

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

SOUTH CENTRAL BELL TELEPHONE)
COMPANY'S EXPERIMENTAL INCENTIVE) CASE NO. 89-076
REGULATION PLAN)

O R D E R

On December 1, 1989, South Central Bell Telephone Company ("SCB") filed its second point-of-test determination of intrastate return on average total capital ("Schedule 1") in accordance with its Experimental Incentive Regulation Plan. Based upon actual results for the 9 months ending August 31, 1989 and estimated results for the 3 months ending November 30, 1989, SCB projected an average return on capital of 12.36 percent.

On February 14, 1990, SCB filed the actual intrastate results for the final month of the estimated period. Actual earnings exceeded estimated earnings by \$1,774,000 for the period September through November 1989; also, actual average capital for this period was \$8,220,000 below the projected level. The Commission believes this level of discrepancy between estimated results and actual results should be reviewed and explained.

Therefore, the Commission, having reviewed the estimated and actual results of SCB's second point-of-test and having been otherwise sufficiently advised, HEREBY ORDERS that SCB shall file responses to the following data requests by no later than 20 days from the date of this order:

1. Explain, with specificity, SCB's method of forecasting point-of-test estimated results.

2. State the specific accounts which were either under- or over-forecasted in the second point-of-test Schedule 1.

3. Explain, with specificity, the reasons why these accounts were inaccurately forecasted.

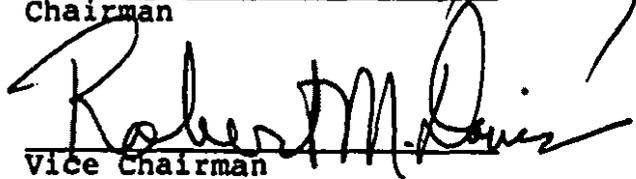
4. File all workpapers showing the derivation of the second point-of-test estimated results. File all documents relied upon in preparing these workpapers.

5. State and explain any steps undertaken to improve forecasting subsequent to the second point-of-test forecasts.

Done at Frankfort, Kentucky, this 12th day of March, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director