

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

INVESTIGATION INTO THE DEPOSIT POLICY)	CASE NO.
OF LEWISPORT TELEPHONE COMPANY)	90-262

O R D E R

Lewisport Telephone Company ("Lewisport") is a utility under the jurisdiction of the Commission. The Commission has information indicating that Lewisport has required deposits on all subscribers, that a portion of the deposit is refunded, but that the remainder of the deposit is retained until service is terminated, and that no interest is paid on the deposits. Such a deposit policy is in violation of KRS 278.460 which mandates that public utilities pay interest at 6 percent annually on amounts required to be deposited by patrons. Additionally, such a deposit policy is in violation of the Commission's October 31, 1989 decision in Case No. 89-057,¹ a copy of which is attached hereto and incorporated herein as Exhibit 1. These deposit policies were discovered during a service inspection conducted on May 30 and 31, 1990 by a Commission staff investigator. The investigation report was forwarded to Lewisport on June 15, 1990. A copy of the


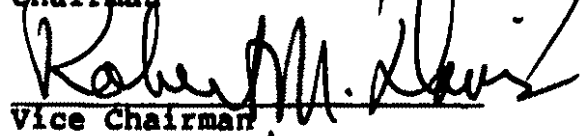
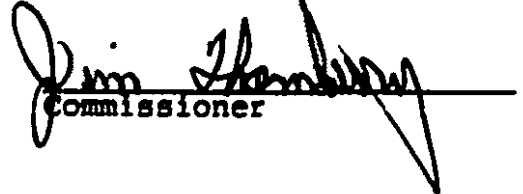
¹ Case No. 89-057, Investigation into the Customer Deposit Policy of Kentucky Power Company.

investigation report is attached hereto and incorporated herein as Exhibit 2. On August 6, 1990, the Commission received a letter from Lewisport enumerating new deposit procedures which have been implemented. The August 6, 1990 letter is attached hereto and incorporated herein as Exhibit 3.

Though Lewisport has undertaken certain corrective action, it is not certain that the steps are sufficient to bring Lewisport into compliance with KRS 278.460 and with Case No. 89-057. The Commission, having reviewed the utility inspection report and having been otherwise sufficiently advised, HEREBY ORDERS that Lewisport shall file within 30 days of the date of this Order the following information: (1) a sworn signed statement listing on a customer-specific basis all amounts of deposits, the dates of deposits, the amounts and dates of refunds, and the amounts retained; (2) copies of cancelled checks or other documentation showing that customers have been refunded the amount of the interest owed; and (3) a proposed tariff which is in compliance with KRS 278.460 and with the Commission's Order in Case No. 89-057.

Done at Frankfort, Kentucky, this 17th day of September, 1990.

PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman

Commissioner

ATTEST:


Executive Director

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

INVESTIGATION INTO THE CUSTOMER DEPOSIT) CASE NO.
POLICY OF KENTUCKY POWER COMPANY) 89-057

O R D E R

The Commission opened this case upon its own motion. The question presented in this matter is whether KRS 278.460,¹ and the case law interpreting it, requires utilities to compound interest they are required to pay on amounts deposited with them by their customers. Secondly, should the Commission give retroactive effect if it determines that KRS 278.460 requires utilities to compound interest. On April 18, 1989, the Commission held a hearing on this matter. Additionally, briefs from Kentucky Power Company ("Kentucky Power"), Cincinnati Bell Telephone Company

¹ KRS 278.460 states: "[p]ublic utilities, such as gas, electric and water companies, shall pay interest at six percent (6%) annually on amounts required to be deposited by patrons to secure gas, electric or water accounts." The predecessor statute of KRS 278.460 reads as follows:

"§1. That public utilities, such as gas, electric and water companies shall be required to pay holders of certificates of deposits six (6) per cent annually on amounts exacted from patrons for gas, electric and water accounts.

"§2. Failure to comply with the above section shall subject the Utility Company violating said provision to indictment and prosecution and upon conviction to a fine of not less than One Hundred (\$100.00) Dollars for each offense." (Ky.St.Supp. 1933, §§2223-1, 2223-2)

("CBT"), Kentucky Utilities Company ("KU"), and Western Kentucky Gas ("WKG"), as well as the Attorney General ("AG") have been filed. The Commission has considered the briefs filed by the parties, as well as evidence presented at the hearing.

The legal question before the Commission pivots on the interpretation of the Kentucky decision, Commonwealth v. Kentucky Power and Light Co., Ky., 77 S.W.2d 395 (1934). Each party to this proceeding recognizes this case as the leading case which needs to be interpreted by the Commission. The two opposing positions taken in this matter cite this case for their respective positions. Kentucky Power, CBT, KU, and WKG argue that Kentucky Power and Light, analogizes the customer deposit to a demand note. They also take the position that an examination of the common law rules on interest rates for demand loans confirms the holding in Kentucky Power and Light, that simple interest is the proper calculation method. They cite Green Wade v. Williams, Ky., 281 S.W.2d 707 (1955) for the proposition that compound interest must be paid prior to a note's maturity and simple interest must be paid after the note's maturity. They then argue that under Kentucky law, a demand note matures on the date of its execution as that is the day a cause of action accrues and the statute of limitation commences with respect to the note. Gould v. Bank of Independence, Ky., 94 S.W.2d 991 (1936). They finally argue that because a customer deposit is likened to a demand note in the Kentucky Power and Light, only simple interest is required on utility deposits required by KRS 278.460. On the other hand, the AG argues Kentucky Power and Light, stands for the proposition

that interest on utility deposits is due annually and continues to run absent a customer demand for return on the deposit. The AG further argues that McWilliams v. Northwestern Mutual Life Insurance Company, Ky., 147 S.W.2d 79 (1941) read in conjunction with Kentucky Power and Light, stands for the proposition that utilities are required, upon customer demand, to pay interest annually, but absent such demand, the annual interest due and unpaid becomes an independent interest-bearing debt, thus concluding that KRS 278.460 requires compound interest.

After consideration, the Commission interprets Kentucky Power and Light, to hold that KRS 278.460 modifies the common law rule regarding demand notes and requires interest on deposits to be due annually which continues to run absent a customer demand for return of the deposit. The Court in Kentucky Power and Light, held:

At common law the rule is that. . . interest is due and payable at the time the principal is due. In the case of a demand loan, since the loan is not due until demand is made for it, it follows that in the absence of any statute to the contrary the interest . . . would not be due until demand for the return of the deposit be made. (Emphasis added)

Id. at 396. The Court then proceeded to recognize that this common law rule has been statutorily modified. While customer deposits are demand loans,

[T]he purpose of the act of 1932 [predecessor of KRS 278.460] was to give the customer the right to get his interest from time to time by way of payment or credit on his bill. . . .

The Legislature intended that the customer could continue as a customer, leaving his deposit with the company, but at the same time should have the right to obtain his interest at the end of each year if he desired it.

Id. at 396. The Court further held "[i]n the absence of such demand, the interest continues to run." Id. at 397. The Commission is of the opinion, therefore, that the enactment of KRS 278.460 has thus modified the common law rule to require interest on customer deposits to be due annually, rather than at the time of demand for return of the deposit.

This decision in Kentucky Power and Light, read in conjunction with McWilliams v. Northwestern Mutual Life Insurance Company, Ky., 147 S.W.2d 79, 81 (1941), indicates that utilities are required, upon customer demand, to pay interest annually, but absent such demand, the annual interest due and unpaid becomes an independent interest-bearing debt. The Court in McWilliams held, in the case of an insurance company's loan under a life policy, that:

It has long been the law in this jurisdiction that where a note expresses the date interest is to be paid and if the interest is not paid when it matures, then such interest becomes an independent debt and itself bears interest until paid.

This reasoning is in accord with that in Hall v. Scott's Adm'r., Ky., 13 S.W. 249 (1890),

It is true that interest runs on an interest-bearing debt, after its maturity, as a matter of legal right; and the same principle applies to interest on installments of interest after their maturity.

