

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

NOTICE OF INTENT OF NORTH)
CENTRAL TELEPHONE)
COOPERATIVE CORPORATION)
TO FILE RATE APPLICATION)

Case No. 2007-00162

**MOTION FOR WAIVER OF CERTAIN RATE
APPLICATION FILING REQUIREMENTS**

North Central Telephone Cooperative Corporation ("North Central"), by counsel, and pursuant to 807 KAR 5:001, Section 10(11), hereby moves the Public Service Commission of the Commonwealth of Kentucky (the "Commission") for waiver of certain filing requirements set forth in 807 KAR 5:001, Section 10. In support of its request, North Central states as follows.

INTRODUCTION

North Central is a small, rural incumbent local exchange carrier ("ILEC") serving 5,200 residential and 488 business customers in Allen County, Kentucky. North Central has provided its members with quality local exchange service for fifty years. Despite the added challenges of providing telecommunications services in rural Kentucky, North Central's basic rates have remained unchanged for twenty-three years. For the past few years, however, North Central's expenses have grown at a faster pace than its revenue, and the company can no longer sustain itself at its present service rates. Thus, pursuant to 807 KAR 5:001, Sections 8 and 10, and contemporaneously with the filing of this motion, North Central is filing an application for a general rate case using a fully-forecasted test period.

Many of the filing requirements for a general rate application, particularly one supported by a fully-forecasted test period, are intended for large utility companies with considerable staff

who prepare an array of detailed financial reports in the normal course of business. For these utility companies, it may not be an undue burden to submit all of the financial reports contemplated in the regulations. For small ILECs such as North Central, however, it is. North Central does not prepare the array of financial records routinely prepared by larger utilities as it is simply unnecessary and economically infeasible for an ILEC the size of North Central to do so. Moreover, it is prohibitively expensive and unduly burdensome for North Central to create some of these reports for the sole purpose of submitting them with the rate application, particularly in light of the fact that North Central is submitting comparable information that permits the Commission to effectively and efficiently review North Central's rate application. 807 KAR 5:001, Section 10(11). Therefore, for good cause shown, the Commission should grant North Central's motion for waiver of the filing requirements identified below.

ARGUMENT

Upon good cause shown by a utility, the Commission shall grant "[a] request for waiver of any of the provisions of [the] filing requirements." 807 KAR 5:001, Section 10(11). In determining whether good cause exists, the Commission may consider:

- (a) Whether other information provided by the utility is sufficient to allow the Commission to effectively and efficiently review the rate application;
- (b) Whether the information for which waiver is requested is normally maintained by the utility or reasonably available from the information the utility does maintain; and
- (c) The expense in providing the information which is the subject of the waiver request.

807 KAR 5:001, Section 10(11).

As explained more fully below, North Central does not normally prepare the reports that are subject to North Central's requests for waiver, and the information sought is not readily

available. The Commission has held that this alone is sufficient to find good cause to grant the requested waivers. *In the Matter of: The Application of Hardin County Water District No. 1 for (1) Issuance of Certificate of Public Convenience and Necessity; (2) Authorization to Borrow Funds and to Issue its Evidence of Indebtedness Therefor; (3) Authority to Adjust Rates; and (4) Approval to Revise and Adjust Tariff*, Case No. 2001-211. In addition, it would be prohibitively expensive for North Central to prepare the reports subject to the requested waivers. Moreover, North Central is providing the Commission with comparable information sufficient to allow the Commission to effectively and efficiently review the rate application. 807 KAR 5:001, Section 10(11)(a). Accordingly, North Central has established that good cause exists to waive the filing requirements identified below.

REQUESTS FOR WAIVER

807 KAR 5:001, Section 10(9)(b)

The utility's most recent capital construction budget containing at minimum a three (3) year forecast of construction expenditures.

North Central requests waiver from the portion of the above-referenced requirement that mandates a minimum three (3) year forecast of construction expenditures. North Central does not normally maintain a capital construction budget containing a three-year forecast. Attached to the rate application as Exhibit 9, however, is North Central's capital construction budget for 2007. In addition, financial data regarding North Central's pending capital construction project to deploy fiber optic cable in Allen County, Kentucky is appended to North Central's application for a certificate of public convenience and necessity recently filed in *In the matter of: The Application of North Central Telephone Cooperative Corporation for a Certificate of Public Convenience and Necessity for the Construction of Fiber Optic Cable in Allen County, Kentucky*,

Case No. 2007-00432. This information is sufficiently detailed to permit the Commission to effectively and efficiently review North Central's rate application.

807 KAR 5:001, Section 10(9)(f)

Cost data for each major construction project which constitutes five (5) percent or more of the annual construction budget within the three (3) year forecast.

North Central requests waiver from the above-referenced requirement. The only construction project that falls within this category is North Central's plan to deploy fiber optic cable in Allen County, Kentucky. Detailed information regarding that project, including estimated construction dates and costs, was provided by North Central to the Commission in *In the matter of: The Application of North Central Telephone Cooperative Corporation for a Certificate of Public Convenience and Necessity for the Construction of Fiber Optic Cable in Allen County, Kentucky*, Case No. 2007-00432.

807 KAR 5:001, Section 10(9)(g)

Cost data for each construction project which constitutes less than five (5) percent of the annual construction budget within the three (3) year forecast.

