

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF THE SALEM)
TELEPHONE COMPANY, INC.) CASE NO. 91-217

O R D E R

IT IS ORDERED that Salem Telephone Company, Inc. ("Salem") shall file the original and 15 copies of the following information with the Commission, with a copy to all parties of record, by August 28, 1992. In the event that a response to individual items becomes extraordinarily voluminous, Salem shall file an original and two copies of that response, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total Kentucky operations and Kentucky jurisdictional operations, separately. If the information cannot be provided by this date, you should submit a

motion for an extension of time stating the reason an extension is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

1. With reference to the Value of Service Study, provide an analysis categorizing the 170 functions into the following benefit categories:

a. Charges that have contributed to Salem's improved response capability to customer billing inquiries.

b. Charges that have improved Salem's ability to respond to individual service outages.

c. Charges that have improved Salem's ability to respond to system-wide emergency outages (e.g., weather related outages, downed lines, etc.).

d. Charges that have resulted in or are aimed at improving the transmission and reception quality of calls.

e. Charges relating to the implementation of 911 service for the Salem system.

f. Charges relating to the implementation of CLASS services for the Salem system.

g. Charges relating to other specific tangible benefit categories that Salem is able to identify. The categories should be individually described (in a manner similar to the above categories) and grouped with the functions relating to that category. This group should include only tangible benefits, such as identifiable cost savings or improvements in services.

h. Charges providing an intangible benefit.

i. Other charges.

2. With reference to LeaVesseur testimony, page 7, line 4, concerning the Kiesling Associates' review of the questionnaires on a statistical sampling basis, provide the following information:

a. Explain the statistical methods used in this review.

b. Provide a listing of the specific questionnaires reviewed.

c. Inasmuch as all of the recommended Kiesling Associates' disallowances are identified by specific function code, with no apparent imputation allowance made for unreviewed questionnaires, explain how the statistical sampling methodology adequately reflects the outcome of a complete review of the questionnaires.

d. Explain why a complete review of the questionnaires was not undertaken.

e. Explain how the sample selected was representative of the whole.

3. With reference to page 137 of the December 18, 1991 Hearing Transcript, provide a breakdown of the \$15,644 identified as test-year charges capitalized or recorded below-the-line. Also, indicate and explain any changes to this amount relating to the newly identified items referenced in the Value of Service Study.

4. With reference to Schedule FC, column c, clarify the representation of the amounts in this column, i.e., do these amounts represent total TDS charges billed, total TDS allocations, or total TDS charges expensed by Salem?

5. With reference to Schedule FC, column d, provide the following information:

a. For each department, provide the calculations showing the derivation of the weighted average wage rate.

b. State and explain the intended function of column d with respect to Schedule FC.

6. With reference to the estimated \$75,000 cost of the Value of Service Study, provide the following information:

a. Actual costs incurred to date.

b. Estimated additional costs to be incurred.

c. Provide a breakdown of Items a and b organized into appropriate subgroups.

d. State and explain whether Salem believes this study will benefit entities other than Salem. If yes, identify the entities.

e. Explain why Salem believes a three-year amortization period is appropriate for this cost.

f. State the expected benefit life of the Value of Service Study.

g. State the actual out-of-pocket cost to TDS for the Value Of Service Study.

7. With reference to the outside vendors selected, provide the following information:

a. Elaborate on the method used to select the comparable outside vendor.

b. State why only one outside vendor was used by each department.

c. State and explain Salem's opinion as to the difference in outcome if more than one vendor were used.

d. State whether the outside vendors were compensated for the information they provided. If so, list the amounts and explain the basis for the compensation.

8. With reference to the Kiesling Associates' report, provide the following information:

a. Provide resumes for the applicable Kiesling Associates' personnel.

b. Provide a narrative of their telecommunications work experience.

c. Elaborate on the selection process that resulted in Kiesling Associates being chosen to perform the study.

d. Elaborate on why Kiesling Associates was chosen.

e. Elaborate on TDS's prior relationship with Kiesling Associates.

f. Provide a narrative of the steps taken to assure complete independence by Kiesling Associates.

9. State whether a similar study has been undertaken by TDS in the past. If so, provide a copy of that study.

10. State whether a management audit has been conducted on TDS in the past. If so, provide a copy of the audit report.

11. Were any in-state telephone companies considered as a possible vendor for any of the functions? If yes, state these functions and provide the cost. If no, explain why not.

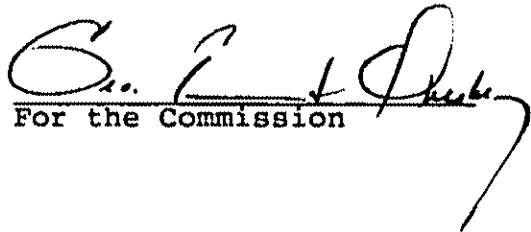
12. Are there economies of scale that could have been captured in the study by grouping departments on an out-source vendor basis?

13. Explain whether or not the Kiesling Associates' study preserves the economies of scale and scope that are currently present in TDS's telephone operations.

14. Name all persons Salem intends to call as witnesses at the public hearing and include a summary of their testimony and information concerning their background and qualifications.

Done at Frankfort, Kentucky, this 14th day of August, 1992.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director