

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

ADJUSTMENT OF RATES OF GENERAL)
TELEPHONE COMPANY OF KENTUCKY) CASE NO. 8859

O R D E R

IT IS ORDERED that General Telephone Company of Kentucky ("GTKY") shall file an original and 15 copies of the following information with the Commission on or before October 7, 1983. 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 insure that it is legible. Where information requested herein has been provided along 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 company operations and Kentucky jurisdictional operations, separately. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

1. With respect to the expected live requirements included in response to Item 87 of Staff Request No. 2, how was the company forecasted customer growth determined? Provide any studies with any assumptions used to make these projections.

2. Did GTKY perform any detailed studies to determine the level of revenue to be associated with its proposed \$19,594,653 adjustment to rate base? If so, provide these studies.

3. Provide a comparison of projected revenues and expenses to the actual results for each of the last five years. Use the same time periods and methodology as that used to project normalized revenues and expenses for the test period. Eliminate from this comparison the effects of rate increases or accounting changes allowed by this Commission.

4. (a) Does GTKY believe that its end of period construction eligible for IDC is representative of what GTKY will experience in the future? If not, explain in detail why it isn't.

(b) Is GTKY familiar with the Commission's methodology for basing an allowance for IDC on the overall return allowed? If the company disagrees with the policy state all reasons for the disagreement.

5. What has been GTKY's ratio for uncollectible revenues for the last five years? Calendar years are acceptable.

6. Has GTKY performed any cost studies to determine that it is more cost efficient to maintain its own construction crew rather than have all its construction work contracted? If yes, provide the study.

7. Explain the methodology used to estimate what A rated bonds would be yielding in December 1983, referred to in the Company's response to item 6 of Kentucky Staff Request #1.

(a) What rate is being referred to as the July, 1983, rate, in the Company's response to Item 11 of Kentucky Staff Request #1?

(b) What is the source of the July 1, 1983, rate?

(c) Explain why 50 basis points were added to the July, 1983, rate.

8. In Item No. 75, Staff Request No. 2, the dollar amounts proposed for the construction budget are given for 1983, 1984, and 1985 for central office equipment, carrier equipment, and outside plant, specifically Fiber Optics. To arrive at the figures given, GTKY must have a construction schedule on an exchange by exchange basis. Please provide the budget for each exchange for the indicated categories. Also for each exchange provide the type of equipment to be installed, the amount of equipment to be installed, the cost of the equipment, and the cost to install the equipment. If this information is not available, provide the means used to determine the construction budget. Provide the construction budget and detailed information requested above for 1983, 1984, and 1985.

9. With respect to the response to Item No. 76, Staff Request No. 2, indicate the manner in which GTKY arrived at the given figures for the specified plant categories. Provide the work papers used to derive these figures. Also provide the detailed methodology used by GTKY to determine the need for

increased amounts of central office equipment, carrier equipment, and outside plant. Are traffic studies done? If so, please describe in detail the type of traffic studies used to determine the need for additions to telephone plant.

10. In response to Item No. 77A, Staff Request No. 2, GTKY provided 2 lists of the types of equipment from which they will chose. Please provide the type and manufacturer of equipment in each central office for each excahnge, more specifically, the type of switching equipment. Also on an exchange basis, provide the type and manufacturer of switching equipment referencing the specific equipment presently installed that it will replace.

11. In response to Item No. 80, Staff Request No. 2, GTKY stated it had not made analyses to develop costs on a "per-line" basis. Please provide the cost of implementing local measured service for each exchange in which local measured service will be offered in the next 5 years, also identifying the exchange and the total number of customer access lines in that exchange. If this information is not available, explain what means was used to determine if local measured service is ecomonically feasible?

12. In response to Item No. 81, Staff Request No. 2, GTKY states that they have no ESSX-2 equipment in service. This "ESSX-2" was a misprint in the question. It should have been EAX-2. Please provide the location of each central office which uses the EAX-2 switching equipment. Provide the date on which it was installed, and the expected date of replacement along with all economic justification for replacement. Provide the number of customer access lines in each of these offices, both currently and

the projected number of lines at the expected replacement date. Also provide the estimated cost to make the change over in each office.

13. In response to Item No. 79, Staff Request No. 2, GTKY states that the construction budget as proposed represents the most cost effective means of providing for the maintenance of existing equipment and the provision of service to new applicants. GTKY further states that modernization has been included only to the extent dictated by sound economic analysis. Please provide this sound economic analysis upon which GTKY is relying. The analysis should be in detailed form, specifically, by central office for those to be modernized in the next 5 years. Also provide any and all analysis used to determine the outside plant modernization since some type must exist to make such economically justifiable.

