

**CASE
NUMBER:**

99-138

INDEX FOR CASE: 99-138

AS OF : 04/16/99

FOOTHILLS RURAL TELEPHONE COOPERATIVE CORPORATION, INC.

Tariffs

COUNTY SEAT CALLING PLAN

IN THE MATTER OF THE TARIFF FILING OF FOOTHILLS RURAL
 TELEPHONE COOPERATIVE CORPORATION, INC. TO PROVIDE A COUNTY
 SEAT CALLING PLAN

SEQ	ENTRY	
NBR	DATE	REMARKS
0001	04/15/99	FINAL ORDER APPROVING TARIFF



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 99-138
FOOTHILLS RURAL TELEPHONE COOPERATIVE CORPORATION, INC.

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on April 15, 1999.

Parties of Record:

Paul E. Preston
General Manager
Foothills Rural Telephone
Cooperative Corporation, Inc.
1621 Kentucky Route 40 W
P. o. Box 240
Staffordsville , KY. 41256

Stephanie J. Bell

Secretary of the Commission

SB/sa
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF FOOTHILLS)
RURAL TELEPHONE COOPERATIVE)
CORPORATION, INC. TO PROVIDE) CASE NO. 99-138
A COUNTY SEAT CALLING PLAN)

O R D E R

On March 17, 1999, Foothills Rural Telephone Cooperative Corporation, Inc. ("Foothills RTCC") filed a new page in its General Subscriber Services Tariff. The purpose of the filing is to seek approval for the provision of a county seat calling plan ("CSCP").

The CSCP enables customers in certain areas of Foothills RTCC's serving area that are unable to call their county seat via a local call to have a flat rate plan to call their county seat via a local call. There is no additional charge for selecting the CSCP. Customers not selecting the CSCP will continue to have their present local exchange service.

In the past the Commission has approved expanded calling plans of this nature when certain conditions are met. First, the plans must encompass a community of interest and there must be adequate customer demand for the service. Second, the pricing of the service must be such that it is revenue neutral and does not affect the rest

of the general subscribership through revenue shortfalls or excessive profits to the utility.¹

Foothills RTCC states that the expanded calling area in the affected exchanges reflects their communities of interest and that there is significant demand from those customers. Foothills RTCC's proposed tariff for the CSCP contains rates that are projected to reduce its annual revenues by \$19,937.

The Commission encourages the implementation of expanded area calling plans and will continue to enforce the requirements of Administrative Case No. 285. However, where a company's financial position indicates that it can absorb revenue decreases as the result of implementation of these plans, the company will not be required to accumulate company-specific financial information to substantiate its estimate of revenue reductions. Also, revenue reductions resulting from expanded area calling plans will not be considered in a rate-making proceeding.

Thus, the Commission approves Foothills RTCC's March 17th proposal with an effective date of April 17, 1999. In addition, the Commission finds that Foothills RTCC should adhere to the guidelines discussed in Case No. 91-250.²

IT IS THEREFORE ORDERED that:

1. Foothills RTCC's proposed tariff is approved.
2. Based on a review of the financial impact to Foothills RTCC, the company will not be required to gather 12 months of company-specific data as

¹ Administrative Case No. 285, An Investigation Into the Economic Feasibility of Providing Local Measured Service Telephone Rates in Kentucky, Order Issued October 25, 1990.

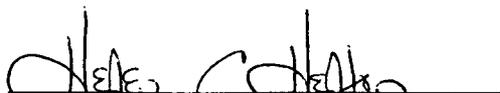
² Case No. 91-250, South Central Bell Telephone Company's Proposed Area Calling Service Tariff, Order Issued April 9, 1992.

necessary to demonstrate the reasonableness and accuracy of its forecasts for its
CSCP.

Done at Frankfort, Kentucky, this 15th day of April, 1999.

By the Commission

ATTEST:


Executive Director



P. O. BOX 240 • 1621 KY HWY 40 W • STAFFORDSVILLE, KY 41256

March 17, 1999

Ms. Helen Helton, Executive Director
Public Service Commission
Commonwealth of Kentucky
P.O. Box 615
730 Schenkel Lane
Frankfort, KY 40602

RECEIVED

MAR 17 1999

PUBLIC SERVICE
COMMISSION

Dear Ms. Helton:

Pursuant of 807 KAR 5:011, Section 6, please find enclosed an original and ten copies of proposed revisions to Foothills Rural Cooperative Corporation Cooperative, Inc.'s ("Foothills") General Subscriber Services Tariff, Foothills proposes a county seat calling plan ("CSCP"). This petition will add PSC 1, Part II, Original Page 63 to the General Subscriber Services Tariff.

Foothills has attempted to address the county seat calling through various calling plans. The most recent plan is the Optional Area Calling Plan. However, Foothills continues to get complaints concerning the cost of calling the county seat in the 297 area of Lawrence County and a small area in Magoffin County. A number of individuals contend that the OACP fails to provide a low cost alternative for contacting schools, hospitals, and court house located in the county seats. After reviewing their complaints, Foothills does believe that their complaints have some merit. We have worked with the political leaders in the area to attempt to develop an alternative plan that would minimize the impact on our other members while addressing this problem. Foothills feels that the CSCP provides a workable alternative to free EAS.

The proposed CSCP tariff will offer subscribers, that are unable to call their county seat through a flat rate plan, the option of continuing their present local exchange service or to take the alternative CSCP. The CSCP will permit them to communicate with their county seat at the same flat rate as local exchange service.

Attachment 2 provides the estimated financial impact of the proposed CSCP on Foothills finances. Foothills estimates that the adoption of the CSCP will have some negative revenue impact, however, the adoption of the

Ms. Helen Helton, Executive Director
March 17, 1999
Page 2

CSCP will not create a situation which will generate a rate case.

