

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

NOTICE OF CONTINENTAL TELEPHONE )  
COMPANY OF KENTUCKY OF AN ADJUST- ) CASE NO. 8182  
MENT IN ITS INTRASTATE RATES )

O R D E R

On October 9, 1981, Continental Telephone Company of Kentucky ("Continental") filed a petition for rehearing of the Commission's Order in Case No. 8182, issued on September 21, 1981. Continental's petition requested rehearing on the following issues:

1. The imputation of additional intrastate toll revenues to reflect a recent increase in the authorized rate of return of South Central Bell Telephone Company;
2. The imputation of additional fixed charges associated with the use of unamortized Job Development Investment Credit in Continental's capitalization;
3. A reduction in the allowable return on equity from the 16.5% upon which Continental's filing was premised to the allowed figure of 14.25%; and
4. A request that the Commission take note of the evidence regarding the quality of service being rendered and grant an additional increment in the allowed rate of return.

### Summary

The Commission's review of the petition discloses that Continental raised no issues that were not fully considered by the Commission in its Order of September 21, 1981. Further, Continental had full opportunity to present its position on each of these issues at the hearings held on May 4, 1981, and August 4, 1981.

In its petition, Continental alleged that the Commission failed to consider the quality of service being provided. A fundamental rate-making principle is that a utility be allowed an opportunity to earn a fair rate of return on capital supplied by its common shareholders. This opportunity is the economic incentive required for any enterprise to provide good service. In this case, the Commission found the range of fair returns for common equity for Continental was from 13.5% to 14.5%. The Commission then fixed the fair rate of return at 14.25% which is near the top of the range. The fixing of the return near the top of the range should encourage Continental to continue to provide good service.

The Commission finds that these matters have heretofore been considered and that no sufficient reasons have been advanced to convince the Commission to modify or vacate its Order.

For the reasons set forth herein, the Commission HEREBY  
ORDERS that the application for rehearing filed by Continental  
be and hereby is denied.

Done at Frankfort, Kentucky, this 26th day of October, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Vohy  
Chairman

Katharine Randall  
Vice Chairman

Jim Caruga  
Commissioner

ATTEST:

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Secretary