

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

NOTICE OF ADJUSTMENT OF RATES )  
OF WEST KENTUCKY RURAL TELEPHONE ) CASE NO. 8381  
COOPERATIVE CORPORATION, INC. )

O R D E R

IT IS ORDERED that West Kentucky Rural Telephone Cooperative Corporation shall file an original and five copies of the following information with the Commission, with a copy to the Attorney General's Division of Consumer Protection, by January 7, 1982. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case will be dismissed.

1. A copy of REA Form 479 for each month of the test period and the preceding 12-months and a copy of REA Form 479A for the periods ending December 31, 1979 and 1980. If these reports are not available on a monthly basis provide the quarterly, semi-annual or annual reports available for this period.

2. A statement of telephone plant in service per company books for the test year ending July 31, 1981. This data should be presented as shown in Format I, attached.

3. An analysis of Account 675 - Other Expenses and Account 642 - Advertising. This data should be presented as shown in Format II, attached. Provide work papers (detail) in support of the analysis. As a minimum, the work papers should show the date, vendor, reference (i.e. voucher number, etc.), dollar amount and brief description of

each expenditure. With regard to Account 642, Advertising, the purpose as defined in 807 KAR 5:016E of each expenditure and the expected benefit should be shown.

4. The following information with regard to uncollectible accounts for the test year:

- a. Reserve account balance at the beginning of the year.
- b. Charges to reserve account (accounts charged off).
- c. Credits to reserve account.
- d. Current year provision.
- e. Reserve account balance at the end of the year.
- f. Percent of provision to total revenue.
- g. An explanation of the method used to calculate the annual uncollectible provision.

5. a. If any changes were made in service charges during the test period, furnish detailed work papers showing revenue actually billed during the test year as service charges using test period units and end-of-test period rates with actual billed revenues.

b. Similarly show revenue adjustments for any other changes in rates or charges during the test period, due to base rate area expansion, zone charges, exchange regrouping, etc.

6. a. Provide an explanation of the settlement contract(s) or method(s) used with South Central Bell and any other telephone companies (name company or companies) to arrive at applicant's Kentucky intrastate and interstate test period toll revenues.

b. Provide the Traffic Agreement presently in use for settlement purposes.

c. Provide explanations of the method(s) used to divide total toll revenues (whether received through settlements or otherwise) into the intrastate and interstate portions, broken down into message toll, WATS, private line (B-1 and I-1 if appropriate), foreign exchange and any other items contributing to these portions.

d. Provide four copies of the toll settlement summary forms for each of the months beginning with the third month prior to the start of the test period and continuing up to the month of the filing of the rate case.

e. Provide a statement of concurrence from South Central Bell that the test period intrastate toll settlement revenue is correct giving dollar amounts for each major class of total service settled. If concurrence cannot be obtained, provide a detailed statement of differences.

7. a. Provide the status of all intrastate toll settlements, by major class of toll service, with South Central Bell that were pending at the beginning and at the end of the test period that would affect the test period intrastate toll revenues. Indicate the finality of these settlements with South Central Bell, and if they are not final, give the expected amounts and the expected dates they will be finalized. These amounts are to be reconciled with book entries including amounts accrued for anticipated future settlement adjustments.

b. Provide written explanations with appropriate work papers of each change or adjustment in intrastate toll settlements which was booked during the test period, but was applicable to

settlements outside of the test period and which was booked outside the test period, but was applicable to settlements covering portions of the test period.

c. Provide any other information the applicant deems necessary to explain the debits and credits to its toll revenues in order to arrive at a representative level of end-of-test period intrastate toll revenues.

8. A copy of the Company's current by-laws.

9. Details of the Company's policies regarding assignment, accumulation, and disbursement of patronage capital.

10. A schedule of all charitable, social, political, or community contributions during the test period along with the account charged for each item.

11. A schedule of all industry association and club dues for the test period along with the account charged for each item.

12. The dollar amount of employee concession telephone service for the 12-months of the test year as shown in Format III, attached. Include a narrative explanation of the company's policies concerning these concession rates.

