

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF HIGHLAND)
TELEPHONE COOPERATIVE, INC., FOR)
ORDER AUTHORIZING ADJUSTMENT OF) CASE NO. 8997
RATES AND CHARGES)

O R D E R

IT IS ORDERED that Highland Telephone Cooperative, Inc., ("Highland") shall file an original and eight copies of the following information with the Commission, with a copy to all parties of record by July 27, 1984. 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. Highland shall furnish with each response the name of the witness who will be available at the public hearing for responding to questions concerning each area of information requested. 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. 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. The detailed work papers showing calculations supporting all accounting, pro forma, end-of-period, and proposed rate adjustments in the rate application to revenue, expense, investment, and reserve accounts for the test year and a complete detailed narrative explanation for each adjustment including the reason why each adjustment is required. Explain in detail all components used in each calculation including the methodology employed and all assumptions applied in the derivation of each adjustment. Index each calculation to the accounting, pro forma, end-of-period, and proposed rate adjustment which it supports.

2. An analysis of Account 323 - Miscellaneous Income Charges for the test period. This analysis should show a complete breakdown of this account as shown in attached Format 25c, and further provide all detailed working papers supporting this analysis. As a minimum the work papers should show the date, vendor, reference (i.e., voucher no, etc.), dollar amount and brief description of each expenditure. Detailed analysis is not required for amounts of less than \$500 provided the items are grouped by classes as shown in Format 25c attached.

3. A detailed analysis of contributions for charitable and political purposes (in cash or services). This analysis should indicate the amount of the expenditures, the recipient of the contribution, and the specific account charged.

4. Provide a statement describing the applicant's lobbying activities and a schedule showing the name of the individual, his salary, the organizations or trade associations involved in and all company-paid or reimbursed expenses or allowances and the

account charged for all personnel for whom a principal function is that of lobbying, on the local, state, or national level. If any amounts are allocated, show a calculation of the factor used to allocate each amount.

5. A schedule of salaries and wages for the test year and each of the 5 calendar years preceding the test year. For each time period provide the amount of overtime pay.

6. A detailed analysis of expenses incurred during the test year for professional services as shown in attached Format 26, and all detailed working papers supporting this analysis. At minimum the work 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 to the service provided.

7. Provide the name and address of each member of the Board of Directors of Highland along with his or her personal mailing address. If, during the course of these proceedings, any changes occur in board membership, provide an update to this request.

8. The following monthly balances and a calculation of the 13 month average data for the test year operations:

- a. Plant in Service
- b. Property Held for Future Use
- c. Plant Acquisition Adjustment
- d. Construction Work in Progress - separate this balance into CWIP that is eligible for interest during construction and other CWIP.

- e. Depreciation Reserve
- f. Other Investments
- g. Miscellaneous Physical Property
- h. Material and Supplies
- i. Customer Deposits
- j. Short-term Debt (Interest on Short-term Debt Expense)

9. Provide the following information with regard to uncollectible accounts for the test year and the 5 preceding years.

- a. Reserve account balance at the beginning of the year.
- b. Charges to reserve account.
- 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.

10. A calculation of the rate or rates or other methodology used to capitalize interest during construction for the test year and the 3 preceding years. Provide a narrative explanation of each component entering into this calculation.

11. a. A listing of non-utility property and property taxes and accounts where amounts are recorded.

b. A schedule for all non-utility property giving a description, the date purchased and the cost.

12. The information as soon as it is known, which would have a material effect on net operating income, rate base, and

cost of capital which occurred after the test year and was not incorporated in the filed testimony and exhibits.

13. A detailed monthly income statement for each month after the test period including the month in which the hearing ends, as they become available.

14. In Administrative Case No. 257, the Detariffing of Customer Premise Equipment Purchased Subsequent to January 1, 1983, (Second Computer Inquiry FCC Docket 20828), the Commission required all jurisdictional telephone utilities to adopt the changes made by the FCC in part 34 of the Uniform System of Accounts.

a. Has Highland adopted those changes?

b. What effect did these changes and/or detariffing have on the revenues of Highland for the test period?

c. What change has there been on the amount of lease revenue from terminal equipment? Be specific.

d. What adjustment has Highland made to its plant accounts, if any, due to these changes?

15. Provide 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.

16. With regard to the phasing in of station connections, what portion did Highland expense during the test period. Were any adjustments made to the pro forma statements to recognize full expensing of station connections.

17. The following items are listed in Exhibit 7, Page 4 of 15, but are not included in the billing analysis for rate-making purposes. Please Explain.

- a. Six-Button Pushbutton Phone
- b. Intercom- Pushbutton
- c. Outdoor Phone
- d. Explosion Phone
- e. Bells, Chimes, Horns, Extension Bell
- f. Interior
- g. Bell Chimes
- h. Horn with Relay

18. Provide an estimate as to the amount of revenue you expect to receive from Directory Assistance.

19. Please explain why revenue from Amplified Handsets and Local Coin Call is not included in the billing analysis.

20. Using the billing analysis, Exhibit 27, Page 2 of 2, the proposed rates will produce \$694,626 annually. Exhibit 10, Page 6 of 39 shows that the proposed rates should produce \$652,994. Can you explain the difference of \$41,632?

Done at Frankfort, Kentucky, this 9th day of July, 1984.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary

COMPANY NAME

Case No. 8997

KENTUCKY COMBINED OPERATIONS
ACCOUNT NO. 323 - MISCELLANEOUS INCOME CHARGES
INCLUDED IN OPERATING EXPENSES

<u>Line</u> <u>No.</u>	<u>Item</u> <u>(a)</u>	<u>Amount</u> <u>(b)</u>
1.	Contributions (a)	
2.	Membership fees and dues (a)	
3.	Abandoned construction projects	
4.	Other (itemize)	
5.	Total	

(a) Detail attached

COMPANY NAME

CASE NO. 8997

Professional Service Expenses

For the Twelve Months Ended

<u>Line</u> <u>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				