

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GTE SOUTH INCORPORATED PROVISION OF)
COUNTYWIDE TELEPHONE SERVICE TO)
GREENUP COUNTY, KENTUCKY, PURSUANT) CASE NO. 9824
TO KRS 278.545)

O R D E R

IT IS ORDERED that GTE South Incorporated ("GTE") shall file the original and ten copies of the following information with the Commission, with a copy to all parties of record. The information requested herein is due June 16, 1989. If the information cannot be provided by this date, GTE should submit a motion for an extension of time stating the reason a delay is necessary and a date by which it can be furnished. Such motion will be considered by the Commission.

All of the following questions relate to the answers provided to the Commission request for information filed April 24, 1989, unless otherwise noted.

1. The answer to question 2a stated that the \$340,000 investment was not included in the rate base, specifically account 100.1, used in the companies last rate proceeding. Was any of the investment included in either account 100.2 (telephone plant under construction) or account 1220 (material and supplies)?

2. On what date was the investment in question received by the company? Provide copies of the journal entries which recorded receipt of the investment on the company records.

3. In the answer to question 3, a 20 percent toll growth factor was used to compute the projected lost toll revenue. Provide the analysis or study which was used to arrive at this growth factor. What is the actual growth factor for intralata toll in the area during each of the last four years?

4. Provide a schedule showing the intralata toll revenues recorded to the companies books during the most recent 12-month period available. The schedule should be in the same format as the schedule shown in the answer to question 3, except that each month shall be shown individually.

5. Recompute the "EAS Annual Revenue Requirement" shown on page 2 of 6, Attachment A, of the Response to Commissions Order, filed February 23, 1987, using the current rate of return authorized in Kentucky, the current federal income tax rate and the depreciation rates currently in effect in Kentucky.

6. Explain fully what comprises the "Other Non-Recurring Charges" mentioned in item 6 of the answer to question 4. If these are "non-recurring" one-time expenses, explain why the ratepayer should pay for this type of cost on a recurring basis.

7. Explain why inclusion of a federal and state income tax factor in both the annual carrying charge rate and the rate of return calculation is not double recovery of this item.

8. Explain completely the statement in the answer to question 5 about not taking into consideration the new revenues from custom calling features as a partial offset to the revenue requirement resulting from the implementation of EAS. If necessary to explain the statement, provide an exhibit showing the

"use of these revenues in the justification of the conversion schedule". Provide the company's estimate of the annual custom calling feature revenues which will result from the implementation of EAS.

9. Provide an estimate of the additional annual revenues from new features that will result from implementation of EAS, specifically those from speed dialing, call waiting and three-way conferencing.

10. Explain the statement immediately following item 6, question 4.

11. Are the revenues in the response to question 3, MTS revenues only or are there other categories of toll revenues included? If the revenues shown are a combination of toll revenues, show each category. Also, show separately the different categories of revenues provided in the response to question 4 of this request, if applicable.

12. How are "official company tolls" treated in the analysis showing the estimated toll revenue loss? Are official company tolls included in the analysis presented in response to question 4 of this request.

13. Provide an absorption test reflecting the impact of the toll revenue loss on the 12 month to date income available for return, return on rate base and return on equity for the most recent 12-month period available. In compiling the test include all adjustments made by the Commission in GTE's most recent rate proceeding.

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

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Executive Director