13. In comparative form, an income statement, a statement of changes in financial position, and a balance sheet for the test year and the 12-month period immediately preceding the test year.

14. A copy of the auditor's report from your most recent audit.

15. A schedule of salaries and wages for the test year and each of the 5 calendar years preceding the test year as shown in Format IV, attached.

16. The utility's times interest earned ratio and debt service coverage ratio, as calculated by the Rural Electrification Administration, for the test year and the 5 preceding calendar years. Include the data used to calculate each ratio.

17. The utility's rate of return on net investment rate base for the test year and 5 preceding calendar years.

18. The estimated dates for draw down of unadvanced loan funds at test year-end and the proposed uses of these funds.

19. The board resolution approving the September 1, 1981, general wage adjustment of non-union employees and any contract agreement that has been reached with union employees.

20. In comparative form, end-of-period account balances for all plant accounts for the test year and the 3 preceding calendar years.

21. A detailed pro forma income statement for the test year showing operations for the actual test year, normalized test year and pro forma test year. This data should be presented as shown in Format V, attached.

22. Detailed work papers showing calculations supporting all normalizing and pro forma adjustments to revenues and expenses in the pro forma income statement, together with a complete detailed narrative explanation of each adjustment, including the reason(s) for each adjustment. Explain all components of each calculation and index each calculation to the adjustment it supports.

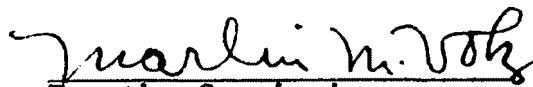
23. The work papers showing calculations supporting the hospitalization insurance adjustment and show the increases in

insurers' rates along with any documents supporting insurers' rate increase. Explain all components used in each calculation. Provide the number of employees covered by the program and if the program covers all employees.

24. Provide a detailed analysis of expenses incurred during the test year for professional services as shown in attached Format VI, and all detailed working papers supporting the analysis. At minimum the working papers should show the payee, dollar amount, reference (i.e. voucher no., etc.) account charged, hourly rates and time charged to the utility according to each invoice, and a brief description of the service provided.

25. The Commission in Case No. 7927 Ordered West Kentucky Rural Telephone Cooperative Corporation to revise its wage and salary increase policy. Describe the measures that have been taken by West Kentucky to comply with the Order. Explain the current policy in effect. Provide work papers supporting any wage adjustment during the test year. The work papers should be broken down by employee, hours of straight time, hours of overtime, hourly rate of pay, total pay for test year, and normalized test year wages. Provide computations of the quarterly wage increases for each wage category.

Done at Frankfort, Kentucky, this 22nd day of December, 1981.  
PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

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Secretary

West Kentucky Rural Telephone Cooperative Corporation, Inc.

Case No. 8381

KENTUCKY COMBINED OPERATIONS  
STATEMENT OF TELEPHONE PLANT IN SERVICE  
TEST YEAR ENDING July 31, 1981

<u>Account Number</u>	<u>Accounts (a)</u>	<u>Balance Beginning of Year (b)</u>	<u>Additions (c)</u>	<u>Retirements (d)</u>	<u>Balance End Of Year (e)</u>	<u>Intrastate Percent (f)</u>	<u>Intrastate Portion (g)</u>
<u>Telephone Plant in Service:</u>							
201	Organization						
202	Franchises						
203	Patent rights						
211	Land						
212	Buildings						
221	Central Office equipment						
231	Station apparatus						
232	Station connections						
234	Large private branch exchanges						
241	Pole lines						
242.1	Aerial cable						
242.2	Underground cable						
242.3	Buried cable						
242.4	Submarine cable						
243	Aerial wire						
244	Underground conduit						
261	Furniture and office equipment						
264	Vehicles and other work equipment						
100.1	Total telephone plant in service						

\*NOTE: Indicate if any depreciation rates changed during the test year.

West Kentucky Rural Telephone Cooperative Corporation, Inc.