Id. at 250.

OAG 83-224 concurs with the above interpretation of the law:

[I]n the event that this annual interest is not remitted to the customer, and assuming the deposit is kept longer than one year, each yearly accrual of interest would become the property of the customer, in addition to the deposit, and a requirement would arise that interest accrue to that new debt as well as to the deposit itself.

The utilities additionally argue in their briefs that only simple interest was in fact paid on the customer's deposit in Kentucky Power and Light, despite the fact that the utility had held the customer's deposit for over two years and the customer had not been paid the interest which had accrued to the deposit at the end of each year. The above fact is true and is unexplainable. It, however, does not lead to the conclusion that the Court concluded that simple interest was permissible as the utilities argue. The payment of simple interest is in direct conflict with the above-stated holding of the court. It is also in conflict with the other well-recognized authority cited herein. The Court was totally silent regarding the correctness of the computation of interest actually paid to the complainant. Finally, as the AG points out, the facts were stipulated and therefore the Court never considered the correctness of the amount paid.

The Commission believes that the correct method of computing interest for customer deposits is explained in McWilliams. The Court in McWilliams, 147 S.W.2d at 82, explains the law relating to the methods of compounding interest. Absent a specific agreement, the unpaid interest may not be compounded by adding it to the original debt so it may draw interest on interest at every interest paying period. Since there is no specific agreement between the utility and the customer, the proper method of computing interest is what is described by the Court in McWilliams as "a middle course between simple and compound interest."

[T]he accrued interest is not combined with the principal but each installment of interest on the

principal becomes itself a new principal which bears simple interest, but no interest is allowed upon the interest on the interest; and although this method is also sometimes called compound interest, it has been more correctly described as a middle course between simple and compound interest.

Id. at 82.

Therefore, the Commission is of the opinion that the correct interpretation of KRS 278.460 is that interest on utility deposits should be calculated at no less than what is described in McWilliams, 147 S.W.2d at 82 as "a middle course between simple and compound interest." For administrative purposes utilities may want to pay compound interest which would simplify the necessary calculations. Of course, if annual interest payments (or credits) are made to customers with held deposits no calculation need be made.

The final issue to be decided is whether the Commission should give retroactive effect to its decision herein. The Commission is of the opinion that the law in Kentucky could have been subject to different interpretation in the past, arguably even by this Commission. Therefore, this decision shall be given prospective effect.

Being sufficiently advised, IT IS THEREFORE ORDERED that all utilities shall, from the date of this Order forward, calculate interest on deposits being held pursuant to KRS 278.460 at no less than what is described in McWilliams, as "a middle course between simple and compound interest." IT IS FURTHER ORDERED that all utilities with tariffs in conflict with the holding herein shall

file tariffs in conformity with this decision no later than 30 days of the date of this Order.

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

PUBLIC SERVICE COMMISSION


Vice Chairman


Commissioner

Dissenting Opinion of Chairman George Edward Overbey, Jr.

The Commission unanimously holds "that the correct interpretation of KRS 278.460 is that interest on utility deposits should be calculated at no less than what is described in McWilliams, 147 S.W.2d at 82 as a middle course between simple and compound interest."

The judgment that that decision is to be given prospective effect from the date of this order forward is one in which I must respectfully dissent.


As Justice Oliver Wendell Holmes said in Lochner v. N.Y., 198 U.S. 45, 76 (1905) "general propositions do not decide concrete cases."

The general and speculative notion that supports the Commission's call on this point is rationale, I submit, upon a jello foundation. Certainly such rationale ought not to be decisive of the concrete case issue of whether retroactive or prospective treatment should be accorded our decision.

Having correctly declared that a form of compound interest is the father, the Commission nonetheless concludes that the father's obligation to nourish its offspring commences only upon the date of the declaration or discovery of parenthood, not upon the offspring's birth.

