

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) CASE NO. 8861
ADJUSTMENT IN ITS RATES)

O R D E R

IT IS ORDERED that Continental Telephone Company of Kentucky ("Continental") shall file an original and 15 copies of the following information with the Commission on or before October 14, 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. Provide all exhibits of Ann M. Vaffis in support of the proposed rate increase on an intrastate basis.

2. What studies has Continental performed or relied upon to identify and quantify the various components which effects an attrition adjustment such as the one requested by Continental? Provide any such studies or other data referred to above. Is Continental aware of the Commission's policy of not allowing attrition adjustments?

3. What studies has Continental performed or relied upon to identify and quantify the various factors of the proposed expense adjustment for erosion? Provide copies of all studies or other data referred to above. Is Continental aware of the Commission's policy of not allowing erosion (inflation) adjustments?

4. Has the adjusted directory advertising revenue associated with the expense adjustment for directory advertising commissions been included in this filing? If so, reference the amount and where it was included in this filing. If not, provide the dollar amount for these revenues.

5. Provide the workpapers showing the actual calculations for Continental's projected relief and pension costs.

6. How were the amounts in Vaffis Schedule 3, Item 5, Page 3 for the non-Popenoe portions of Investment, line 11; Reserve, line 24; and Deferred Taxes, line 37 determined? Provide all necessary calculations.

7. Elaborate on the statement in Ann M. Vaffis' testimony in Section 111.D.3, starting on page 52, line 15, which indicates that without an attrition adjustment Continental would not reduce its manpower requirements. This should include any studies or assumptions relied upon by Continental to reach this conclusion.

8. What necessitated the \$8.8 million increase in account 212.7, Buildings - General? Where are these buildings located and what are they used for?

9. Explain how the 8.3 to 10 percent compound growth rate in dividends, listed on line 9, page 49, of Dr. Garfield's prefiled testimony, was derived.

10. Explain how the 8.3 to 11.4 percent compound growth rate in dividends, listed on line 11, page 49, of Dr. Garfield's prefiled testimony, was derived.

11. Provide all workpapers used in the calculation of the growth rates listed on pages 41 through 44 of Dr. Garfield's prefiled exhibit.

12. Provide the unadjusted dividend yields for the nine independent telephone companies for 1982 and for the 1st 8 months of 1983, as shown on page 45 of Dr. Garfield's prefiled exhibit.

13. A. Explain the derivation of the variability of rate of earnings on equity (1972-1981), shown on page 36 of Dr. Garfield's prefiled exhibit.

B. Provide all workpapers used in the calculation of the variability percentages.

14. Provide a list of the 50 largest independent telephone companies, referred to on page 29 of Dr. Garfield's prefiled exhibit.

15. A. Explain how the 12 percent interest rates, for the 1983 debt additions, listed on page 34, of Dr. Garfield's prefiled exhibit, were derived.

B. Explain how the \$1,500,000 and the \$2,000,000 amounts of the 1983 debt additions were determined.

16. Provide an update of item 2A, of the initial staff request dated July 25, 1983, through the most recent month for which data is available.

17. A. Are the nine investment-grade independent telephone companies the only ones that met the criteria for selection discussed in Appendix A, pages 1 through 4, of Dr. Garfield's prefiled testimony?

B. If not, what telephone companies were excluded and why?

18. Provide the total dollar amount of the proposed 1985 construction budget.

19. Provide details of the construction budget for 1983 and proposed budgets for 1984 and 1985 in the following areas:

- a) Central office equipment (COE)
- b) Carrier equipment
- c) Outside plant, specifically fiber optics

20. Supply copies of work papers which provide economic justification for additions and changes in the plant categories indicated above.

21. A. Where known, provide information as to the type and manufacturer of the equipment to be used in the plant categories listed above.

B. Relative to A, what types and manufacturers of equipment were considered? Provide economic justification for the types and manufacturers selected.

22. For the COE and all outside plant categories, what percentage of construction by category is performed by contract as opposed to internal work force? Provide details of typical contract payment arrangements, and average length of contract by plant category.

23. A. Provide estimates for 1984 and 1985 of "Essential" construction expenditures based on a "status quo" program. These expenditures should be based only on maintenance of existing service and provision of service to new applicants, and should only include moderization to the same extent.

B. What would be the effect of such a construction program as outlined in part A?

24. Provide the incremental construction budget cost (i.e., software, etc.) necessary for the provision of local measured service. Provide the total amount as well as the

cost per access line for customers served by digital central offices. For central offices other than digital, provide these same total and per line costs and by type of office.

25. At Item 1 of Staff Request dated September 9, 1983, provide cost information when it becomes available. Also, identify the rate elements to which carrier billing system and billing system modifications have been or will be assigned.

26. At Item 9 of Staff Request dated September 9, 1983, convert toll minutes of use to conversation minutes of use and state the conversation time ratio used to convert the data.

27. At Item 14(c) of Staff Request dated September 9, 1983, provide an estimate of toll settlements for 1983 and 1984.

28. At Item 28 of Staff Request dated September 9, 1983, provide other carrier points of presence as they become known.

29. At Item 31 of Staff Request dated September 9, 1983, provide the results of spot message counts conducted by Continental.

30. At Item 41 of Staff Request dated September 9, 1983, provide total access line fill factors for each of Continental's exchanges and for each rate group.

Done at Frankfort, Kentucky, this 7th day of October, 1983.

PUBLIC SERVICE COMMISSION


By the Commission

ATTEST:

Secretary