

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF CONTINENTAL TELEPHONE)
COMPANY OF KENTUCKY OF AN) CASE NO. 9230
ADJUSTMENT IN ITS RATES)

O R D E R

IT IS ORDERED that Continental Telephone Company of Kentucky shall file an original and 12 copies of the following information with the Commission by February 20, 1985, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets is required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately. If neither the requested

information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

Testimony and Exhibits of Dr. Charles E. Olson

1a. Are the four telephone companies listed on schedule number 1, of Dr. Olson's testimony, the only companies that met the criteria on page 14 of his testimony?

b. If not, provide a list of all other companies meeting the criteria.

2. Provide the workpapers used to calculate the growth rates shown on schedules 4 through 6 of Dr. Olson's testimony.

Testimony and Exhibits of Lloyd W. Darden, Jr.

1. Mr. Darden, assuming your transfer for Uniontown is approved, do you intend to include Uniontown's acquisition in this case. If so, please prepare exhibits showing this acquisition. If not, do you plan to adopt Uniontown's existing rates and operate as a independent entity.

2. In your discussion of DCRIS and NeMAC on pages 7 and 8, you state that the efficiencies gains from these systems have lead to the reduction in manpower of 40 employees. How does the savings of this reduction in manpower compare to the costs of these new systems.

Testimony and Exhibits of Margaret A. Small

1. Explain the adjustment made at Schedule 3, Item 1, for interstate toll loss. Specifically, what changes in 1984 separations procedures caused the adjustment? Also, if the adjustment is related to interstate toll, why is the adjustment made to

intrastate operations? Provide documentary support as necessary.

2. At Schedule 3, Item 4, separate intrastate toll revenue per books to show interlata revenue by rate category (e.g., switched access, special access, etc.) and intralata revenue by settlement category (e.g., MTS/WATS settlements, foreign exchange and private line settlements, etc.). Also, reconcile any difference that may exist between the exhibit and this information.

3. Itemize all CABS recurring and non-recurring expenses allocated to the intrastate jurisdiction and included in this case.

4. Provide the data on which the interlata and intralata official toll adjustments were based.

5a. On what basis does Continental conclude that intralata official toll will be reported to the intralata distribution fund beginning June 1985? Provide documentary support as necessary.

b. Assuming that intralata official toll will be reported to the intralata distribution fund beginning June 1985, will not such reporting increase revenues in the intralata distribution fund available for residual distribution to members? If not, why not? If so, estimate increased residual distribution to Continental?

6. Modify the adjustment made at Schedule 3, Item 25, to reflect the detariffing of mobile telephone equipment as necessary to conform with the Commission's Order in Administrative Case No. 269, dated January 30, 1985.

7. Provide all data, studies, and workpapers on which the incremental increase in investment at Schedule 3, Item 26, Page 1, was based.

8. Provide all data, studies, and workpapers on which the incremental increase in local service revenue at Schedule 3, Item 26, Page 2, was based.

9. Provide all data, studies, and workpapers on which the adjustment due to loss of terminal equipment at Schedule 3, Item 27, Page 1, was based.

10. Please explain why no adjustment was made to public telephone revenue.

11. Please provide the level of capital including JDITC applicable to the total rate case of \$73,932,154. Also provide the level of capital on an intrastate basis.

12. Provide an explanation of the differences between the plant in service levels shown in response to Item 11a of the December 20, 1984, data request and Schedule 2, Items 1 and 2. Also provide the differences between 11d and 11f and the above schedules.

13. Please provide an explanation of the changes to the following accounts:

Account 602 Repair of Outside Plant	\$640,125
Account 605 Repair of Station Equipment	<249,645>
Account 605.1 Station Connections-Material Expenses	<366,274>
Account 662.20 Revenue Accounting	125,765
Account 675 Other Expense-General	196,401

14. Please provide a revised Schedule 3, Item 23, page 2, showing the inclusion of JDITC.

15. Please provide a detailed explanation of the increase to relief and pension expense with supporting documentation.

16. Please identify all expenses included in the test period which was non-recurring in nature related to legal, accounting or administrative costs of the divestiture of AT&T.

a. Please provide normal depreciation expense for Account 231.30 - Station Apparatus.

b. What other options has Continental considered in lieu of the proposed amortization?

c. Have you considered transferring the balance below-the-line?

