

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BALLARD RURAL TELEPHONE COOPERATIVE)
CORPORATION'S PROPOSED TARIFF)
FILINGS TO ESTABLISH NON-RECURRING) CASE NO. 10138
AND RECURRING CHARGES)

O R D E R

PROCEDURAL BACKGROUND

On September 4, 1987, Ballard Rural Telephone Cooperative Corporation ("Ballard") filed a tariff proposing to establish charges for late payment of services, recording for number changes, directory assistance, rotary line service, and call tracing. Included in the tariff filing was specific cost justification for each proposed charge. In an Order dated January 29, 1988, the Commission suspended the proposed tariff for 5 months or until June 29, 1988. The Commission also ordered that Ballard provide notice of the proposed rates in accordance with the provisions set out in 807 KAR 5:011, Section 8(2) and (3).

On February 25, 1988, the Commission issued an additional Order requesting that Ballard provide an absorption test, a modified tariff to reflect the terms and conditions of the late payment charge, and information concerning the cost justification for the rotary line charge. On March 24, 1988, Ballard filed the information requested in Commission Orders.

DISCUSSION

The financial information submitted by Ballard in its absorption test consisted of revenues, expenses and net investment for the 12-month test period ending December 31, 1987, proposed adjustments, and the adjusted test period operations as of December 31, 1987. An analysis of the financial information revealed that the actual realized rate of return at December 31, 1987 was 11.5 percent. However, as determined in Case No. 6470, Ballard's authorized rate of return is 8.3 percent.¹ Ballard stated that it does not consider the 8.3 percent authorized return to necessarily be an appropriate level in today's economic climate. The return calculated by Ballard adjusted for the impact of the revenues requested in the application and other pro forma adjustments which Ballard considered to be known and reasonable was 9.2 percent.

The non-recurring charges regulation, 807 KAR 5:011, Section 10, does not contemplate the inclusion of pro forma adjustments nor any change in the return authorized in the utility's last general rate case. Consideration of these items defeats the purpose of the regulation which is to allow changes in non-recurring rates in the interval between general rate cases. If an absorption test based on actual operations adjusted for the change in revenues from the proposed non-recurring charges shows

¹ Application of Ballard Rural Telephone Cooperative Corporation, Inc. for an Upward Adjustment in Rates and Charges for Telephone Service.

that the utility would be overearning, and the utility is of the opinion that its authorized return would be too low in the current economic environment, then the utility should file a general rate case to determine the appropriate level of earnings and the proper charges for all services.

Ballard is currently earning in excess of the return authorized in its last general rate case, and the additional revenues from the non-recurring charges would make the company even further exceed the authorized return. Furthermore, Ballard has stated that presently all ratepayers bear the additional costs incurred in providing the aforementioned services, yet it has failed to show any planned decrease in rates for the present ratepayers.

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that Ballard can absorb the proposed charges for late payment, recording for number changes, directory assistance, rotary line service, and call tracing, based on the fact that its current earnings exceed the return authorized in its last general rate case. Therefore, the proposed charges should be denied. Ballard may file for a general rate case and propose charges for these services therein, if it so decides.

IT IS THEREFORE ORDERED that Ballard's charges for late payment, recording for number changes, directory assistance, rotary line service, and call tracing be and they hereby are denied.

Done at Frankfort, Kentucky, this 22nd day of June, 1988.

PUBLIC SERVICE COMMISSION

Richard D. Hermann
Chairman

Robert M. Davis
Vice Chairman

James N. Williams
Commissioner

ATTEST:

Executive Director