North Central requests waiver from the above-referenced requirement. All of the planned construction projects for Allen County, Kentucky relate to the fiber deployment described in the above paragraph. Detailed information regarding that project, including estimated construction dates and costs, was provided by North Central to the Commission in *In the matter of: The Application of North Central Telephone Cooperative Corporation for a Certificate of Public Convenience and Necessity for the Construction of Fiber Optic Cable in Allen County, Kentucky*, Case No. 2007-00432.

807 KAR 5:001, Section 10(9)(h)

A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget.

North Central requests waiver from the above-referenced requirement that it file a three-year financial forecast. North Central maintains an annual construction budget only. It does not normally maintain a capital construction budget containing a three-year forecast and it would be unduly burdensome for North Central to prepare such a forecast. Moreover, North Central states that detailed information regarding North Central's pending deployment of fiber optic cable in Allen County has already been filed with the Commission in *In the matter of: The Application of North Central Telephone Cooperative Corporation for a Certificate of Public Convenience and Necessity for the Construction of Fiber Optic Cable in Allen County, Kentucky*, Case No. 2007-00432. In addition, detailed annual and monthly budgets for the base period and forecasted period are attached to the rate application as Exhibits 10 and 5, respectively. This information is sufficiently detailed to permit the Commission to effectively and efficiently review North Central's rate application.

807 KAR 5:001, Section 10(10)(a-e)

Jurisdictional summaries for rate derivation, rate base, operating income, operating income adjustments, and federal and state income tax.

North Central requests waiver from the requirement that it file the above-referenced jurisdictional summaries. North Central does not prepare the type of jurisdictional summaries and forecasts requested. North Central is a member of the National Exchange Carrier Association ("NECA") which prepares forecasts. In addition, North Central states that comparable financial data is attached to the rate application in Exhibit 5 (financial data for the forecasted period), Exhibit 10 (annual and monthly budgets for the twelve months preceding

filing date and for the base period), Exhibit 13 (annual reports), Exhibit 15 (complete monthly budget variance reports for the twelve months prior to base period and the base period), Exhibit 16 (independent auditor's report) and Exhibit 18 (FCC Part 36 study). Furthermore, it would be unduly burdensome and expensive for North Central to prepare the requested summaries.

807 KAR 5:001, Section 10(10)(f)

Summary schedules for both the base period and the forecasted period of organizational membership dues; initiation fees; expenditures at country clubs; charitable contributions; marketing, sales, and advertising expenditures; professional service expenses; civic and political activity expenses; expenditures for employee parties and outings; employee gift expenses; and rate case expenses.

North Central requests waiver from the above-referenced requirement for the forecasted period. North Central does not typically prepare forecasts of such nature in its normal course of business, nor does it typically independently track these expenses. North Central states, however, that a summary of the expenditures listed above for the base period to date is attached to the rate application as Exhibit 19. The summary for the base period, along with the budget for the forecasted period attached as Exhibit 5, are sufficient to permit the Commission to effectively and efficiently review North Central's rate application.

807 KAR 5:001, Section 10(10)(h)

A computation of the gross revenue conversion factor for the forecasted period.

North Central requests waiver from the above-referenced requirement. North Central does not calculate or otherwise utilize a gross revenue factor in its normal course of business. Comparable information is provided, however, in the revenue requirement testimony of Gentry B. Underhill, Jr. (attached to the rate application as Exhibit 7) and the Times Interest Earned

Ratio ("TIER") testimony of Thomas M. Strait (attached to the rate application as Exhibit 8). Thus, the Commission has before it sufficient information to effectively review North Central's rate application.

807 KAR 5:001, Section 10(10)(i)

Comparative income statements, revenue statistics and sales statistics for the five (5) most recent calendar years from the application filing date, the base period, the forecasted period, and two (2) calendar years beyond the forecast period.

North Central requests waiver from the above-referenced requirement. North Central states that it does not prepare such data in the normal course of business and that comparable information is contained elsewhere in the application. North Central's audited financial statements for 1997 through 2005 are attached to the rate application as Exhibit 21. Each statement compares the financial status of the company to the prior year. The audited financial statement for 2006 is North Central's most recent independent auditor report and is attached to the rate application as Exhibit 16. Comparable financial data regarding income and revenue for the base period and forecast period may be found in Exhibit 5 (financial data for the forecast period) and Exhibit 10 (annual and monthly budget for the base period) of the rate application. North Central states it would be unduly burdensome and prohibitively expensive to prepare comparative income statements for the two calendar years beyond the forecasted period.

807 KAR 5:001, Section 10(10)(j)

A cost of capital summary for both the base and forecasted period with supporting schedules providing details on each component of the capital structure.

North Central requests waiver from the above-referenced requirement. North Central's preparation of cost of capital summaries is limited to its audited financial statements that provide

a borrowing summary reflecting cost of capital. These audited financial statements are attached as Exhibit 21 to the rate application. An explanation of the cost of capital is also provided in Thomas M. Strait's testimony attached to the rate application as Exhibit 8. The audited financial statements together with Mr. Strait's testimony are sufficient to allow the Commission to effectively and efficiently review North Central's rate application.

CONCLUSION

North Central has demonstrated good cause for granting each of the requests for waiver identified above. In each case, North Central does not prepare the requested reports or budgets or otherwise have the information readily available. In addition, it would be prohibitively expensive for North Central to prepare the reports. Moreover, North Central provided the Commission with comparable information that permits the Commission to effectively and efficiently review the rate application. Accordingly, North Central has demonstrated good cause and the Commission should grant the requested waivers.

Respectfully submitted,



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