

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF LESLIE COUNTY)
TELEPHONE COMPANY, INC., FOR) CASE NO. 9002
ORDER AUTHORIZING ADJUSTMENT OF)
RATES AND CHARGES)

O R D E R

IT IS ORDERED that Leslie County Telephone Company, Inc., ("Leslie County") shall file an original and eight copies of the following information with the Commission, with a copy to all parties of record by July 13, 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. Leslie County 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 675 - Other Expenses for the test period. This should include a complete breakdown of this account as shown in attached Format 25b, and also provide all detailed working papers supporting this analysis. At minimum, the work papers should show the date, vendor, reference (i.e., voucher no., etc.), dollar amount and a brief description of each expenditure. Detailed analysis is not required for amounts of less than \$50 provided the items are grouped by classes as shown in Format 1 attached.

3. 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.

4. 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.

5. 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.

6. A copy of the auditors's report from your most recent audit.

7. A detailed analysis of advertising expenditures during the test period. This analysis should include a breakdown of Account 642 - Advertising as shown in Format 25a, attached, and should also show any advertising expenditures included in other expense accounts. This analysis should be specific as to the purpose and expected benefit of each expenditure.

8. 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.

9. A copy of the current by-laws.

10. 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.

11. Provide the name and address of each member of the Board of Directors of Leslie County 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.

12. 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)

13. 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.

14. The dollar amount of employee concession telephone service for the 12 months of the test year as shown in Format 12 attached.

15. 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.

16. 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.

17. 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.

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

19. 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 Leslie County adopted those changes?

b. What effect did these changes and/or detariffing have on the revenues of Leslie County 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 Leslie County made to its plant accounts, if any, due to these changes?

20. 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.

21. Although no increase was proposed in Leslie County's pro forma income statement, analysis of miscellaneous operating revenues for the past 5 years indicates an upward trend in this revenue and that this trend can reasonably be expected to continue. Please provide copies of any studies, comparisons,

surveys or other documentation to support Leslie County's expected level of miscellaneous operating revenues.

22. Maintenance expenses for the test period significantly increased over those recorded in previous years (134 percent higher than 1980, 35 percent higher than 1982). Please provide a detailed narrative explanation for this higher level of expense.

23. There seem to be differences between amounts submitted in Leslie County's application and the 1983 annual report which result in a material difference in the net income figures derived from the figures. Following is a summary of the differences:

	<u>Application</u>	<u>Annual Report</u>
Miscellaneous Operating Revenue	\$ 91,764	\$ 94,137
Commercial Expenses	113,089	114,903
Other Operating Expenses	132,159	134,448
Property Taxes	48,254	47,924
Federal Income Taxes	9,372	35,538
Depreciation Expense	332,627	335,486
Long-Term Interest Expense	244,492	179,504
Interest During Construction	64,988	-0-
Other Interest Expense	539	-0-

Please reconcile these differences. Also reflect the impact of the reconciliation on each of the following:

- a. Total Operating Revenues
- b. Total Operating Deductions
- c. Total Available for Fixed Charges
- d. Net Fixed Charges
- e. Net Income

24. In the pro forma statement of income and expenses the income of \$91,764 under Miscellaneous Operating Revenue is not increased from the test year. Page 14A, Miscellaneous Services and Auxiliary Equipment shows an annual increase of \$19,990. Please provide a complete breakdown of present and proposed miscellaneous operating revenue showing how you arrived at \$91,764 and the amount of the proposed increase.

25. Please provide a breakdown of how the present revenues were determined for the following items listed on the billing analysis.

- a. One Lot of PABX Lines
- b. One Lot of Key System Lines
- c. Key System & PABX Rentals
- d. Special Circuit Revenues

26. In the Dwarf Exchange the present rate for Pay Station and PABX and Key Lines is shown as \$14.25. The proposed rate is \$18.75. Why is this rate not shown on the billing analysis? If any revenue will be realized from these charges please provide a breakdown.

27. How did you determine the annual revenue of \$3,018 realized from Pay Stations as shown on the billing analysis.

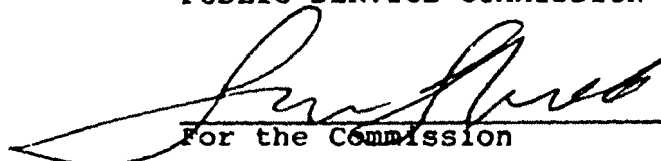
28. Please provide cost justification for the following proposed charges.

- | | |
|-----------------------------|---------|
| a. Nuisance Call Trace | \$25.00 |
| b. Central Office | 10.00 |
| c. Customer Owned Equipment | 25.00 |
| d. Check Charge | 10.00 |

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

Done at Frankfort, Kentucky, this 22nd day of June, 1984.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary

COMPANY NAME

COMMONWEALTH OF KENTUCKY

Format 12

Case No. 9002

EMPLOYEE CONCESSION TELEPHONE SERVICE
TEST YEAR ENDING

Kentucky Revenue Loss
General Office Personnel
(By percentage allowance)
Kentucky Operations
(By percentage allowance)
Allowance Provided Employees
Served by Other Telephone
Companies
Retired and Disabled Employees
(By percentage allowance)
Other

<u>No. of</u>	<u>Local</u>		<u>Toll</u>
	<u>Main</u>	<u>Other</u>	
<u>People</u>	<u>Stations</u>	<u>Services</u>	<u>Intrastate</u>
			<u>Interstate</u>

COMPANY NAME

Case No. 9002

KENTUCKY COMBINED OPERATIONS
ACCOUNT 642 - ADVERTISING
FOR THE TEST YEAR ENDING

<u>Line</u> <u>No.</u>	<u>Item</u> <u>(a)</u>	<u>Sales</u> <u>Advertising</u> <u>(b)</u>	<u>Institutional</u> <u>Advertising</u> <u>(c)</u>	<u>Rate</u> <u>Case</u> <u>(d)</u>	<u>Total</u> <u>(e)</u>
1.	Newspapers and periodicals				
2.	Booklets and pamphlets				
3.	Bill inserts				
4.	Displays, exhibits, posters, and placards				
5.	Motion pictures				
6.	Radio				
7.	Television				
8.	Salaries and wages				
9.	Other advertising				
10.	Other expenses				
11.	Total				

COMPANY NAME

Case No. 9002

KENTUCKY COMBINED OPERATIONS
SUMMARY OF ACCOUNT NO. 675 - OTHER EXPENSES
FOR THE TEST YEAR ENDING

<u>Line No.</u>	<u>Description</u> (a)	<u>Amount</u> (b)
1.	Valuations, inventories, and appraisals	
2.	Business Information System (BIS) expense	
3.	Purchase of employees service emblems	
4.	Membership fees and dues	
5.	Directors' fees and expenses	
6.	Printing Annual Report	
7.	FCC Filing and Grant Fees	
8.	Company apportioned amounts for various items	
9.	Other items (itemize)	
10.	-	
11.	-	
12.	Total	

COMPANY NAME

Case No. 9002

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. 9002

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				