

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF A SALES TAX)
REFUND PLAN OF CINCINNATI BELL) CASE NO. 89-006
TELEPHONE COMPANY)

O R D E R

Introduction

On November 23, 1988, Cincinnati Bell Telephone Company ("Cincinnati Bell") advised the Commission that it had collected intrastate sales tax on interstate end user common line charges since May 1984. Furthermore, Cincinnati Bell advised the Commission that it had requested an advisory opinion from the Revenue Cabinet, Commonwealth of Kentucky, as to whether the collection of such tax amounts was improper. Also, the Revenue Cabinet advised Cincinnati Bell that the monies erroneously collected should be refunded to customers or paid to the Commonwealth of Kentucky. On December 8, 1988, the Commission, through its Executive Director, directed Cincinnati Bell to submit a refund plan. Subsequently, on December 29, 1988, Cincinnati Bell submitted a refund plan.

Discussion

The Commission asked Cincinnati Bell to submit a refund plan consistent with the following conditions:

1. The refund plan should refund the monies erroneously collected to the same customers who paid the sales tax. However,

the Commission suggested that if appropriate records do not exist to permit a refund to customers who paid the sales tax, then the refund plan should refund the monies erroneously collected to current customers on a pro rata basis.

2. The administrative cost of the refund plan should not exceed \$5,000 and could be deducted from the total amount to be refunded prior to the refund.

3. The refund plan should schedule the refund over one billing cycle.

4. An explanation of the refund plan should be included in the customer billing accompanying the refund.

Cincinnati Bell estimates that the total amount of the refund will be approximately \$597,000.

Cincinnati Bell's refund plan proposes to terminate billing of the intrastate sales tax on end user common line charges on December 31, 1988. Also, a refund will be made to current customers during the February 1989 billing cycle. The refund will be based on end user common line charges billed to customers as of December 31, 1988, and explained to customers by way of a billing insert.

Cincinnati Bell proposes to refund the monies erroneously collected to current customers rather than to the same customers who paid the sales tax, because the latter approach would involve substantial cost and administrative complexity. Cincinnati Bell estimates that it can accomplish a refund to current customers for approximately \$5,000, while a refund to the same customers who paid the sales tax would cost approximately \$1,400,000. The

substantial difference in cost is a result of the need to research billing records dating as far back as 5 years and modify billing programs to accommodate a refund under the latter plan.

In the opinion of the Commission, Cincinnati Bell's refund plan should be approved. The refund plan submitted by Cincinnati Bell is consistent with the parameters suggested by the Commission and accomplishes the desired refund at a reasonable cost.

Findings and Orders

The Commission, having considered the refund plan and being sufficiently advised, is of the opinion and finds that:

1. A public hearing in this matter is not necessary, as no party has expressed any interest contrary to a refund of the monies erroneously collected.

2. Cincinnati Bell's refund plan should be approved as filed.

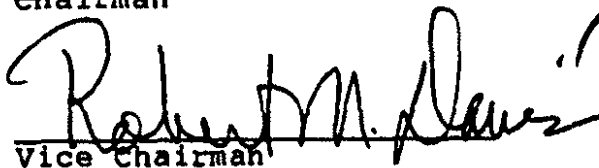
3. Within 30 days after completion of the refund, Cincinnati Bell should file documentation indicating (a) completion of the refund, (b) the total amount of the refund, and (c) the per line refund by common line class of service.

Accordingly, the above findings are HEREBY ORDERED.

Done at Frankfort, Kentucky, this 31st day of January, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director