

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF WEST KENTUCKY RURAL)
TELEPHONE COOPERATIVE CORPORATION, INC.)
FOR A CERTIFICATE OF CONVENIENCE AND) CASE NO. 9825
NECESSITY AUTHORIZING IT TO CONSTRUCT)
ADDITIONAL TELEPHONE LINES AND OTHER)
FACILITIES

O R D E R

IT IS ORDERED that West Kentucky Rural Telephone Cooperative Corporation, Inc., ("WKRTCC") shall file an original and 10 copies of the following information with the Commission, with a copy to all parties of record. The information requested herein is due no later than July 15, 1986. If the information cannot be provided by this date, you should submit a motion for an extension of the time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

1. Show the economic benefit of concentrating toll traffic in Folsomdale versus upgrading the present method of toll routing. An engineering economic study is suggested; however another method may be substituted if it adequately demonstrates these benefits. Suggested guidelines are:

a. Assume the existence of digital switching and ignore common costs.

b. Since extreme precision is not required, details such as tax effects may be ignored.

c. The direct costs associated with microwave, such as towers and huts, as well as the indirect costs, such as the extra trunking, toll interconnection, and the additional cost for the toll switch in Folsomdale, should be included under the microwave plan.

d. The cost of either not having centralized administration and maintenance or of providing this in some other fashion, whichever is less, should be included as a cost of upgrading present facilities. Alternatively, this cost could be reflected as a credit to the microwave plan.

e. If remote trunking is not already planned, it is permissible to only consider trunking from the host offices unless this would require significant facility reinforcement along these routes.

f. Since equipment lives will not be identical, the manner in which this is accounted for should be explained. For instance, one method is to convert initial investments into discounted annualized amounts and then credit the discounted amounts that occur beyond the study period. Other methods may be used.

g. If an annualization of initial investments results in an economic advantage to the microwave plan, no further analysis is required. Otherwise, the differences in annual revenues and expenses should be considered. A breakdown should be provided, as well as a brief explanation on how these were estimated.

h. The study period is discretionary. At least 10 years is suggested.

i. Equipment lives should be based on depreciation rate parameters. Either WKRTCC or Average Schedule parameters may be used. Different lives may be used; however these should be supported or explained.

j. Documentation showing the data used in the calculations should be provided.

2. Provide estimates of the change in costs as a result of using remotes with back-door trunking capability. Identify these changes by category and in relation to the cost estimates supplied in the March 23, 1987, amended filing. For identification purposes, these sheets are labeled as "***CONSTRUCTION COST ESTIMATE**" and are dated May 15, 1985.

3. The following questions pertain to the April 29, 1987, Order and responses:

a. Item 14 requested that an analysis be provided showing the economic benefit to the cooperative members by providing intrasystem toll. The response indicated that no net economic benefit was apparent and therefore this option was not pursued. Since the submitted design appears to contain most of the equipment necessary for intrasystem toll switching, what additional investment is required? What other factors influenced this decision?

b. Item 17 requested an explanation for the investment of \$476,808 planned for the Mayfield headquarters facility. The response merely provided a break-down of this amount,

which had already been provided. Please explain why this investment is necessary, especially since the narrative originally filed indicated that the building addition was required for the master central switch and this switch is no longer planned.

c. The response to Item 22 indicated that it is intended to move the Hardin central office approximately 3,300 cable route feet. However, the detailed Hardin cost estimates do not reflect this. Provide estimates of these costs. Are these costs included in the summaries provided?

d. Items 22 and 23 requested an explanation for selecting Hardin as a host site over the alternatives of a Fairdealing host or stand-alone switches in both offices. The reason given for not selecting stand-alone switches in these offices was the additional costs for ticketing and associated trunking. Why were these costs not included in the stand-alone cost estimates?

4. The construction cost estimate for the Folsomdale office, Item 3.d. "Outside Plant, Other, Toll Interconnect" lists an amount of \$194,000. Briefly describe the purpose of this investment.

5. The construction cost estimate for the Sedalia office, Item 3.d. "Outside Plant, Other, T-Screen 2.5 mi to Mayfield" lists an amount of \$26,437. According to the trunking diagrams, the present facilities are analog, the original filing shows planned T-Carrier, and the revised filing shows no facilities. Does this represent the cost of upgrading the present facilities?

Done at Frankfort, Kentucky, this 9th day of June, 1987.

PUBLIC SERVICE COMMISSION

Richard D. Weman
For the Commission

ATTEST:

Executive Director