It either "tis or taint"! Our decision is that Kentucky Power and Light Co., supra read in conjunction with McWilliams, supra is controlling. Kentucky Power was the law of Kentucky as of 1934, and we inferentially decree remained the law ever since.

That being literally the case, our decision should be given retroactive effect.


George Edward Overbey, Jr.
Chairman
Kentucky Public Service Commission

ATTEST:


Executive Director, Acting



EXHIBIT 2

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

June 15, 1990

Mr. Wayne Watts, Manager
Lewisport Telephone Company
P.O. Box 439
Lewisport, Kentucky 42357

Dear Mr. Watts:

Enclosed is a copy of a service inspection report of Lewisport Telephone Company. Please review this report and advise the Commission of your comments and actions to correct the deficiencies set out therein by July 20, 1990.

If you have any questions, please contact James Johnson at (502) 564-7473.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Wayne Bates".

J. Wayne Bates, Manager
Communications and Electric Branch

JWB:JRJ:jsb

Enclosure

Commonwealth of Kentucky
Public Service Commission

UTILITY INSPECTION REPORT

Lewisport Telephone Company
Lewisport, Kentucky

June 15, 1990

BRIEF

The Lewisport Telephone Company is a telephone utility serving approximately 980 subscribers in Hancock County, Kentucky. The business office is located in Lewisport, Kentucky.

HISTORY

This report is a result of the service inspection conducted on May 30, and 31, 1990. The attachments included as a part of this report are not complete but are only typical of utility operations.

SUMMARY

Utility personnel, Mrs. Deck and Mrs. Jett, were cooperative in providing information to and discussing operations with this inspector.

1. The informal telephone survey indicates customer relations appear satisfactory.

2. No complaints were filed with the Commission in the past twelve months.


3. The utility requires a deposit from all applicants for service. A portion of the deposit is refunded after twelve months. The remainder, usually \$15 to \$25, is retained until service is terminated. No interest is paid on the money refunded or retained even when service is terminated.

4. Inspection of aerial plant did not reveal violations of the N.E.S.C.

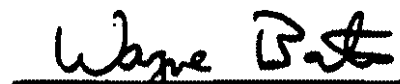
RECOMMENDATIONS

It is recommended that the utility begin paying the 6% annual interest required by KRS 278.460. It is also recommended that the Commission consider action against the utility pursuant to KRS 278.990 for its failure to comply with the Commission's rules and regulations.

Submitted by,


James R. Johnson
Utility Investigator, Sr.
Communications Branch

Reviewed by,


J. Wayne Bates, Manager
Communications and
Electric Branch

JRJ:jab

Attachments: 1. Customer Survey Summary
2. Service Objective Report
3. Test Equipment
4. Outside Plant Inspection

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
ENGINEERING DIVISION
SERVICE INSPECTION REPORT
TELEPHONE UTILITY

Name of Utility Lewisport Telephone Company

Address, Main Office P.O. Box 349

Name of Exchange Lewisport, Kentucky 42357

Address _____

Local Manager Wayne Watts

Title Manager

Customer Relations

Contact local officials and other customers, if necessary, for their comments on service rendered by utility in the community. Record names and comments of those interviewed on separate sheet and attach.

Are customer relations considered to be satisfactory? Yes

Do interviews establish reasonable evidence of any deficiencies in service? If yes, briefly summarize. No

General Rules (807 KAR 5:006)

Section 8. Complaints. Is a complaint file maintained? _____

Customer complaint files and PSC files are maintained.

Section 16. Pole Identification. Are poles properly identified? _____

Poles and pedestals are identified.

Section 17. System Maps and Records. Does utility maintain appropriate system maps? System maps are maintained.

Section 18. Location of Records. Are utility records stored in an acceptable place, and made available upon reasonable notice?

Lewisport business office.

Section 21. Safety Program. Has utility adopted and executed a safety program? Yes

Describe. Monthly safety meetings are held records of subject and attendance are maintained.

Section 22(1) and Section 22(2)(a)(5)(a). Inspection of Systems.

