

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

SEPARATION OF COSTS OF REGULATED)
TELEPHONE SERVICE FROM COSTS OF) ADMINISTRATIVE
NONREGULATED ACTIVITIES) CASE NO. 321

O R D E R

In an Order dated December 29, 1987, the Commission initiated an investigation into the need for procedures for separating costs of regulated telephone service from the nonregulated activities of Kentucky telephone companies and their affiliates. The proceeding is a result of the Federal Communications Commission's ("FCC") action in CC Docket 86-111.¹

Subsequent to the release of its December 29, 1987, Order the Commission received numerous Motions for Extensions of Time to respond to the Order. On January 29, 1988, the Commission granted an Extension of Time until March 17, 1988, for all parties to respond to the Order dated December 29, 1988.

¹ Separation of Costs of Regulated Telephone Service from Costs of Nonregulated Activities.

Amendment of Part 31, the Uniform System of Accounts for Class A and Class B Telephone Companies to Provide for Nonregulated Activities and to Provide for Transactions Between Telephone Companies and Their Affiliates.

In its Motion for Extension of Time filed January 22, 1988, the Independent Telephone Group ("ITG")² requested that the Commission establish a working task force comprised of Commission Staff and ITG representatives. The purpose of the proposed task force would be to discuss an allocation plan to be implemented by all average schedule companies.

Having reviewed the responses to the Commission's Order of December 29, 1987, and in recognition of the pending final FCC decisions for those telephone utilities filing cost allocation manuals, the Commission is of the opinion that this case should proceed at two levels.

The first level will consist of those telephone utilities which were required by the Order of December 29, 1987, to file cost allocation manuals with the FCC. Their manuals were implemented effective January 1, 1988, on an interim basis, subject to FCC final approval. At this date, of the telephone utilities operating in Kentucky, only South Central Bell Telephone

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Ballard Rural Telephone Cooperative Corporation, Inc., Brandenburg Telephone Company, Inc., Duo County Telephone Cooperative Corporation, Inc., Foothills Rural Telephone Cooperative Corporation, Inc., Harold Telephone Company, Inc., Highland Telephone Cooperative, Inc., Leslie County Telephone Company, Inc., Lewisport Telephone Company, Inc., Logan Telephone Cooperative, Inc., Mountain Rural Telephone Cooperative Corporation, Inc., North Central Telephone Cooperative, Inc., Peoples Rural Telephone Cooperative Corporation, Inc., Salem Telephone Company, South Central Rural Telephone Cooperative Corporation, Inc., Thacker-Grigsby Telephone Company, Inc., West Kentucky Rural Telephone Cooperative Corporation, Inc.

Company's filing by its parent BellSouth Corporation ("Bell South") has been reviewed by the FCC. Only recently has BellSouth filed its revised manual with the FCC, and final approval has not yet been granted. For other telephone utilities filing manuals, the review process is only beginning. Thus, the Commission will delay the proceedings for the large telephone utilities until such time as the FCC completes its review and enters its final decision. The Commission requires that any filings and/or modifications made to those manuals filed with the FCC be provided and filed as part of this case in a timely manner.

Level two involves those telephone utilities participating in the ITG. These utilities are presently operating under guidelines established in Administrative Case Nos. 257, The Detariffing of Customer Premises Equipment Purchased Subsequent to January 1, 1983 (Second Computer Inquiry, FCC Docket 20828), and 269, The Sale and Detariffing of Embedded Customer Premises Equipment. With the implementation of the new Uniform System of Accounts on January 1, 1988, these guidelines probably became obsolete. Thus, the Commission is of the opinion that absent cost allocation manuals, as required for Class A telephone utilities, each member of the ITG should reestablish procedures to identify its nontariffed activities. For purposes of this Administrative Case, Continental Telephone Company of Kentucky and Alltel Kentucky, Inc., will be treated as Class A Utilities.

Further, the Commission believes that the ITG's request for a task group has merit and will grant the request. The task group

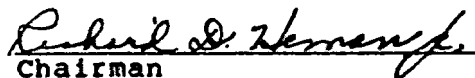
shall consist of representative members of the ITG and Commission Staff as appropriate.

IT IS THEREFORE ORDERED that:

1. The ITG's request for a task group be granted.
2. The attached Appendix A be adopted as the Schedule for the task group.
3. The proceedings in the instant case pertaining to Class A telephone utilities are deferred until further notice.

Done at Frankfort, Kentucky, this 20th day of May, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A
APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN ADMINISTRATIVE CASE NO. 321 DATED MAY 20, 1988

Meeting of ITG task group to discuss scope and requirement of a cost allocation manual for small telephone utilities.....	6/23/88
Information requests to companies due.....	7/1/88
Utilities' responses to info requests due.....	7/15/88
Meeting of ITG task group to review responses and formulate a standardized methodology for small telephone utilities.....	8/11/88
Presentation of ITG task group decision for the record.....	9/1/88

- Additional meeting may be scheduled as needed. No hearing is anticipated, however one may be scheduled if no agreement can be reached.