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KENTUCKY COMBINED OPERATIONS  
SUMMARY OF ACCOUNT NO. 675 - OTHER EXPENSES  
FOR THE TEST YEAR ENDING July 31, 1981

<u>Line</u> <u>No.</u>	<u>Description</u> (a)	<u>Amount</u> (b)
1.	Valuations, inventories, and appraisals	
2.	Business Information System (BIS) expense	
3.	Purchase of employees service emblems	
4.	Membership fees and dues	
5.	Directors' fees and expenses	
6.	Printing Annual Report	
7.	FCC Filing and Grant Fees	
8.	Company apportioned amounts for various items	
9.	Other items (itemize)	
10.	-	
11.	-	
12.	Total	



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KENTUCKY COMBINED OPERATIONS  
ACCOUNT 642 - ADVERTISING  
FOR THE TEST YEAR ENDING July 31, 1981

<u>Line</u> <u>No.</u>	<u>Item</u> (a)	<u>Sales</u> <u>Advertising</u> (b)	<u>Institutional</u> <u>Advertising</u> (c)	<u>Rate</u> <u>Case</u> (d)	<u>Total</u> (e)
1.	Newspapers and periodicals				
2.	Booklets and pamphlets				
3.	Bill inserts				
4.	Displays, exhibits, posters, and placards				
5.	Motion pictures				
6.	Radio				
7.	Television				
8.	Salaries and wages				
9.	Other advertising				
10.	Other expenses				
11.	Total				



Commonwealth of Kentucky  
West Kentucky Rural Telephone Cooperative Corporation, Inc.

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ANALYSIS OF SALARIES AND WAGES CHARGED TO EXPENSE  
TEST YEAR ENDING July 31, 1981

<u>Item No.</u>	<u>Item (a)</u>	<u>12 Months Ended</u>					<u>Test Year (g)</u>
		<u>Calendar Years Prior to Test Year</u>					
		<u>5th (b)</u>	<u>4th (c)</u>	<u>3rd (d)</u>	<u>2nd (e)</u>	<u>1st (f)</u>	
		\$	\$	\$	\$	\$	\$
1.	Maintenance						
2.	Traffic						
3.	Commercial						
4.	Revenue Accounting						
5.	General Office and Administrative Salaries:						
6.	(a) Executive Department						
7.	(b) Accounting Department <sup>A/</sup>						
8.	(c) Treasury Department						
9.	(d) Law Department						
10.	(e) Other General Office Salaries						
11.	(f) General Office and Administrative Salaries allocated to Kentucky						
12.	Total General Office Administrative Salaries (Line 6 thru 11)						
13.	Total General Office Charged Expense (Lines 1 thru 4 + Line 12)						
14.	Construction						
15.	Total Salaries and Wages	\$	\$	\$	\$	\$	\$

Excluding Revenue Accounting Salaries and Wages

PRO FORMA INCOME STATEMENT  
Case No. 8381  
WEST KENTUCKY RWCC

Actual 12 mos.  
ended 7/31/81

Normalizator  
Adjustments

Normalized  
Test Year

Pro-forma  
Adjustments

Pro-forma  
1981

Operating Revenues  
Local Service Revenues  
Toll Service Revenues, Net  
Miscellaneous Operating Revenues  
Uncollectible Operating Revenues Debit  
Total

Operating Expenses  
Maintenance Expenses  
Traffic Expenses  
Commercial Expenses  
General Office Salaries & Expenses  
Other Operating Expenses  
Operating Taxes  
Depreciation Expense  
Amortization Expense  
Total

Operating Income

Other Income

Income Available for Fixed Charges

Fixed Charges  
Interest on Long Term Debt  
Less Interest Charged to Construction  
Total

Net Income (Loss)

## West Kentucky Rural Telephone Cooperative Corporation, Inc.

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## Professional Service Expenses

For the Twelve Months Ended July 31, 1981

<u>Line No</u>	<u>Item</u>	<u>Rate Case</u>	<u>Annual Audit</u>	<u>Other</u>	<u>Total</u>
1.	Legal				
2.	Engineering				
3.	Accounting				
4.	Other				
5.	Total				