Does utility have in effect an inspection program satisfying this rule? Inspection program filed with Commission. See Attachment

No. 4 for results of the 1989 inspections.

Time Intervals For Inspection

<u>Category</u>	<u>Frequency</u>
Aerial Plant	Every two years <u>Yes</u>
Underground Plant	At least annually <u>Yes</u>
Station Equipment and Connectors	When on customer premises <u>N/A</u>
Utility Buildings	At least annually <u>Yes</u>
Construction Equipment	At least quarterly <u>N/A</u>

Section 22(a) (5) (b). Potentially Hazardous Condition Reports.

On receipt of report, does utility; (1) Inspect all portions of the system which are the subject of the report? Yes, all portions are inspected.

(2) Maintain appropriate records of inspection made, deficiencies found, and corrective action taken? Trouble tickets and/or work orders show corrective action taken.

Section 23. Reporting of Accidents. Are personnel familiar with procedures? Yes, workman's compensation and insurance carrier forms are used to report personnel injuries.

Telephone Regulations (807 KAR 5:061)

Section 4. Utility Obligations. What process has been developed to provide continuous review of operations? Monthly reviews include but are not limited to financial reports, service order activity, trouble reports and traffic reports.

Section 5. Directories. Do directories meet the standards as defined in this regulation? Adequate per regulation.

Do information and intercept operators have access to records as required? Operator service provided by AT&T and SCB.

Section 6. Exchange Maps. Examine exchange maps (or descriptions). Are They adequate? Yes

Section 8. Extensions of Service. Does utility's policy on extensions of service meet requirements of this section? No
charge is made for the extension of service.

Is this policy applied uniformly to all applicants? Yes

Section 9. Grade of Service. (1) Within the base rate area, do all local exchange lines carry four customers or less? All
1-party line.

(2) Do all rural multiparty lines carry eight customers or less?

Yes

Section 10. Provisions of Service. Inspect utility records relating to service and surveillance levels specified for this section and comment. 10(1) Yes-100% completion of service requests for service. See Attachment No. 2. 10(2) N/A System is all 1-party.

Section 13. Customer Billings. Inspect copies of several typical bills and comment on adequacy. Adequate per regulation.

Section 14. Adequacy of Service. Examine traffic studies and comment on adequacy of facilities. Peg count meters are read monthly and records are maintained. Facilities are adequate for the number of customers.

Examine assignment records to determine if proper balance is being maintained in all groups. Balance appears to be maintained.

Section 15. Dial Service Requirements. Check company records and if necessary, make sample measurements of time for dial tone, percentage of time caller encounters all-trunks busy within central

office, etc. Results 15(1) Yes, see Attachment No. 2.

15(2) Yes, see Attachment No. 2.

15(3) Yes, adequate toll and inter-exchange trunks are provided.

See Attachment No. 2.

Section 17. Transmission Requirements. What procedures are employed by the utility to determine if plant facilities and equipment are adequate to provide satisfactory transmission of communications between customers in its service area. Testing of toll and EAS trunks is accomplished daily.

Do these appear adequate? Yes

Section 18. Minimum Transmission Objectives. What procedures are employed by the utility to determine transmission characteristics.

18(1) 8db measured when requested.

18(2) 3db measured at least quarterly.

18(5) 5db measured at least quarterly.

Section 19. Provisions For Testing. What provisions for test facilities are made? Utility provides own test equipment. See Attachment No. 3 for listing.

If the utility provides its own testing facilities, what procedures are used to insure the accuracy of such equipment?

Test equipment is checked against similar equipment operated by SCB. If found defective, it is returned to the manufacturer for repair.

Do testing procedures and/or provisions appear to be adequate?

Yes

Section 20. Selective Ringing. Does utility provide full selective ringing to all customers? Yes

Section 21. Traffic Rules. Are operating methods employed by operators suitable to the objective of providing efficient and agreeable customer service? N/A

Are telephone operators instructed to maintain secrecy of communications, and to make prompt disconnects on operator-handled calls?