14. (a) Does GTKY prioritize its construction projects?

(b) If the answer to part (2) is yes, provide a schedule of planned construction projects for 1984 and 1985 ranked by the prioritization process.

15. In response to Item 83 of Staff Request No. 2, GTKY stated, "Preliminary studies to evaluate usage sensitive services, done within GTKY, indicate that four-element measured service, universally applied to local, will benefit both customers and Company." Provide any preliminary results of LMS studies for GTKY's operations. In addition provide documentation of the experimental research design which will be used to evaluate LMS in Kentucky. Such documentation should include experiment

objectives, assumptions, data required and cost-benefit methodology.

16. Provide cost-benefit studies performed by GTKY on its local measured service experiment in Illinois exchanges. Provide any additional studies on LMS which have been performed in other regulatory jurisdictions by GTKY.

17. Provide GTKY's current plan and schedule for implementing local measure service offerings in its Kentucky exchanges.

18. In hearings on Case No. 8873 on August 30, 1983, Mr. Larry Sparrow offered to make available to the Commission the details of a GTKY proposal concerning a consumer means test for individuals in need of assistance in paying their phone bills. Please provide.

19. The response to Item 84 of Staff Request No. 2 in Case No. 8859 indicated portable usage study equipment will be used in Kentucky.

(a) How long has such equipment been in use in Kentucky, or, if not currently in use, when is its use anticipated to begin?

(b) Provide preliminary results of the study conducted with this equipment. Supplement your initial response on a monthly basis.

20. What specific administrative burdens and expenses would GTKY experience as a result of a system of intrastate access charges mirroring the traffic sensitive portions of the interstate access tariff while setting a constant markup on the carrier

common line portion of the interstate tariff, (e.g., 120 percent of the interstate charge to interexchange carriers)?

21. Describe in general terms the functions of the automated polling features and equipment referred to in the response to Item 85 of Staff Request No. 2.

22. Explain specifically why the investments for automated billing system detailed in response to Item 85 are necessary. This answer should address but not be limited to the following areas:

I. Does GTKY currently have automated end to end billing capability throughout its service area?

II. Do the investments represent the deployment of a new system or argumentation or modernization of an existing system?

III. What are the specific consequences for billing capability if these investments are not undertaken?

23. With regard to response to Item 85 of Staff Request No. 2, explain how the amount of \$239,000 was arrived at as being the portion of total investments in automated billing system equipment used exclusively for LMS. Provide workpapers.

24. With regard to the response to Staff Request No. 2, Item 16, GTKY states that intrastate toll usage data is not available in the format specified by the Commission. Provide toll usage data of the type requested by the Commission in any format(s) used by GTKY.

25. With regard to the response to Staff Request No. 2, Item 23, disaggregate monthly service charges between access,

equipment and miscellaneous charges. Also, disaggregate interstate and intrastate toll billing between business and residence. Finally, provide the number of access lines associated with each service category.

26. With regard to the response to Staff Request No. 2, Item 28, provide interexchange carrier points of presence as they become known to GTKY.

27. With regard to the response to the Staff Request No. 2, Item 44, provide a breakdown of cable fill in GTKY's service area for 1982 by exchange and wire center. Also, provide a statement as to GTKY's planning strategy relative to optimum cable fill and cable fill targets.

28. With regard to the response to Staff Request No. 2, Item 1(a), provide the cost of developing GTKY's carrier billing system when the information becomes available. Also, for items 1(a) and 1(c), identify the rate elements to which the cost of developing GTKY's carrier billing system and modifying GTKY's existing billing systems has been or will be allocated?

29. With regard to the response to Staff Request No. 2, Item 6(b), provide the percentage of GTKY's total NTS investment that will be assigned to intrastate intralata toll service of all types after January 1, 1984, when the information becomes available.

30. With regard to the response to Staff Request No. 2, Item 7(a), identify the frozen SPF factor used per FCC procedures after April 2, 1982.

31. With regard to the response to Staff Request No. 2, Item 8(b), provide the percentage of GTKY's intrastate toll SLU that will be assigned to intrastate intralata toll service of all types after January 1, 1984, when the information becomes available.

32. With regard to the Staff Request No. 2, Item 9, provide GTKY's intrastate minutes of use for toll service of all types for 1982, disaggregated between interlata and intralata minutes of use, when the information becomes available.

33. With regard to the response to Staff Request No. 2, Items 14 (a-d), provide revenue estimates for carrier access services, carrier contract services, toll services, and end-user charges when the information becomes available.

Done at Frankfort, Kentucky, this 30th day of September, 1983.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary