161	1.60
Type 6162	1.90
Type 6163	3.75

C3. CHANNELS

(k) Rates and Charges - Interexchange

	Monthly Rate: Channels Not Connected to A Bridging Amplifier	Monthly Rate: Channels Connected to A Bridging Amplifier
Two-Point Interexchange Audio Type 6064, 6065 and 6066		
Local Channels, each		
Type 6064	$ 20.75	$ 29.50
Type 6065	55.00	46.50
Type 6066	56.00	55.00

	Monthly Rate
Interoffice channels including the channel terminals, per 1/4 mile or fraction thereof, per channel	
First 1/4 Mile	
Type 6064	$ 13.25
Type 6065	25.00
Type 6066	37.50
Each Additional 1/4 Mile	
Type 6064	1.20
Type 6065	1.60
Type 6066	1.80

	Monthly Rate: Channels Not Connected to a Bridging Amplifier	Monthly Rate: Channels Connected to a Bridging Amplifier(s)
Interexchange channels including the channel terminals, per mile or fraction thereof, per channel		
First Mile		
Type 6064	$ 67.00	$ 85.00
Type 6065	130.00	160.00
Type 6066	190.00	225.00

	Monthly Rate
Each Additional Mile	
Type 6064	$ 3.15
Type 6065	4.95
Type 6066	7.10

(G) Wire Music

	Monthly Rate
(a) Type 6170	9.30
(b) Type 6171	21.00
(c) Type 6172	21.25

Distribution amplifiers and associated bridging arrangements (maximum capacity 299 channels)

	Monthly Rate
(a) initial 30 channel arrangement	64.00
(b) each additional 30 channel arrangement	30.50

(3) Rates and Charges

Distribution amplifiers, per central office

	Installation Charge	Monthly Rate
(a) 10 lines	$ 140.00	$ 32.00
(b) 12 to 48 Lines	160.00	34.50
(c) 50 to 98 Lines	175.00	37.00
(d) 100 to 250 Lines	190.00	39.00
(e) Spare Amplifiers, each	56.00	12.75

C3.3.10 CONDITIONING OPTIONS - AVAILABLE FOR TYPES 2050, 2052, 2150 AND 2152

(B) Rates and Charges

(1) When, at the request of the customer, a channel is conditioned in accordance with the specifications in (A) preceding, conditioning charges apply as set forth below.

C3. CHANNELS

	Installation Charge	Monthly Rate
Type C1		
Intraexchange		
- On a two- point channel		
- each station	$ 37.00	$ 12.00
- on a multi-point channel		
- each station	37.00	23.00
Interexchange		
- on a two-point channel not arranged for switching		
- for the first station in an exchange	37.00	23.00
- on a multi-point channel		
- for the first station in an exchange	37.00	39.00
- for each additional station the same channel and in the same exchange as the first station	37.00	12.00
Type C2		
Interexchange and Intraexchange		
- For the first station in an exchange		
- On a two-point channel not arranged for switching	46.00	68.00
On a multi-point channel	92.00	87.00
For each additional station on the same channel and in the same exchange as the first station	18.50	37.00
Type C4		
Interexchange and Intraexchange		
For the first station in an exchange		
On a two-point channel not arranged for switching	92.00	74.00

C3. CHANNELS

	Installation Charge	Monthly Rate
Type D1		
- on a two-point channel not arranged for switching		
- per channel	$ 280.00	$ 28.00

PRIVATE LINE SERVICE TARIFF

C3.3.12 MULTIPOINT SERVICE

(B) Rates and Charges

(1) Charges are applicable where, 1) more than two Local Channels, or 2) one or more Local Channels and more than one Interoffice or Interexchange Channel, or 3) more than one Local Channel and one Interoffice or Interexchange Channel are bridged or hubbed at the same central office (wire center).

	Installation Charge	Monthly Rate
(a) Series 1000		
Bridging arrangement for use with interexchange service		
Per bridged interexchange channel, interoffice channel or local channel		
Type 1002	$ 39.50	$ 56.00
Type 1050	39.50	56.00
Type 1051	39.50	61.00
Bridging arrangement for use with intraexchange service		
Per bridged interoffice channel or local channel		
Type 1150 and 1151	39.50	26.50

(b) Series 2000

Bridging arrangement for use with interexchange or intraexchange service

	Installation Charge	Monthly Rate
Per bridged interexchange channel, interoffice channel or local channel		
Type 2053 and 2153	$ 39.50	$ 21.25
Type 2052, 2071, 2152 and 2171	39.50	10.75
Type 2050 and 2150	39.50	9.30

C3.3.14.1.544 MEGABIT SERVICE

D. Rates and Charges

1. Digital Access Line is furnished between a central office and the customer's premises. Charges are based on the airline distance between the central office and the customer's premises.

	Installation Charges	Monthly Rate
(a) Digital Access Line, each		
- First 1/2 Mile	$ 145.00	$ 86.00
- Each Additional 1/2 Mile, or fraction thereof		60.00
(b) Interoffice Channel, each		
- Per Airline Mile, or fraction thereof		84.00
(c) Channel Service Unit, each		
- For transmission speeds of		
- 1.544 Mbps		74.00

C4. EQUIPMENT

C4.1 GENERAL

C4.1.7 MAINTENANCE OF SERVICE CHARGE

	Nonrecurring Charge
(a) Maintenance visit charge, as specified in Paragraph C2.6.14 preceding, each visit	$ 150.00

C4.2 VOICE COMMUNICATING EQUIPMENT

C4.2.1 SIGNALING

A. Associated With Intraexchange Channels

1. Signaling arrangements are provided at the customer's option to arrange local channels for suitable signaling at the following rates and charges. The rates and charges apply per local channel equipped.

Signaling Options	For Use With Local Channel Types	Installation Charges	Monthly Rate
Manual Ringdown	2153	$ 7.90	$ 13.25
Automatic Ringdown	2153	23.75	5.40
E & M Signaling	2153	11.00	13.75
DC Control Circuit - One-Way Signaling	2153	7.10	2.00
Loop Signaling	2153	9.50	0.50

2. Signaling requiring on-premises signaling equipment

C4. EQUIPMENT

	Monthly Rate
(a) Private Line Terminal Equipment - For use where the line terminates in a regular common battery telephone - Lines equipped for ringdown signaling - Per termination	$ 4.20
(b) Lines for two-way automatic or one-way automatic and one-way ringdown - Per termination	4.75 4.20

B. Associated With Interexchange Channels

1. Signaling arrangements are provided at the customer's option to arrange channels for suitable signaling at the following rates and charges. The rates and charges apply per local channel equipped.

Signaling Options	For Use With Local Channel Types	Installation Charge	Monthly Rate
Manual Ringdown	2053	$ 87.00	$ 24.50
Automatic Ringdown	2053	23.75	18.75
E & M	2053	120.00	27.50
	2054, 2055 & 2056	23.75	20.25
	2058	105.00	24.25
Loop Signaling	2058	23.75	13.75
DC Control Circuit - One-Way Signaling	2053	125.00	15.00

3. Furnished for use PBX-to-PBX and PBX-to-Centrex CO Tie lines with E & M signaling interfaces with Customer-Provided Equipment.

4. For use with PBX (or similar) off-premises channels for Customer-Provided Equipment.

C4. EQUIPMENT

	Installation Charge	Monthly Rate
(a) Signaling Arrangement, each		
- Per circuit		
- Type A	$ 85.00	$ 46.00
- Type B	85.00	37.50
- Type C	85.00	30.50

C. Dial Selector Signaling and Switching

3. Key selector signaling (Receiving)

	Monthly Rate
(a) Per Station, or predetermined group of stations within an exchange, equipped to receive a given signal	$ 12.25

C5. OBSOLETE SERVICE OFFERINGS

C5.4 CHANNELS

C5.4.1 SERIES 6000

	Monthly Rate
(a) Charges for a channel wholly within a building or between buildings on the same premises	
- For 500 feet or fraction thereof, route measurement	$ 0.50

E3. RATES AND CHARGES

E3.1 GENERAL

E3.2 CHANNEL SERVICE UNIT

A. Deleted.

	Monthly Rate
(a) Channel Service Unit, each - for Transmission speeds of	
- 2.4 Kbps	$ 28.50
- 4.8 Kbps	31.50
- 9.6 Kbps	31.50
- 56 Kbps	35.00

E3.3 DIGITAL ACCESS LINE

E3.3.1. A Digital Access Line (DAL) provides a path between a station and the Principal Telephone Company Central Office (HUB). There are two types of DAL as follows.

	Nonrecurring Charge	Monthly Rate
(a) Type 1		
- 2.4 Kbps	$ 160.00	$ 115.00
- 4.8 Kbps	160.00	140.00
- 9.6 Kbps	160.00	225.00
- 56.0 Kbps	220.00	395.00
(b) Type 2		
- 2.4 Kbps	$ 160.00	$ 145.00
- 4.8 Kbps	160.00	170.00
- 9.6 Kbps	160.00	255.00
- 56.0 Kbps	220.00	455.00

	Monthly Rate Per Airline Mile
- 2.4 Kbps	$ 2.55
- 4.8 Kbps	2.90
- 9.6 Kbps	3.60
- 56.0 Kbps	10.00

E3.4 MULTI-STATION ARRANGEMENT

E3.4.1 A Multi-Station Arrangement is required to provide for Dataphone Digital Service between three or more stations. This rate applies per station arranged.

E3. RATES AND CHARGES

	Monthly Rate
(a) Multi-Station Arrangement	
- Per Station	
- 2.4 Kbps	$ 21.50
- 4.8 Kbps	21.50
- 9.6 Kbps	21.50
- 56.0 Kbps	21.50

E3.5 ANALOG DIGITAL ADAPTOR

E3.5.1 An analog digital adaptor permits the connection of an (analog) private line service and a Dataphone Digital Service operator at a speed of 2.4, 4.8, or 9.6 Kbps

	Monthly Rate
(a) Analog Digital Adaptor	
- 2.4 Kbps DSU	$ 235.00
- 4.8 Kbps DSU	305.00
- 9.6 Kbps DSU	475.00

E3.16 CHANNELS BETWEEN DIGITAL CITIES

E3.16.1 The rates set forth below apply for each two-point channel section furnished between Principal Telephone Company Central Offices listed in Section E4. following.

	Fixed Monthly Rate
(a) Two-point channel	
- 2.4 Kbps	$ 145.00
- 4.8 Kbps	360.00
- 9.6 Kbps	505.00
- 56.0 Kbps	720.00

	Monthly Per Airline Mile
- 2.4 Kbps	$ 0.35
- 4.8 Kbps	0.75
- 9.6 Kbps	1.10
- 56.0 Kbps	6.40