N/A

Are customers given credit on bills upon substantiated claims of wrong numbers reached on direct dialed calls? Yes

Section 22. Answering Time. Are adequate forces provided to meet specified objectives? 22(1) N/A

Yes - calls are answered within 20 seconds.

What measuring devices are used to monitor the answering time objectives? Personal observation by manager.

Section 23. Maintenance of Plant and Equipment. Describe preventive maintenance program. C.O. is routined on an established schedule. Company vehicles and tools are inspected monthly.

Are preventive maintenance records adequate? Records are maintained for C.O. equipment and vehicles.

Section 24. Emergency Operations. Has utility adopted procedures to be followed in emergency situations? Yes

Informal procedures appear to be adequate. A callout list is provided.

Describe emergency power system provisions. An 8 hr. battery reserve is maintained and a portable generator is available.

Section 25. Service Interruptions. Examine trouble report procedures and records. Describe. 25(1) Twenty-four trouble reporting is in effect. 25(2) Trouble ticket contains required information.

Does utility meet specified objectives for ut-of-service troubles? (85% within 24 hrs.) Yes See Attachment No. 2.

Does utility meet specified objectives relating to average rate of customer trouble reports? (8 per 100 access lines) Yes - See Attachment No. 2.

Does utility make refunds for appropriate periods of time when customers phone is out of order? Yes

278.460 Interest on Deposits. Deposits are taken on all subscribers. A part of the deposit is refunded. The remainder is retained until service is terminated. No interest is paid.

General. Were any hazardous conditions observed during inspection? No

Other appropriate comments. N/A

Inspector James R. Johnson
Date of Inspection May 30, and 31, 1990

ATTACHMENT NO. 1

CUSTOMER RELATIONS

Results of Informal Telephone Survey

1. Private Line 8
Party Line

2. Length of service at present address:

1-2 years 5-6 years 2 9-10 years
2-3 years 2 7-8 years 3 Over 10 years 1

3. Trouble reported to utility within last two (2) years?

Yes 3 No

(a) Did utility respond quickly? Yes 3 No
(b) Was trouble cleared quickly? Yes 3 No
(c) How long to be corrected?

24 hours 3 2 days more than 2 days

4. Do you have trouble getting dial tone? Yes No 8

Comments: _____

5. Do you have trouble completing calls? Yes 1 No

(a) Intra-company
(b) Toll calls outside of company's exchanges 1

6. Quality of transmission:

(a) Reception: Excellent 1 Good 7 Fair 1 Poor
(b) Noise and static? Yes 2 No

Comments: _____

7. Billing:

(a) Incorrect billing? Yes 2 No
(b) Bills corrected by utility? Yes 2 No

8. Service rating:

Excellent 1 Good 7 Fair Poor

9. Comments: _____

ATTACHMENT NO. 2

ATTACHMENT NO. 3

TEST EQUIPMENT

1. Model TTS-37B Measuring Set
2. MultiFrequency Test Set
3. Hewlett-Packard Range Oscillator
4. Lenkurt 26600 Signaling Test Set
5. Model TTS52A Loop Around Control & Milliwatt Generator
6. Sierra 127C Freq. Selective Voltmeter
7. TTS 44 Series Transmission Test Set
8. Hewlett Packard 400EL A.C. Voltmeter Test Set
9. DMS-3 Series Distortion Measuring Set
10. TMG-3 Series Test Message Generator
11. 56A Responder (2)
12. Wire Chief Test Cabinet (2)
13. Routine Connector Test
14. Continuity Test Set (For XY Switches) (2)
15. XY Universal Switch Test Set
16. TT Test Set
17. Microuta Digital Multimeter
18. Digital O H M Meter
19. Sierra Tone Generator Violation Detector
20. Prog. Electronic 77-A Tracer
21. Digital Volt Meter
23. 421-A-4 Sierra (T-Carrier)
24. Traffic Maintenance System 1001

ATTACHMENT NO. 4

P.O. Box 439, Pell Street
Lewisport, Kentucky 42351
502-296-3378
Facsimile: 502-296-3139



**Lewisport
Telephone Company**

PLAN OF INSPECTION FOR LEWISPORT TELEPHONE COMPANY, INC.

