

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

KENTUCKY CABLE TELEVISION	)	
ASSOCIATION, INC.,	)	
COMPLAINANT	)	
VS.	)	CASE NO. 8982
GENERAL TELEPHONE COMPANY	)	
OF KENTUCKY,	)	
DEFENDANT	)	

O R D E R

Background

On February 9, 1984, the Kentucky Cable Television Association ("KCTA") filed a complaint with the Commission concerning the pole attachment and conduit space rates of General Telephone Company of Kentucky ("General"). On June 8, 1984, a formal conference was held under the direction of the Commission with KCTA and General, as well as other parties against which KCTA had filed similar complaints. At the conclusion of the formal conference, KCTA and General were advised to attempt to negotiate a settlement of the complaint subject to Commission review.

Thereafter, on July 24, 1984, General filed revised tariff pages with the Commission to reduce its pole attachment and conduit space rates effective August 18, 1983. The reduced rates resulted from agreement between KCTA and General of disputed issues. On August 24, 1984, General filed correspondence between

its and KCTA's counsel to verify that an agreement had been reached.

#### Discussion

In Administrative Case No. 251, The Adoption of a Standard Methodology for Establishing Rates for CATV Pole Attachments, by Orders dated August 12, 1982, and September 17, 1982, the Commission set uniform guidelines for the development of pole attachment and conduit space rates, rules, and regulations, and ordered all telephone and electric utilities providing pole attachments and conduit space to cable operators to file tariffs. General filed its tariff on October 22, 1982. On November 15, 1982, the tariff was suspended to allow the maximum statutory time for investigation of its compliance with the Commission's guidelines as set forth in Administrative Case No. 251-8, The CATV Pole Attachment Tariff of General Telephone Company of Kentucky. The Commission received comments from KCTA concerning General's tariff and on June 1, 1983, the Commission issued an Order requiring various changes to the tariff. On July 29, 1983, General filed a revised tariff, which became effective August 18, 1983. Subsequently, as indicated above, KCTA filed the complaint that is the subject of this case.

KCTA's complaint focuses on General's embedded pole investment and its pole attachment and conduit space annual carrying charge.

In its complaint, KCTA contended that General's embedded pole investment is excessive and unverifiable. However, the settlement between KCTA and General does not modify embedded pole investment.

Thus, the Commission will consider this aspect of KCTA's complaint moot.

KCTA's complaint did not address General's embedded conduit investment.

The annual carrying charge is composed of five expense allocations: depreciation, maintenance, taxes, administration and overhead, and rate of return. Of these, the depreciation and maintenance allocations are not in dispute and, thus, do not require discussion.

The Commission's Order in Administrative Case No. 251-8 defined the allocation of tax expense as the ratio of the sum of operating taxes, deferred taxes, and tax credits<sup>1</sup> to average net plant investment. In its complaint, KCTA contended that the tax allocation should be related to average gross plant investment rather than average net plant investment. The settlement between KCTA and General bases the tax allocation on average gross plant investment, adjusted to remove investment in manual switchboards in the case of embedded pole investment. The Commission will allow this modification to the method of computation ordered in Administrative Case No. 251-8.

The Commission's Order in Administrative Case No. 251-8 defined the allocation of administration and overhead expense as the ratio of the sum of average traffic, commercial, general, and

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<sup>1</sup> The Order further specified that beginning rather than average tax account balances should be used. This is an obvious error which the settlement between KCTA and General corrects, and with which the Commission concurs.

other operating expenses to average net plant investment. In its complaint, KCTA first contended that traffic, commercial, general, and other operating expenses directly allocable to message telecommunications services should not be included in the administration and overhead expense allocation. In effect, KCTA contended that only general and other operating expenses, less lobbying expenses, charitable contributions, and general licenses and services, should be included. Second, KCTA contended that the administration and overhead expense allocation should be related to average gross plant investment rather than average net plant investment.

In general, the settlement between KCTA and General follows KCTA's position. All traffic expenses have been excluded from the administration and overhead expense allocation and adjustments have been made for lobbying expenses and charitable contributions. In addition, the administration and overhead expense allocation is based on average gross plant investment, adjusted for manual switchboard investment in the case of embedded pole investment. As above, the Commission will allow these modifications of the method of computation ordered in Administrative Case No. 251-8.

The Commission's Order in Administrative Case No. 251-8 defined the allocation of rate of return as the most recent rate of return authorized by the Commission. In its complaint, KCTA contended that the Commission's authorized rate of return should be adjusted to reflect return on average gross plant investment. The settlement between KCTA and General adjusts the most recent authorized rate of return to reflect return on average gross plant

investment, adjusted for manual switchboard investment in the case of embedded pole investment. Again, the Commission will allow this modification of the method of computation ordered in Administrative Case No. 251-8.

Lastly, the settlement between KCTA and General specifies that General will make retroactive billing adjustments to cable operators. These adjustments are designed to reconcile billing differences that result from a change from a composite pole attachment billing rate to actual two- and three-user pole attachment rates. This action is consistent with the Commission's Order in Administrative Case No. 251.

#### ORDERS

IT IS THEREFORE ORDERED that the Commission's Order in Administrative Case No. 251-8 be and it hereby is modified as discussed herein.

IT IS FURTHER ORDERED that all other provisions of the Commission's Order in Administrative Case No. 251-8 not specifically discussed herein shall remain in full force and effect.

IT IS FURTHER ORDERED that General's revised pole attachment and conduit space tariff reflecting its settlement of disputed issues with KCTA be and it hereby is approved, effective August 18, 1983.

IT IS FURTHER ORDERED that KCTA's complaint against General's pole attachment and conduit space rates be and it hereby is dismissed.

Done at Frankfort, Kentucky, this 18th day of October, 1984.

PUBLIC SERVICE COMMISSION

Richard D. Hemmell, Jr.  
Chairman

Ralph L. Lyon, Jr.  
Vice Chairman

Lawrence H. Smith  
Commissioner

**ATTEST:**

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Secretary