17. Please provide the source and derivation of the \$191,775 shown on Schedule 3, Item 10.

18a. Provide underlying documentation supporting the wage adjustment of anticipated 6 percent wage adjustment for December, 1984 and February 1985:

b. For the anticipated 5 percent wage adjustment for December 1985 and February 1986.

c. How do you support these levels of wage adjustment considering the expected outlook of today's economy.

d. Can you identify any other business which have granted this level of wage adjustment in the recent past?

Testimony of David W. Tuthill

1. Provide a billing analysis of interlata access services showing annualized end-of-period revenues under interim access services rates.

2. Provide a billing analysis of interlata access services showing annualized end-of-period revenues under NECA access services rates.

3. Provide an analysis of all 1984 intralata pool settlements, on a monthly basis, including foreign exchange and private line settlements.

Testimony and Exhibits of Ronald A. Czerniec

1. Provide a billing analysis of local services not included in Schedules 1-10, showing annualized end-of-period revenues.

2. Provide end-of-period billing units for items in Schedules 1-10, where "monthly units" are shown as "varies."

3. Provide any available service connection charges cost studies.

4a. Provide any available mileage rate cost studies.

b. Provide any available demand or elasticity studies to support the claim that "increases in mileage charges would act to deter customers from upgrading to one-party service."

5. Provide any available directory listing cost studies.

6a. Provide a copy of the Continental's local directory assistance contract with South Central Bell.

b. Provide an analysis of local directory assistance revenues and expenses under Continental's contract with South Central Bell.

c. Provide any available local directory assistance cost studies.

7a. Provide any available touch calling cost studies.

b. Provide any available demand or elasticity studies to support the claim that increases in touch calling rates would 'hinder growth in touch calling subscriptions.'

8a. Provide any available custom calling cost studies.

b. Provide any available demand or elasticity studies to support the claim that increases in custom calling rates would 'hinder growth in custom calling subscriptions.'

9. Under the present rate group structure, provide an analysis of average end-of-period local service billing by rate group and class of service, and showing average exchange access, outside base rate area mileage, local private line, and miscellaneous billing. Also, list all items lumped under miscellaneous billing.

10. Under the proposed rate group structure, provide an analysis of average proposed local service billing by rate group and class of service, and showing average exchange access, outside base rate area mileage, local private line, and miscellaneous billing. Also, list all items lumped under miscellaneous billing.

11. Under the present rate group structure, provide an analysis of average end-of-period intralata toll billing by rate group and class of service, and showing MTS/WATS, toll private line, and miscellaneous toll billing. Also, list all items lumped under miscellaneous billing.

12. Please provide documentation for all the proposed rate changes, giving the basis for each change and a detailed

explanation of how the changes were derived. Provide work papers or any other supporting documentation.

13. Please explain the allocation factors utilized in arriving at the proposed rate changes (for each service), in exhibit 1. How was the revenue requirement allocated among the rate groups?

14. Provide cost studies in support of all rate changes proposed in this case. How do these costs compare with services not affected in this Case?

15. Please calculate for each service listed in exhibit 1, its component percentage of total annual revenue before and after the proposed rate changes. How do the results obtained compare with industry averages?

16. How has the "Cost Causer Pay" principle been included in the design of the rates in this case?

17. Please give documentation supporting your decisions as to which services needed rate adjustment to reduce the suggested revenue shortfall.

18. Please provide any documentation available in support of the proposed structural changes to the basic local exchange rate schedule, as discussed in your testimony.

Testimony and Exhibits of William Oberdorfer

1. At page 3 of your testimony, you state that the "sharing of expertise provides economies of scale." What studies has Continental conducted which specifically identify these economies of scale.

2. Please provide a copy of the Ernst & Whinney Study.

3. On page 6, you state that it would not be feasible to perform a cost analysis as required. With this in mind, what actions has Continental of Kentucky taken to support its position? What actions has Continental taken to control these expenses?

4. Please provide affiliated expenses as a percentage of Continental of Kentucky expense for the test year and the last 5 years. Show supporting documentation.

Done at Frankfort, Kentucky, this 5th day of February, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Demaris
For the Commission

ATTEST:

Secretary