

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF LEWISPORT)
TELEPHONE COMPANY, INC., FOR)
APPROVAL OF THE EXPENSING) CASE NO. 8817
OF STATION CONNECTIONS)

O R D E R

IT IS ORDERED that Lewisport Telephone Company, Inc., ("Lewisport") shall file an original and nine copies of the following information with the Commission by August 20, 1983. Each copy of the data requested should be placed in a bound volume with each item tabbed. Where a number of sheets are required for an item, each sheet should be appropriately indexed; for example, Item 1(a), Sheet 2 of 6. Careful attention should be given to copied material to insure that it is legible. Moreover, Lewisport shall furnish the name of the witness who will be responsible for responding to questions concerning each area of information outlined. If neither the requested information nor a motion for extension of time is filed by the stated date, the case may be dismissed.

Staff Request No. 1

1. A calculation of the impact on revenue requirement as a result of the expensing of station connections as outlined in Attachment A.

2. A calculation of service charges as outlined in Attachment B.

3. A billing analysis for proposed service charges.

Done at Frankfort, Kentucky, this 3rd day of August, 1983.

PUBLIC SERVICE COMMISSION


By the Commission

ATTEST:

Secretary

ATTACHMENT A.

This attachment is a suggested technique for estimating the impact on the revenue requirement of expensing station connection expenses. Your company may substitute a different method if you choose.

Account 232 must be separated. The companies which have the cost already separated should use the recorded amounts. The companies which do not have the account separated must use one of the following three methods:

1. Conduct a new time and motion study.
2. Use an existing study.
3. Use the attached industry study.

A copy of the study should be attached and filed with the study results.

A. As of year end 1980 (or more current period, if available) show separately the amounts for:

- a. Plant in service for station connections--inside wire
- b. Plant in service for station connections--other
- c. Depreciation reserve for station connections--inside wire
- d. Depreciation reserve for station connections--other

For expediency purposes, the reserve should be apportioned in the same manner as plant in service for Account 232. If the present reserve for Account 232 is negative, the negative amount should be assigned to station connections--inside wire and the reserve for station connections--other set at zero.

-Other

W

W

W

W

-Total

XW

XW

XW

C. Projected station connection expenses - Four Year Phase-in
(The abbreviation SC-I refers to Station Connections-Inside Wire.)

Line No.	Description	Year 1	Year 2	Year 3	Year 4
1	Annual depreciation expense for account 232 at present rates	\$ Z	\$ Z	\$ Z	\$ Z
2	Less: Depreciation on SC-Other (1)	(Y)	(Y)	(Y)	(Y)
3	Subtotal	<u>\$ ZY</u>	<u>\$ ZY</u>	<u>\$ ZY</u>	<u>\$ ZY</u>
4	Embedded SC-I (2) times 10%	\$ T	\$ T	\$ T	\$ T
5	Year 1 SC-I additions (3) times .75 times 10% = A	1/2A	A	A	
6	Year 2 SC-I additions (3) times .50 times 10% = B		1/2B	B	
7	Year 3 SC-I additions (3) times .25 times 10% = C			1/2C	
8	New depreciation SC-I	<u>TD</u>	<u>TD</u>	<u>TD</u>	<u>TD</u>
9	Increase (decrease) depreciation: L8-L3	<u>\$ ZX</u>	<u>\$ ZX</u>	<u>\$ ZX</u>	<u>\$ ZX</u>
10	Year 1-SC-I additions (3) times .25	\$ D			
11	Year 2 SC-I additions (3) times .50		\$ E		
12	Year 3 SC-I additions (3) times .75			\$ F	
13	Year 4 SC-I additions (3) times 1				\$ G
14	Cost of removal	H	I	J	
15	Salvage	L	M	N	
16	Cost of reconnects & reinstalls	<u>P</u>	<u>O</u>	<u>R</u>	
17	Impact of expensing SC-I each year (L10 through L16)	<u>\$ DX</u>	<u>\$ EX</u>	<u>\$ FX</u>	<u>\$ GX</u>
18	Total impact - four year phase in (L17 plus L9)	<u>\$ XZ</u>	<u>\$ XZ</u>	<u>\$ XZ</u>	<u>\$ XZ</u>

- (1) Use 5% rate times SC-Other (embedded cost + projected SC-Other additions) unless you can justify some other rate.
- (2) Embedded SC-I (Investment less accumulated reserve as of conversion date).
- (3) New additions should be estimated for each year of the four year period. Depreciation rate on new addition is 10% annually, but only 1/2 of this annual depreciation is allowed in the first year of the addition.