The proposed tariff will permit some Foothills subscribers the opportunity to better utilize their telephone system at a minimal cost to the cooperative. The proposed tariff is in response to a long standing demand from our membership and local and state political leaders for a flat rate alternative to toll service within these counties. CSCP will provide members in the affected exchanges the opportunity to purchase an alternative flat rate county seat calling plan which reflects their community of interest. The CSCP will require subscribers to change their telephone number to subscribe to the CSCP service. The net impact is that CSCP expands subscriber service options and results in a more equitable treatment of those members.

This tariff will provide cooperative members in the affected exchanges the opportunity to select an alternative to the current toll message service for calls to their county seats. According to our calculations, this tariff would result in a net reduction in annual revenues of approximately \$19,937. Attachment 2 to this filing details the net financial impact on Foothills from this proposed tariff filing. The loss will consist of the lost toll revenue that result from the free calls. Attachment 2 provides the worst case scenario.

The impact of this filing, though not revenue neutral, will not harm Foothills financial viability. Foothills believes that the net impact on Foothills will not generate a rate case.

If either the PSC and/or the Staff have any questions concerning the proposed CSCP, please contact me or my staff.

Sincerely,


Paul E. Preston
General Manager

PEP/cjw

enclosures

Foothills Rural Telephone Cooperative Corporation
County Seat Calling Plan
March 1, 1999

Community of Interest Analysis

The following describes the community of interest considerations that Foothills Telephone Cooperative Corporation, Inc. ("Foothills") has taken into account in proposing this County Seat Calling Plan ("CSCP").

On April 10, 1998, approximately 105 citizens of Lawrence County petitioned Foothills to provide telephone service to all of Lawrence County. The petitioners indicated that their schools, hospitals, courthouse, and doctors were located in Louisa. The households located in this area of Lawrence County cannot contact Louisa or other areas within Lawrence County without using a toll call. On December 5, 1999 filed an Optional Area Calling Plan ("OACP") to address this concern. However, residents in the area affected continue to contend that the cost of using this service is too high. Because of the volume of calls Foothills believes that the residents of these areas have a legitimate complaint concerning the lack of flat rate service in their counties. To address their complaint Foothills is proposing the CSCP.

In its petition to adopt the OACP plan Foothills demonstrated that a community of interest existed in Lawrence and Magoffin Counties between the affected areas and the county seat. The community of interest continues to exist for the reasons included in that filing.

Using January, 1999 as a test month there were 3,005 calls lasting 13,459 minutes between the Lawrence County area of the 297 exchange and the other exchanges within Lawrence County. On annual basis there are approximately 36,060 calls lasting approximately 200,208 minutes between the Lawrence County 297 exchange and the other exchanges in Lawrence County. This level of traffic demonstrates that there is a community of interest between the Lawrence County 297 exchange and the other exchanges within Lawrence County. The remaining potential subscribers to this tariff are minimal so their traffic has not been included in our calculations.

Foothills has sufficient transmission capacity in place to handle the increase in traffic stimulated under the CSCP. Therefore, no additional investment will be necessary to implement this program. There will be a minimal amount of expenses associated with re-programming the switches to permit implementation of this plan. Foothills does not anticipate any outside plant expenditures. The programming will be completed by Foothills' personnel so expenses will be less than \$1,000. No other expenses will be associated with the implementation of this program.

In estimating the revenue impact of the proposed CSCP, Foothills assumed that all subscribers eligible for the CSCP will subscribe. Foothills calculated the amount of loss

revenue would be approximately \$19,937. Because some of the affected subscribers will be unwilling to change their telephone numbers, Foothills does believe that the estimated revenue loss will be less because all of the potential subscribers will not take CSCP.

Foothills Telephone Cooperative

County Seat Calling Plan

	Lost Access Revenues	Lost Toll Revenues	Plan Revenue	Final Revenue Impact
1. Intra-company		(\$19,937)		(\$19,937)
Total		(\$19,937)		(\$19,937)

Assumptions:

1. All subscriber eligible for the CSCP service will take the service.
2. January toll traffic is a reasonable estimate of lost toll revenue for the other months of the year.
3. Foothills has sufficient capacity to handle the increased traffic so there are no additional costs associated with the plan. Any re-programing will be performed by current Foothills' personnel.

General Subscribers Services Tariff

Foothills Rural Telephone Cooperative Corp.

PSC No.1

Part II

Original Sheet 63

County Seat Calling Plan

I. County Seat Calling Plan

A. 1. County Seat Calling Plan Definition

A flat rate calling service that permits subscribers to call their county seat on a flat rate basis.

2 This service is available to all business and residential customers that reside within a county in which the customer is unable to call the county seat via a free call. The customer will be provided the opportunity to select on a one time basis either their current local exchange service or the County Seat Calling Plan. If the subscriber selects the County Seat Calling Plan, the Plan will replace the customer's current local exchange service. The subscriber will be required to remain on the Plan for at least one year after selecting the County Seat Calling Plan. Subscribers who subscribe to Payphone Service may not subscribe to this County Seat Calling Plan.

(N)

B. Rates and Charges

1. Existing local exchange rates will apply to the County Seat Calling Plan.

Monthly Rates

Residential	\$12.00
Business	\$19.40

2 All subscribers that are resident in a county are eligible to subscribe to this plan to call their county seats unless otherwise restricted.

3. A Conversion Charge of \$10.00 will apply to change of service unless it is an initial conversion or a new installation.

Issued: March 17, 1999

Effective: April 17, 1999

By Paul E. Treton, Manager
Foothills Telephone Cooperative Corporation, Inc.