May 1989

Type of Inspection made - All routes were inspected by driving and making notes. Any items that had a question or could not be seen clearly from the road was inspected on site.

For our inspections records we are going to Route A for all of our facilities in the city limits and also aerial and buried. List street names and locations to make it easy for our servicemen to go back on it if repairs or changes are necessary.

Route B - everything outside city limits

Route A

- # 1 - Pell Street - 334 Simmons Sub-Div - Terminal reworked
- # 2 - Lamplite Trailer Court - aerial cable reworked
- # 3 - Hwy 657 - Need to replace buried terminal at Oak Tree. - Future work.
- # 4 - Pell Street - Need to replace terminal and resplice cable. - The Hub
- # 5 - Post Office - Replace terminal and resplice
- # 6 - 200' 25 pr replaced - Meadowlane Drive
- # 7 - First and Market - Rework terminal - put cable in air.
- # 8 - Rework terminal railroad crossing.
- # 9 - Hwy 657 - car wash - New terminal - rework
- # 10 - Hwy 334 - Flow in 25 pair - back of office

P.O. Box 439, Pell Street
Lewisport, Kentucky 42351
502-295-3375
Facsimile: 502-295-3139



**Lewisport
Telephone Company**

May 1989

Route B

- # 1 - Hwy 657 - Need to rework terminal George Allard - Partially complete at this time.
- # 2 - Replace terminal Commonwealth - Hendrick Road- Not complete
- # 3 - Hwy 60 E - Need to rework terminal behind and next to station.
- # 4 - McGill Lane at Neff's - Need to set new pole. Complete .
- # 5 - Hwy 334 W - Plow new 25 pair cable 700'. - Complete.
- # 6 - McGill Lane - 1500' 25 pr - new. - Complete.
- # 7 - Sand Hill Road - Plow 5 pair. - Complete.
- # 8 - 334 East - Plow 1200' 25 pr cable - new - Complete.
- # 9 - Sandhill Road - Vance Turner's - Need to work terminal
- # 10 - Skyline Trailer Park - Need to work terminal.
- # 11 - Commonwealth Ball Field - Rework terminal - Complete
- # 12 - Lee Henderson Road past Commonwealth - Rework terminal - Complete
- # 13 - Luttrell Road - Plow 25 pr cable - Complete

P.O. Box 439, Pell Street
 Lewisport, Kentucky 42351
 502-295-3375
 Facsimile: 502-295-3139



Lewisport
 Telephone Company

Equipment Communications Services

July 31, 1990

Mr. Lee M. MacCracken
 Executive Director
 Kentucky Public Service Commission
 730 Schenkel Lane
 P. O. Box 615
 Frankfort, Ky. 40602

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AUG 6 1990

AUG 07 1990

PUBLIC SERVICE
 COMMISSION

RATES AND TARIFFS

RE: UTILITY SERVICE INSPECTION REPORT

Dear Mr. MacCracken:

In response to your letter dated June 15, 1990, Lewisport Telephone Company offers the following comments and details of corrective action taken.

In respect to the company being in violation of KRS 278.460 regarding the payment of interest on customer deposits the following procedures have been implemented.

1. Interest is now paid on all refunds.
2. Customer deposit records are being reviewed and refunds made on all accounts with good payment history.
3. On all deposits retained by the Company interest will be applied to the customer's account on the deposit's anniversary date.
4. Deposits will no longer be required on all applications for service. Deposits will only be taken when a check of an applicant's credit history indicates it to be appropriate.

We believe the above procedure to put the Company in full compliance with KRS 278.460. Please notify us should there be any other requirements.

Sincerely,
 TDS - KENTUCKY/TENNESSEE REGION
 LEWISPORT TELEPHONE COMPANY

Michael Hicks
 Customer Services Manager

MH:ah