SERVICE CHARGES

<u>Description of Charge</u>	<u>Definition of Charge</u>	<u>Charge Amount</u>
Service Order Charge (All Services)	Work operation that occurs in business office, traffic, work assignment, revenue, etc. as required by customer for work performed by telephone company.	_____
Line Connection Charge (All Services)	Work operation required to provide link between central office and customers premises up to and including protector.	_____
) Premises Visit Charge (All Services)	Work operation requiring visit to customers premises.	_____
) Premises Work Charge -) (Residential) b) (Business)	Work operation requiring the inside wiring of customers premises including wall jacks.	_____
) Station Handling Charge (All Stations)	Work operation requiring the moving, connecting, or changing of telephones.	_____

- a) Service Order Charge=labor (.3 hours X _____ per hour) = \$ _____
- b) Line Connection Charge=labor (.5 hours X _____ per hour) = \$ _____
- c) Premises Visit Charge=labor (.5 hours X _____ per hour) +
vehicle charge (.5 hours X _____ per hour) = \$ _____
- Dr) Residential Premises Work Charge = material (residential wire + jack + 1.00) = labor (.6 hours X _____ per hour) = \$ _____
- Db) Business Premises Work Charge = material (business wire + jack + 1.00) = labor (.9 hours X _____ per hour) = \$ _____
- E) Station Handling Charge = labor (.3 hours X _____ per hour) = \$ _____

SERVICE CONNECTION CHARGES BASED ON SERVICE CHARGES

<u>Service Connection Charge</u>	<u>Make-up of Charge*</u>	<u>Charge</u>
<u>Main Station -</u>		
<u>Business</u>		
Instrument in Place	A+C	_____
Instrument Not in Place	A+B+C+D+E	_____
Initial Pre-wiring	A+C+D	_____
Pre-wiring completion	B+E	_____
<u>Residence</u>		
Instrument in Place	A+C	_____
Instrument Not in Place	A+B+C+D+E	_____
Initial Pre-wiring	A+C+D	_____
Pre-wiring completion	B+E	_____
<u>Extension</u>		
Business	A+C+D+E	_____
Residence	A+C+D+E	_____
<u>Moves and Changes</u>		
<u>Minimum Trip</u>		
Business	A+C+E	_____
Residence	A+C+E	_____
<u>Inside Move</u>		
Main Station - Business	A+C+D+E	_____
- Residence	A+C+D+E	_____
Extension - Business	A+C+D+E	_____
- Residence	A+C+D+E	_____
<u>Outside Move</u>		
Main Station - Business	A+B+C+E	_____
- Residence	A+B+C+E	_____
Extension - Business	A+B+C+E	_____
- Residence	A+B+C+E	_____
<u>Change Type or Color</u>		
Business	A+C+E	_____
Residence	A+C+E	_____
Service Call	A+C	_____
<u>Reconnect</u>		
Business	A+C	_____
Residence	A+C	_____

) Charges should be based upon only the work functions actually performed

Industry Study
232 Cost Analysis

<u>Material Costs (Per Unit)</u>	Capitalize	Expense
Protector	_____	_____
Grounding Device	_____	_____
Drop Wire		
% Aerial Drops x 110' x Cost Aerial Drop/foot	_____	_____
% Buried Drops x 150' x Cost Buried Drop/foot	_____	_____
Inside Wire		
% Residential x 30' x Cost Inside Wire/foot	_____	_____
% Business x 45' x Cost Inside Wire/foot	_____	_____
Jack		
Miscellaneous Material	1.00	1.00
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TOTAL MATERIAL	_____	_____
<u>Labor Costs</u>		
Service Order Charge		
.5 X .3 hours X _____ per hour	_____	_____
Line Connection Charge		
Connect Line .5 hours X _____ per hour	_____	_____
Install Drop 1.2 hours X _____ per hour	_____	_____
Premises Visit Charge		
.5 X .5 hours X _____ per hour	_____	_____
Station Handling Charge		
.3 hours X _____ per hour	_____	_____
Premises Work Charge		
.7 hours X _____ per hour	_____	_____
<hr/>		
TOTAL LABOR	_____	_____
* Other Charges to be included if not part of loaded labor rate.		
<u>Other Charges</u>		
Vehicle Charges		
.5 X .5 hours X _____ per hour	_____	_____
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TOTAL OTHER CHARGES	_____	_____

$$\% \text{ Capitalize} = \frac{\text{Total Cost Capitalize}}{\text{Total Cost Capitalize} + \text{Total Cost Expense}} \times 100 = \underline{\hspace{2cm}}$$

$$\% \text{ Expense} = 100 - \% \text{ Capitalize} = \underline{\hspace{2cm}} \%$$